

# *VERMONT*



## *COMPREHENSIVE ANNUAL FINANCIAL REPORT*

*For the fiscal year ending JUNE 30, 2002*

**STATE OF VERMONT**

**COMPREHENSIVE  
ANNUAL  
FINANCIAL REPORT**

*For the fiscal year ending JUNE 30, 2002*



*Prepared by the Department of Finance and Management*

**STATE OF VERMONT  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>PAGE</u>
<b>INTRODUCTION:</b>	
Title Page.....	1
Table of Contents.....	2 - 3
Letter of Transmittal.....	4 - 7
Organization Chart.....	8 - 9
Selected State Officials.....	10
 <b>FINANCIAL SECTION:</b>	
Independent Auditor's Report.....	12 - 14
Management Discussion and Analysis.....	15 - 27
 <b>Basic Financial Statements:</b>	
Government-wide Financial Statements:	
Statement of Net Assets.....	32 - 33
Statement of Activities.....	34 - 35
Governmental Funds Financial Statements	
Balance Sheet.....	38 - 39
Reconciliation of Governmental Fund balances to Statement of Net Assets - Governmental Activities.....	40
Statement of Revenues, Expenditures and Changes in Fund Balances.....	42 - 43
Reconciliation of Statement of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds to the Statement of Activities - Governmental Activities...	44
Proprietary Funds Financial Statements	
Statement of Net Assets.....	46 - 47
Statement of Revenues, Expenses and Changes in Net Assets.....	48 - 49
Statement of Cash Flows.....	50 - 51
Fiduciary Funds Financial Statements	
Statement of Fiduciary Net Assets.....	54
Statement of Changes in Fiduciary Net Assets.....	55
Component Unit Financial Statements	
Combining Statement of Net Assets.....	58
Combining Statement of Activities.....	59
Notes To the Financial Statements' Index.....	61
Notes To the Financial Statements.....	62 - 101
 <b>SUPPLEMENTARY INFORMATION</b>	
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule-General Fund.....	103
Budgetary Comparison Schedule-Transportation Fund.....	104
Budgetary Comparison Schedule-Education Fund.....	105
Budgetary Comparison Schedule-Special Fund.....	106
Budgetary Comparison Schedule-Federal Fund.....	107
Notes to Required Supplementary Information-Budgetary Reporting.....	108
 <b>Supplementary Information-Combining and Individual Fund Statements and Schedules:</b>	
Governmental Funds	
Nonmajor Governmental Funds	
Combining Balance Sheet.....	112 - 115
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	116 - 119

**STATE OF VERMONT  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>PAGE</u>
<b>Proprietary Funds</b>	
<b>Nonmajor Enterprise Funds</b>	
Combining Statement of Net Assets.....	122 - 123
Combining Statement of Revenues, Expenditures and Changes in Net Assets.....	124 - 125
Combining Statement of Cash Flows.....	126 - 127
<b>Internal Service Funds</b>	
Combining Statement of Net Assets.....	130 - 133
Combining Statement of Revenues, Expenditures and Changes in Net Assets.....	134 - 137
Combining Statement of Cash Flows.....	138 - 141
<b>Fiduciary Funds</b>	
<b>Pension Trust Funds</b>	
Combining Statement of Plan Net Assets.....	144 - 145
Combining Statement of Changes in Plan Net Assets.....	146 - 147
<b>Agency Funds</b>	
Combining Statement of Changes in Assets and Liabilities.....	150 - 152
<b>Component Units</b>	
<b>Non-major Component Units</b>	
Statement of Net Assets.....	154 - 155
Statement of Activities.....	156
 <b>STATISTICAL SECTION (Unaudited):</b>	
Revenue by Source-Major Governmental Funds - Last 10 Fiscal Years.....	158 - 159
Expenditures by Function-Major Governmental Funds-Last 10 Years.....	158 - 159
State Indebtedness—Procedure for Authorization and Debt Statement as of June 30, 2002.....	160 - 162
Ratio of General Obligation Bonded Debt to Assessed Taxable Property Value and General Obligation Bonded Debt Per Capita—Last 10 Fiscal Years.....	163
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Fund Expenditures—Last 10 Fiscal Years.....	164
Ratio of Annual Debt Service Expenditures for Transportation Bonded Debt to Total Transportation Fund Expenditures—Last 10 Fiscal Years.....	164
Property Values and Taxes in Vermont—Last 10 Fiscal Years.....	165
Demographic Statistics:	
* Employment.....	166
* Vermont Non-Agricultural Wage and Salary Employment by Industry.....	167
* Educational Attainment - Vermont vs U.S as of March 2002.....	167
Income and Sales Tax Rates—Last 10 Fiscal Years.....	168
Vermont's Ten Largest Employers as of March 2002.....	169



**STATE OF VERMONT  
DEPARTMENT OF FINANCE AND MANAGEMENT  
MONTPELIER, VERMONT 05609-0401**

**LETTER OF TRANSMITTAL**

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the State of Vermont for the fiscal year ending June 30, 2002. The Department of Finance and Management prepared this report, which includes the Basic Financial Statements as required by Title 32, Vermont Statutes Annotated Section 182(a)(8).

This CAFR's financial section contains two new reporting features that are worth reviewing. First is the new Management Discussion and Analysis (MD&A) that follows the Auditor's opinion. This analysis is designed to give the reader an overview of the State's financial position, described in layman's terms, in order to better understand the results of operations of Vermont's state government.

The second feature, which follows the MD&A, consists of the Basic Financial Statements (BFS), which were prepared in conformity with the generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The BFS contain two new government-wide statements that present the State's financial activities in a manner similar to that of a private corporation. Additionally, the fund statements that follow the government-wide statements have been changed in both content and format to meet GASB's new reporting requirements. Finally, the note disclosures that follow the fund statements have also been upgraded to meet the new GASB requirements. We believe these statements and notes are fairly stated in all material respects and that they are presented in a manner designed to fairly report the State of Vermont's financial position and results of operations and changes in the net assets/fund balances. Responsibility for the completeness and fairness of the presentation, including all disclosures, rests with the State of Vermont's Department of Finance and Management.

In addition to the MD&A and BFS, this CAFR includes a Required Supplementary Information (RSI) section and a Statistical section. The RSI section contains Budget vs.

Actual Schedules; combining fund financial statements that include the State's non-major Governmental, Proprietary, Fiduciary, and Internal Service Funds; and the State's non-major component units. The statistical section presents fiscal, social, and demographic information about the State of Vermont.

### **Timing Of This Financial Report**

Before addressing the topics traditionally covered in this transmittal letter, I will recognize the obvious. This financial report is significantly late, and thus of reduced relevance to the reader. As many of you know, since taking office earlier this year, the Douglas Administration has worked diligently to resolve problems that developed due to the confluence of two major events in Fiscal Year (FY) 2002:

- **Repercussions from the implementation of a new statewide accounting system (VISION)**

The State of Vermont's new financial reporting system went live on July 1, 2001, the first day of FY 2002. As has been widely reported, the introduction of the VISION system was exceedingly challenging due to:

- Technical glitches, which prevented certain transactions from properly processing. These glitches created significant complications during the year-end close that required subsequent corrective action.
- The learning curve associated with the implementation of VISION on a statewide basis was very steep; Vermont staff was trained for things running smoothly, but not for the occurrence of operating problems. In the end, the Financial Operations and Technical Services staff struggled with little support through a very demoralizing period, responding reactively to address only the most urgent operational problems.
- VISION is a more decentralized accounting system than its predecessor; thus there are far more opportunities for error generation by users. It is a more flexible but complex system that requires end-users to have a much better grasp of basic accounting knowledge than before. In FY 2002, end-users were not always able to correctly enter data into the system or to identify problems as they arose. Thus, hundreds of mistakes, generated by individual units of State government, went unresolved during the year and had to be identified, researched and corrected after year-end, greatly delaying the financial closing and reporting process.

Due to numerous errors generated by individual VISION users in departments and the complexity of the system itself, the Treasurer's Office had difficulty reconciling VISION cash balances to bank account balances. These difficulties were exacerbated by the lack of a Treasurer's module in the VISION system that could have somewhat automated the reconciling process.

- Poor system performance had a significant detrimental impact on the first year-end close and subsequent reporting process.
- In order to help departments, which were struggling with VISION and the new closing process, the deadlines stipulated in the year-end closing instructions for FY2002 were more generous than they should have been. The established deadlines consumed too much time and delayed the process and the resolution of a mountain of problems.

- **Implementation of GASB 34 accounting standards**

New Governmental Accounting Standards Board (GASB) Statements, most notably Number 34 (GASB #34) require all States (and larger municipalities) to comply with revised accounting and reporting standards designed to give readers a more comprehensive representation of the State's financial position. Vermont's old Financial Management Information System (FMIS) was neither capable of providing the necessary information to meet these requirements nor able to satisfy other reporting needs. This is one of the main reasons Vermont invested in the new VISION accounting system.

Complying with GASB #34 entailed more work than was originally projected. While the implementation of GASB #34's requirements also proved problematic for many other states, Vermont had the additional challenge of simultaneously dealing with the repercussions of its new financial management system (VISION).

To overcome these two convergent challenges required exceptionally hard work and the cooperation of numerous employees in the Executive Branch, State Auditor's Office, and Treasurer's Office. Being new to public service, I have been extremely impressed by how diligently the State employees responded to this significant problem.

So in conclusion, while the underlying fiscal situation of the State has been very healthy, particularly in comparison with many other states, the financial reporting process has been most challenging. We have instituted numerous changes to improve this unacceptable situation.

### **The General Fund**

The General Fund, the State's largest operating fund, accounts for all revenues and other receipts that are not required by law to be accounted for or deposited in other funds and represents a significant portion of Vermont's financial activity. Tax revenues, principally personal income taxes, sales and use taxes and meals and room taxes, constitute approximately 84% of the General Fund budgetary-basis revenues. The functional assignments for the General Fund expenditures are: General Government, Protection to Persons and Property, Human Services, General Education, Natural Resources, Commerce and Community Development and Debt Service.

## **Budget Adoption and Legal Compliance/Budgetary Results**

Note 1 describes the State's budgeting process, while schedules for the State's five major governmental funds (comparing each fund's original budget, final budget, actual expenditures incurred on a budgetary basis, and the variance between the final budget and actual expenditures) are included as Required Supplementary Information (RSI). As the adopted budget provides legal control over spending, expenditures cannot exceed amounts appropriated under Vermont law. Budgetary control is exercised by type of fund within appropriation.

### **Cash and Investments**

Cash deposits are managed by the State in accordance with the provisions of Title 32, Vermont Statutes Annotated, and Sections 431-434, which defines the requirements the Treasurer must adhere to when depositing public monies. The State Treasurer pools substantially all cash except that which is required to be maintained separately in accordance with legal restrictions. Note 2 provides more detail regarding this important area.

### **Risk Management**

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

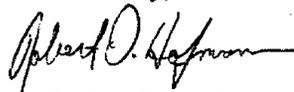
### **Independent Audit**

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

### **Acknowledgements**

The preparation of this report would not have been possible without the work of dedicated staff in the Department of Finance and Management, the Treasurer's Office, the Auditor of Accounts Office and the support of all State agencies and component units, the Legislature, and the Judiciary. We welcome inquiries concerning this report and the finances of the State of Vermont.

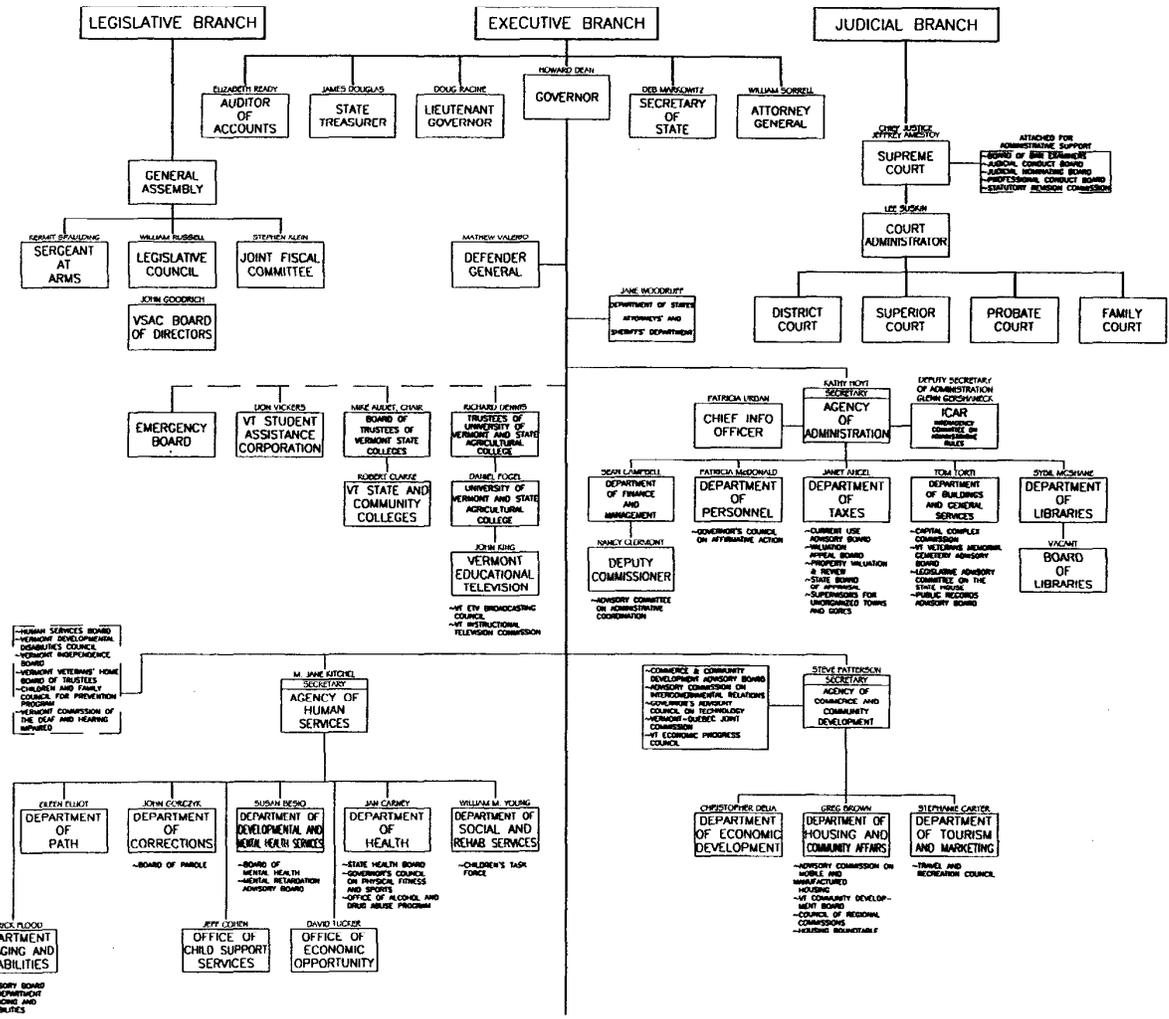
Sincerely,



Robert D. Hofmann  
Commissioner

November 21, 2003





ATTACHED FOR ADMINISTRATIVE SUPPORT  
-MOTOR VEHICLE REGISTRATION BOARD

DOCK MEYFAIT  
TRANSPORTATION BOARD

DIANA DEARLES  
SECRETARY  
AGENCY OF TRANSPORTATION

DOUGLAS BUTLER  
DEPARTMENT OF MOTOR VEHICLES  
-DEALER'S ADVISORY REGISTRATION BOARD

ATTACHED FOR ADMINISTRATIVE SUPPORT  
-CONNECTICUT BRIDGE COMMISSION  
-TRAVEL INFORMATION COUNCIL & OUTDOOR ADVERTISING  
-MOUNTAIN TRAFFIC COMMITTEE

EVERY DRISCOLL  
DIVISION OF POLICY & PLANNING

ELLEN THORNTON  
DIVISION OF FINANCE & ADMINISTRATION

DAVID ULL  
DIVISION OF MAINTENANCE & AVIATION

JOHN FERRELL  
DIVISION OF TECHNICAL SERVICES

DAVE SCOTT  
DIVISION OF PROGRAM DEVELOPMENT

TAMM WALLIS  
DEPARTMENT OF LABOR & INDUSTRY  
-BOARD OF LABOR REGULATION AND MEDIATION  
-ELECTRICIAN LICENSING BOARD  
-OCCUPATIONAL SAFETY AND HEALTH REVIEW BOARD  
-PROFESSIONAL TRAINING BOARD  
-PLUMBER EXAMINING BOARD  
-STATE APPRENTICESHIP COUNCIL  
-ARCHITECTURAL BARBER COMPLIANCE BOARD

STEVE GOLD  
DEPARTMENT OF EMPLOYMENT & TRAINING  
-EMPLOYMENT SECURITY BOARD  
-EMPLOYMENT AND TRAINING ADVISORY COUNCIL  
-COMPLAINT COUNCIL FOR EMPLOYMENT AND TRAINING  
-HUMAN RESOURCE INVESTMENT COUNCIL  
-COLLEGE BOUNDARIES POLICY COUNCIL

ELIZABETH CORTIS  
DEPARTMENT OF DRINKING, INSURANCE, SECURITIES, AND HEALTH CARE ADMIN.  
-ADVISORY BOARD ON INTERSTATE BANKING

A. JAMES WOLTON  
DEPARTMENT OF PUBLIC SAFETY  
-VT EMERGENCY MANAGEMENT COMMISSION  
-VT STATE POLICE  
-VT CRIME INFORMATION CENTER  
-STATE POLICE ADVISORY COMMISSION  
-STATE EMERGENCY RESPONSE COMMISSION

MARINA KAMMILLE  
MILITARY DEPARTMENT

LION GRUNDY  
DEPARTMENT OF AGRICULTURE, FOOD & MARKETS  
-AGRICULTURE DEVELOPMENT COMMISSION  
-VT STATE PRODUCTION COUNCIL  
-VT WHEAT COMMISSION  
-VT APPLE MARKETING BOARD  
-VT NATURAL RESOURCES CONSERVATION COUNCIL

CHRISTINE SULLIVAN  
DEPARTMENT OF PUBLIC SERVICE  
-VT NUCLEAR ADVISORY PANEL  
-VT TELECOMMUNICATIONS RELAY SERVICE ADVISORY COUNCIL

JAMES LITVICH  
FIRE SERVICE TRAINING COUNCIL

THE MOONSHIN  
STATE LABOR RELATIONS BOARD

RONALD MACFILL  
CRIMINAL JUSTICE TRAINING COUNCIL

MICHAEL DRUMMOND  
PUBLIC SERVICE BOARD

ALAN VANNOY  
VERMONT LOTTERY COMMISSION

HARVEY GOLDBERG  
HUMAN RIGHTS COMMISSION

JUDITH SUTHERN  
GOVERNOR'S COMMISSION ON WOMEN

EVELYN ROSEY  
ENHANCED 9-1-1 BOARD  
-VERMONT COUNCIL ON FAMILY VIOLENCE

MEL FRANKLEY  
VT MUNICIPAL RETIREMENT BOARD

TERENCE MACKING  
STATE EMPLOYEES RETIREMENT BOARD

LAMARCKE CHASE  
TEACHERS' RETIREMENT BOARD

FRANK MEDVEDOFF  
BOARD OF EDUCATION

DANIEL O'BRIEN  
LIQUOR CONTROL BOARD

IRVING SILVERSTEIN  
RACING COMMISSION

-TEACHERS' RETIREMENT SYSTEM  
-MUNICIPAL RETIREMENT SYSTEM  
-STATE EMPLOYEES RETIREMENT SYSTEM

RAY MARSHALL  
DEPARTMENT OF EDUCATION

MICHAEL HOGAN  
DEPARTMENT OF LIQUOR CONTROL

-HIGHER COUNCIL ON VOCATIONAL EDUCATION  
-COMPREHENSIVE HEALTH EDUCATION ADVISORY COUNCIL  
-SCHOOL COUNCIL ON SPECIAL EDUCATION  
-SENIORS BOARD FOR PROFESSIONAL EDUCATORS  
-STATE CHAPTER 2 ADVISORY COMMITTEE  
-COMMITTEE ADVISORY COUNCIL ON ADULT EDUCATION  
-CHAPTER 1 HONORARY COUNCIL  
-COUNCIL OF INDEPENDENT SCHOOLS

SCOTT JONSTON  
SECRETARY  
AGENCY OF NATURAL RESOURCES

ATTACHED FOR ADMINISTRATIVE SUPPORT  
-ENHANCED SPECIAL COMMITTEE  
-ENVIRONMENTAL BOARD AND DISTRICT COMMISSIONS  
-WATER RESOURCES BOARD

CONRAD MOTYLA  
DEPARTMENT OF FORESTS, PARKS AND RECREATION  
-BOARD OF FORESTS, PARKS & RECREATION  
-NORTHVERMONT FOREST FIRE PROTECTION COMMISSION  
-PERIODIC ADVISORY COUNCIL  
-FOREST RESOURCE ADVISORY COUNCIL

RON FROGMAN  
DEPARTMENT OF FISH & WILDLIFE  
-FISH AND WILDLIFE BOARD

CYRUS REICHERT  
DEPARTMENT OF ENVIRONMENTAL CONSERVATION  
-SOIL WATER & AIR QUALITY INSURANCE BOARD

DEPARTMENT OF LABOR & INDUSTRY

DEPARTMENT OF EMPLOYMENT & TRAINING

DEPARTMENT OF DRINKING, INSURANCE, SECURITIES, AND HEALTH CARE ADMIN.

DEPARTMENT OF PUBLIC SAFETY

MILITARY DEPARTMENT

DEPARTMENT OF AGRICULTURE, FOOD & MARKETS

DEPARTMENT OF PUBLIC SERVICE

FIRE SERVICE TRAINING COUNCIL

STATE LABOR RELATIONS BOARD

CRIMINAL JUSTICE TRAINING COUNCIL

PUBLIC SERVICE BOARD

VERMONT LOTTERY COMMISSION

HUMAN RIGHTS COMMISSION

GOVERNOR'S COMMISSION ON WOMEN

ENHANCED 9-1-1 BOARD

VT MUNICIPAL RETIREMENT BOARD

STATE EMPLOYEES RETIREMENT BOARD

TEACHERS' RETIREMENT BOARD

BOARD OF EDUCATION

LIQUOR CONTROL BOARD

RACING COMMISSION

-TEACHERS' RETIREMENT SYSTEM  
-MUNICIPAL RETIREMENT SYSTEM  
-STATE EMPLOYEES RETIREMENT SYSTEM

DEPARTMENT OF EDUCATION

DEPARTMENT OF LIQUOR CONTROL

-HIGHER COUNCIL ON VOCATIONAL EDUCATION  
-COMPREHENSIVE HEALTH EDUCATION ADVISORY COUNCIL  
-SCHOOL COUNCIL ON SPECIAL EDUCATION  
-SENIORS BOARD FOR PROFESSIONAL EDUCATORS  
-STATE CHAPTER 2 ADVISORY COMMITTEE  
-COMMITTEE ADVISORY COUNCIL ON ADULT EDUCATION  
-CHAPTER 1 HONORARY COUNCIL  
-COUNCIL OF INDEPENDENT SCHOOLS

AGENCY OF NATURAL RESOURCES

DEPARTMENT OF FORESTS, PARKS AND RECREATION

DEPARTMENT OF FISH & WILDLIFE

DEPARTMENT OF ENVIRONMENTAL CONSERVATION

DEPARTMENT OF LABOR & INDUSTRY

DEPARTMENT OF EMPLOYMENT & TRAINING

DEPARTMENT OF DRINKING, INSURANCE, SECURITIES, AND HEALTH CARE ADMIN.

DEPARTMENT OF PUBLIC SAFETY

MILITARY DEPARTMENT

DEPARTMENT OF AGRICULTURE, FOOD & MARKETS

DEPARTMENT OF PUBLIC SERVICE

FIRE SERVICE TRAINING COUNCIL

STATE LABOR RELATIONS BOARD

CRIMINAL JUSTICE TRAINING COUNCIL

PUBLIC SERVICE BOARD

VERMONT LOTTERY COMMISSION

HUMAN RIGHTS COMMISSION

GOVERNOR'S COMMISSION ON WOMEN

ENHANCED 9-1-1 BOARD

VT MUNICIPAL RETIREMENT BOARD

STATE EMPLOYEES RETIREMENT BOARD

TEACHERS' RETIREMENT BOARD

BOARD OF EDUCATION

LIQUOR CONTROL BOARD

RACING COMMISSION

-TEACHERS' RETIREMENT SYSTEM  
-MUNICIPAL RETIREMENT SYSTEM  
-STATE EMPLOYEES RETIREMENT SYSTEM

DEPARTMENT OF EDUCATION

DEPARTMENT OF LIQUOR CONTROL

-HIGHER COUNCIL ON VOCATIONAL EDUCATION  
-COMPREHENSIVE HEALTH EDUCATION ADVISORY COUNCIL  
-SCHOOL COUNCIL ON SPECIAL EDUCATION  
-SENIORS BOARD FOR PROFESSIONAL EDUCATORS  
-STATE CHAPTER 2 ADVISORY COMMITTEE  
-COMMITTEE ADVISORY COUNCIL ON ADULT EDUCATION  
-CHAPTER 1 HONORARY COUNCIL  
-COUNCIL OF INDEPENDENT SCHOOLS

AGENCY OF NATURAL RESOURCES

DEPARTMENT OF FORESTS, PARKS AND RECREATION

DEPARTMENT OF FISH & WILDLIFE

DEPARTMENT OF ENVIRONMENTAL CONSERVATION

DEPARTMENT OF LABOR & INDUSTRY

DEPARTMENT OF EMPLOYMENT & TRAINING

DEPARTMENT OF DRINKING, INSURANCE, SECURITIES, AND HEALTH CARE ADMIN.

DEPARTMENT OF PUBLIC SAFETY

MILITARY DEPARTMENT

DEPARTMENT OF AGRICULTURE, FOOD & MARKETS

DEPARTMENT OF PUBLIC SERVICE

FIRE SERVICE TRAINING COUNCIL

STATE LABOR RELATIONS BOARD

CRIMINAL JUSTICE TRAINING COUNCIL

PUBLIC SERVICE BOARD

VERMONT LOTTERY COMMISSION

HUMAN RIGHTS COMMISSION

GOVERNOR'S COMMISSION ON WOMEN

ENHANCED 9-1-1 BOARD

VT MUNICIPAL RETIREMENT BOARD

STATE EMPLOYEES RETIREMENT BOARD

TEACHERS' RETIREMENT BOARD

BOARD OF EDUCATION

LIQUOR CONTROL BOARD

RACING COMMISSION

-TEACHERS' RETIREMENT SYSTEM  
-MUNICIPAL RETIREMENT SYSTEM  
-STATE EMPLOYEES RETIREMENT SYSTEM

DEPARTMENT OF EDUCATION

DEPARTMENT OF LIQUOR CONTROL

-HIGHER COUNCIL ON VOCATIONAL EDUCATION  
-COMPREHENSIVE HEALTH EDUCATION ADVISORY COUNCIL  
-SCHOOL COUNCIL ON SPECIAL EDUCATION  
-SENIORS BOARD FOR PROFESSIONAL EDUCATORS  
-STATE CHAPTER 2 ADVISORY COMMITTEE  
-COMMITTEE ADVISORY COUNCIL ON ADULT EDUCATION  
-CHAPTER 1 HONORARY COUNCIL  
-COUNCIL OF INDEPENDENT SCHOOLS

AGENCY OF NATURAL RESOURCES

DEPARTMENT OF FORESTS, PARKS AND RECREATION

DEPARTMENT OF FISH & WILDLIFE

DEPARTMENT OF ENVIRONMENTAL CONSERVATION

DEPARTMENT OF LABOR & INDUSTRY

DEPARTMENT OF EMPLOYMENT & TRAINING

DEPARTMENT OF DRINKING, INSURANCE, SECURITIES, AND HEALTH CARE ADMIN.

DEPARTMENT OF PUBLIC SAFETY

MILITARY DEPARTMENT

DEPARTMENT OF AGRICULTURE, FOOD & MARKETS

DEPARTMENT OF PUBLIC SERVICE

FIRE SERVICE TRAINING COUNCIL

STATE LABOR RELATIONS BOARD

CRIMINAL JUSTICE TRAINING COUNCIL

PUBLIC SERVICE BOARD

VERMONT LOTTERY COMMISSION

HUMAN RIGHTS COMMISSION

GOVERNOR'S COMMISSION ON WOMEN

ENHANCED 9-1-1 BOARD

VT MUNICIPAL RETIREMENT BOARD

STATE EMPLOYEES RETIREMENT BOARD

TEACHERS' RETIREMENT BOARD

BOARD OF EDUCATION

LIQUOR CONTROL BOARD

RACING COMMISSION

-TEACHERS' RETIREMENT SYSTEM  
-MUNICIPAL RETIREMENT SYSTEM  
-STATE EMPLOYEES RETIREMENT SYSTEM

DEPARTMENT OF EDUCATION

DEPARTMENT OF LIQUOR CONTROL

-HIGHER COUNCIL ON VOCATIONAL EDUCATION  
-COMPREHENSIVE HEALTH EDUCATION ADVISORY COUNCIL  
-SCHOOL COUNCIL ON SPECIAL EDUCATION  
-SENIORS BOARD FOR PROFESSIONAL EDUCATORS  
-STATE CHAPTER 2 ADVISORY COMMITTEE  
-COMMITTEE ADVISORY COUNCIL ON ADULT EDUCATION  
-CHAPTER 1 HONORARY COUNCIL  
-COUNCIL OF INDEPENDENT SCHOOLS

AGENCY OF NATURAL RESOURCES

DEPARTMENT OF FORESTS, PARKS AND RECREATION

DEPARTMENT OF FISH & WILDLIFE

DEPARTMENT OF ENVIRONMENTAL CONSERVATION

DEPARTMENT OF LABOR & INDUSTRY

DEPARTMENT OF EMPLOYMENT & TRAINING

DEPARTMENT OF DRINKING, INSURANCE, SECURITIES, AND HEALTH CARE ADMIN.

DEPARTMENT OF PUBLIC SAFETY

MILITARY DEPARTMENT

DEPARTMENT OF AGRICULTURE, FOOD & MARKETS

DEPARTMENT OF PUBLIC SERVICE

FIRE SERVICE TRAINING COUNCIL

STATE LABOR RELATIONS BOARD

CRIMINAL JUSTICE TRAINING COUNCIL

PUBLIC SERVICE BOARD

VERMONT LOTTERY COMMISSION

HUMAN RIGHTS COMMISSION

GOVERNOR'S COMMISSION ON WOMEN

ENHANCED 9-1-1 BOARD

VT MUNICIPAL RETIREMENT BOARD

STATE EMPLOYEES RETIREMENT BOARD

TEACHERS' RETIREMENT BOARD

BOARD OF EDUCATION

LIQUOR CONTROL BOARD

RACING COMMISSION

-TEACHERS' RETIREMENT SYSTEM  
-MUNICIPAL RETIREMENT SYSTEM  
-STATE EMPLOYEES RETIREMENT SYSTEM

DEPARTMENT OF EDUCATION

DEPARTMENT OF LIQUOR CONTROL

-HIGHER COUNCIL ON VOCATIONAL EDUCATION  
-COMPREHENSIVE HEALTH EDUCATION ADVISORY COUNCIL  
-SCHOOL COUNCIL ON SPECIAL EDUCATION  
-SENIORS BOARD FOR PROFESSIONAL EDUCATORS  
-STATE CHAPTER 2 ADVISORY COMMITTEE  
-COMMITTEE ADVISORY COUNCIL ON ADULT EDUCATION  
-CHAPTER 1 HONORARY COUNCIL  
-COUNCIL OF INDEPENDENT SCHOOLS

AGENCY OF NATURAL RESOURCES

DEPARTMENT OF FORESTS, PARKS AND RECREATION

DEPARTMENT OF FISH & WILDLIFE

DEPARTMENT OF ENVIRONMENTAL CONSERVATION

DEPARTMENT OF LABOR & INDUSTRY

DEPARTMENT OF EMPLOYMENT & TRAINING

DEPARTMENT OF DRINKING, INSURANCE, SECURITIES, AND HEALTH CARE ADMIN.

DEPARTMENT OF PUBLIC SAFETY

MILITARY DEPARTMENT

DEPARTMENT OF AGRICULTURE, FOOD & MARKETS

DEPARTMENT OF PUBLIC SERVICE

FIRE SERVICE TRAINING COUNCIL

STATE LABOR RELATIONS BOARD

CRIMINAL JUSTICE TRAINING COUNCIL

PUBLIC SERVICE BOARD

VERMONT LOTTERY COMMISSION

HUMAN RIGHTS COMMISSION

GOVERNOR'S COMMISSION ON WOMEN

ENHANCED 9-1-1 BOARD

VT MUNICIPAL RETIREMENT BOARD

STATE EMPLOYEES RETIREMENT BOARD

TEACHERS' RETIREMENT BOARD

BOARD OF EDUCATION

LIQUOR CONTROL BOARD

RACING COMMISSION

-TEACHERS' RETIREMENT SYSTEM  
-MUNICIPAL RETIREMENT SYSTEM  
-STATE EMPLOYEES RETIREMENT SYSTEM

DEPARTMENT OF EDUCATION

DEPARTMENT OF LIQUOR CONTROL

-HIGHER COUNCIL ON VOCATIONAL EDUCATION  
-COMPREHENSIVE HEALTH EDUCATION ADVISORY COUNCIL  
-SCHOOL COUNCIL ON SPECIAL EDUCATION  
-SENIORS BOARD FOR PROFESSIONAL EDUCATORS  
-STATE CHAPTER 2 ADVISORY COMMITTEE  
-COMMITTEE ADVISORY COUNCIL ON ADULT EDUCATION  
-CHAPTER 1 HONORARY COUNCIL  
-COUNCIL OF INDEPENDENT SCHOOLS

AGENCY OF NATURAL RESOURCES

DEPARTMENT OF FORESTS, PARKS AND RECREATION

DEPARTMENT OF FISH & WILDLIFE

DEPARTMENT OF ENVIRONMENTAL CONSERVATION

DEPARTMENT OF LABOR & INDUSTRY

DEPARTMENT OF EMPLOYMENT & TRAINING

DEPARTMENT OF DRINKING, INSURANCE, SECURITIES, AND HEALTH CARE ADMIN.

DEPARTMENT OF PUBLIC SAFETY

MILITARY DEPARTMENT

DEPARTMENT OF AGRICULTURE, FOOD & MARKETS

DEPARTMENT OF PUBLIC SERVICE

FIRE SERVICE TRAINING COUNCIL

STATE LABOR RELATIONS BOARD

CRIMINAL JUSTICE TRAINING COUNCIL

PUBLIC SERVICE BOARD

VERMONT LOTTERY COMMISSION

HUMAN RIGHTS COMMISSION

GOVERNOR'S COMMISSION ON WOMEN

ENHANCED 9-1-1 BOARD

VT MUNICIPAL RETIREMENT BOARD

STATE EMPLOYEES RETIREMENT BOARD

TEACHERS' RETIREMENT BOARD

BOARD OF EDUCATION

LIQUOR CONTROL BOARD

RACING COMMISSION

-TEACHERS' RETIREMENT SYSTEM  
-MUNICIPAL RETIREMENT SYSTEM  
-STATE EMPLOYEES RETIREMENT SYSTEM

DEPARTMENT OF EDUCATION

DEPARTMENT OF LIQUOR CONTROL

-HIGHER COUNCIL ON VOCATIONAL EDUCATION  
-COMPREHENSIVE HEALTH EDUCATION ADVISORY COUNCIL  
-SCHOOL COUNCIL ON SPECIAL EDUCATION  
-SENIORS BOARD FOR PROFESSIONAL EDUCATORS  
-STATE CHAPTER 2 ADVISORY COMMITTEE  
-COMMITTEE ADVISORY COUNCIL ON ADULT EDUCATION  
-CHAPTER 1 HONORARY COUNCIL  
-COUNCIL OF INDEPENDENT SCHOOLS

AGENCY OF NATURAL RESOURCES

DEPARTMENT OF FORESTS, PARKS AND RECREATION

DEPARTMENT OF FISH & WILDLIFE

DEPARTMENT OF ENVIRONMENTAL CONSERVATION

DEPARTMENT OF LABOR & INDUSTRY

DEPARTMENT OF EMPLOYMENT & TRAINING

DEPARTMENT OF DRINKING, INSURANCE, SECURITIES, AND HEALTH CARE ADMIN.

DEPARTMENT OF PUBLIC SAFETY

MILITARY DEPARTMENT

DEPARTMENT OF AGRICULTURE, FOOD & MARKETS

DEPARTMENT OF PUBLIC SERVICE

FIRE SERVICE TRAINING COUNCIL

STATE LABOR RELATIONS BOARD

CRIMINAL JUSTICE TRAINING COUNCIL

PUBLIC SERVICE BOARD

## **SELECTED STATE OFFICIALS**

*As of June 30, 2002*

### **EXECUTIVE**

*Howard Dean, MD  
Governor*

*Douglas C. Racine  
Lieutenant Governor*

*Deborah L. Markowitz  
Secretary of State*

*William H. Sorrell  
Attorney General*

*Elizabeth M. Ready  
Auditor of Accounts*

*James H. Douglas  
State Treasurer*

### **JUDICIAL**

*Jeffrey L. Amestoy  
Chief Justice*

### **LEGISLATIVE**

*Peter E. Shumlin  
President Pro Tempore of the State Senate  
(30 Senators)*

*Walter E. Freed  
Speaker of the House of Representatives  
(150 Representatives)*

**Vermont**



**FINANCIAL SECTION**



OFFICE OF THE STATE AUDITOR  
132 STATE STREET  
MONTPELIER, VERMONT 05633-5101

**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 financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Vermont, as of and for the year ended June 30, 2002, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Vermont's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain entities and funds that aggregate the following percentages of total assets and revenues:

<b><u>Opinion Unit</u></b>	<b><u>Percentage of Total Assets</u></b>	<b><u>Percentage of Total Revenues</u></b>
<b>Business-Type Activities</b>	<b>96.9%</b>	<b>80.5%</b>
<b>Aggregate Discretely Presented Component Units</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Aggregate Remaining Funds</b>	<b>7.8%</b>	<b>3.1%</b>

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 and funds, is based solely upon the reports of the other auditors.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Special Environmental Revolving Fund (blended into the Federal Revenue Fund), the Vermont State Infrastructure Bank (blended into

the Transportation Fund) and the Vermont Sustainable Jobs Fund (a discretely presented component unit) were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

We were unable to audit the capital asset information in the governmental activities column of the entity-wide financial statements because sufficient competent documentation supporting the amounts reported for capital assets in those statements could not be provided by management of the State.

In our opinion, based on our audit and the reports of other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to audit the capital assets in the governmental activities column of the entity-wide financial statements, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the State of Vermont, as of June 30, 2002, and the related change in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information for the State of Vermont as of June 30, 2002, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the State of Vermont has implemented the following Governmental Accounting Standards Board Statements: Statement No. 34 *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments*; Statement No. 35 *Basic Financial Statements – and Management Discussion and Analysis – for Public Colleges and Universities*; Statement No. 37 *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments: Omnibus*; Statement No. 38 *Certain Financial Statement Note Disclosures*, and Interpretation No. 6 *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of July 1, 2001.

Management's Discussion and Analysis on pages 15 through 27, and the budget to actual – budgetary basis schedules on pages 103 through 108 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

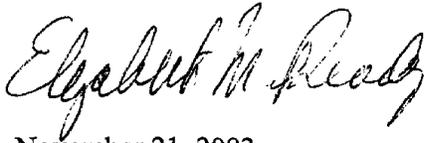
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Vermont's basic financial statements. The combining,

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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report, dated November 21, 2003, on our consideration of the State's internal control over financial reporting and our tests of its compliance with certain laws and regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Elizabeth M. Ready  
State Auditor

A handwritten signature in cursive script that reads "Elizabeth M. Ready".

November 21, 2003

## MANAGEMENT'S DISCUSSION AND ANALYSIS

We are pleased to present this analysis and discussion of Vermont's financial performance for the fiscal year ending June 30, 2002. This section is meant to present an overview and highlights occurring within Vermont during the designated fiscal year. Please read this in conjunction with the transmittal letter found at the front of this report and the financial statements that follow this section. Be advised that fiscal year 2002 is the first year that Vermont has implemented the requirements of the Governmental Accounting Standards Board's Statement Number 34 (GASB No. 34); hence, there are few comparisons with the previous fiscal year (2001). Future reports are required to and will include many comparisons with the previous year's activities.

### HIGHLIGHTS

**Government-Wide** The net assets (assets minus liabilities) of Vermont's primary government totaled \$1.14 billion, an increase of \$20.6 million as compared to fiscal year 2001. Of this amount, a negative \$49 million was reported as "unrestricted net assets". Unrestricted net assets represent the amount available to be used to meet the State's ongoing obligations to citizens and creditors.

Vermont's Component Units reported net assets of \$701.7 million, an increase of approximately \$15 million over fiscal year 2001.

*Changes in Net Assets* – The State's primary government's net assets of \$1.14 billion increased by \$20.6 million (a 1.83% increase) in fiscal year 2002. Net assets of governmental activities increased by \$23.4 million (a 2.92% increase), while net assets of the business-type activities showed a decrease of \$2.86 million (0.89% decrease).

**Fund Level - Governmental Funds – Fund Balances** – As of the close of fiscal year 2002, the State's governmental funds reported a combined ending fund balance of \$339.7 million, a decrease of \$17.9 million over the prior year. Of this total amount, \$233.7 million represents the "unreserved fund balances". Of this \$233.7 million, \$51.8 million is categorized as "designated for specific purposes in the capital projects funds leaving \$181.9 million categorized as "unreserved and undesignated." This amount is approximately 6.3% of the total governmental fund expenditures for FY2002.

#### **Long-term Debt:**

The State's primary government's total long-term debt obligations outstanding increased by approximately \$6 million during the current fiscal year. The key component in this increase was a \$6 million net increase in the balance of General Obligation Bonds and Notes Payable outstanding. See Note 19 – Changes in Long-term Liabilities for more information.



## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to Vermont's basic financial statements. Vermont's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional required supplementary information and other supplementary information in addition to the basic financial statements themselves. These components are described below:

### **Basic Financial Statements**

The basic financial statements include two kinds of financial statements that present different views of the State – the **government-wide financial statements** and the **fund financial statements and combining major component units financial statements**. These financial statements also include the **notes to the financial statements** that provide explanations or more detail for both of the above type financial statements.

### **Government-Wide Financial Statements**

Vermont's government-wide financial statements provide a broad view of the State's operations in a manner similar to a private-sector business. These statements contain both short-term and long-term information about the State's financial position and assist in assessing the State's economic condition at the end of each fiscal year. They are prepared using the "flow of economic resources" measurement focus and the accrual basis of accounting. This basically means they follow methods that are similar to those used by most private sector businesses. They take into account all financial activity including revenues and expenses connected with the fiscal year even if cash involved has not been received or paid. The government-wide financial statements include two statements:

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

*The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, some revenues and expenses reported in this statement will not result in cash flows until future fiscal periods. This statement also presents a comparison between direct expenses and their associated program revenues for each function of the State.*

Both of the above financial statements segregate Vermont's financial activity into three different types of state activities. These three types of activities are:

*Governmental Activities* – The financial activities reported in this section generally represent those services normally associated with state government. These include education, general

government, health services, legal and judiciary services, natural resources, public safety, regulatory services, social services, and transportation. These activities are mostly funded with taxes, grants, and intergovernmental revenues.

*Business-Type Activities* – These business-type activities of the State include the operations of Vermont’s enterprise funds. These activities include operating the unemployment compensation trust fund program, liquor control, lottery commission, federal surplus property activities, publishing Vermont Life magazine, making equipment loans to municipalities, as well as several other activities. These functions normally recover all or a portion of their costs through user fees and charges to external users of their goods and services.

*Discretely Presented Component Units* – These are legally separate (incorporated) entities for which the elected officials of the primary government have financial accountability. The State’s discretely presented component units are presented in the aggregate in the government-wide statements. This aggregate total consists of major and non-major component units. This categorization is determined by the relative size of the entities’ assets, liabilities, revenues and expenses in relation to the total of all component units. For more information regarding the classification of major and non-major component units, please refer to Note 1 under “Component Units.”

The State’s three discretely presented “major” component units contained in the aggregate figure include the activity of the following entities:

- University of Vermont and State Agricultural College
- Vermont State Colleges
- Vermont Student Assistance Corporation

The State’s eight other “non-major” component units that are combined into a single column for reporting in the fund financial statements include the following entities:

- Vermont Economic Development Authority
- Vermont Housing and Conservation Board
- Vermont Sustainable Jobs Fund
- Vermont Municipal Bond Bank
- Vermont Educational and Health Buildings Financing Agency
- Vermont Center for Geographic Information
- Vermont Veterans Home
- Vermont Transportation Authority

Additional information or financial statements for each of these individual component units can be obtained from their respective administrative offices. Addresses and other additional information about the State’s component units are presented in Note 1 to the financial statements.

The government-wide financial statements can be found immediately following this discussion and analysis.

### **Fund Financial Statements and Major Component Unit Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Vermont's government, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus and report on individual parts of the State government in more detail than the government-wide statements. All of the funds of the State can be divided into three categories: governmental, proprietary, and fiduciary. For the governmental and proprietary funds, the major funds are reported in individual columns in the fund financial statements while the non-major funds are presented in a consolidated column in the fund financial statements. Combining schedules in the Supplementary Information present detailed non-major fund activity. Fiduciary Funds are reported by fiduciary type (pension, private purpose trusts and agency funds) with combining schedules presented in the Supplementary Information. It is important to note that these fund categories use different accounting approaches and should be interpreted differently.

#### **The three categories of funds are:**

*Governmental Funds* – Most of the basic services provided by the State are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balances of spendable resources available at the end of the fiscal year. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of the State's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the State.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds' Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances provide reconciliations on the pages immediately following each governmental fund financial statement to facilitate this comparison.

The State reports seventeen governmental funds of which five are classified as "major" governmental funds. These major funds include the General Fund, Transportation Fund, Education Fund, Special Fund, and the Federal Revenue Fund. Each major fund is presented in a separate column in the Governmental Fund Balance Sheet and in the Statement of Revenues, Expenditures, and Changes in Fund Balance. The "non-major" governmental funds include the Fish and Wildlife Fund, the two capital bond funds, and nine Permanent Funds and are presented in one consolidated column in the governmental fund statements.

The governmental funds financial statements can be found immediately following the government-wide financial statements.

*Proprietary Funds* – These statements contain two basic types of funds (business-type or enterprise funds and internal service funds) and are used to report activities that operate more like those of commercial enterprises. These statements include the Statement of Net Assets, the Statement of Revenues, Expenses and Changes In Net Assets, and the Statement of Cash Flows.

Enterprise funds account for activity for services provided to the general public, federal government, and non-state government entities. They normally derive their revenue by charging user fees for their services.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. There is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

The State reports nine enterprise funds of which three are reported as “major funds ” and are reported in separate columns on the proprietary fund statements. These three are the Unemployment Compensation Fund, the Liquor Control Fund, and the Vermont Lottery Commission. The other six enterprise funds are reported as “non-major funds” and are consolidated into one column on the proprietary funds' statements. They include the:

- Industrial Homework Office Fund
- Federal Surplus Property Fund
- Vermont Life Magazine Fund
- Vermont Municipal Equipment Loan Fund
- Vermont Adaptive Equipment Loan Fund
- Unemployment Compensation Contingency Fund

The State presents twenty internal service funds which are reported in one consolidated column entitled “Governmental Activities – Internal Service Funds Total” on the Proprietary Funds Statement of Net Assets; Statement of Revenues, Expenses, and Changes In Net Assets; and Statement of Cash Flows. The twenty internal service funds are as follows:

- Highway Garage Fund
- Offender Work Programs
- Communications and Information Technology
- Supply Center Fund
- Copy Center Fund
- Single Audit Revolving Fund
- Medical Insurance Fund
- Dental Insurance Fund
- Life Insurance Fund
- Postage Fund

Workers' Compensation Insurance Fund  
State Liability Insurance Fund  
Risk Management All-Other Insurance Fund  
Property Management Fund  
Equipment Revolving Fund  
State Surplus Revolving Fund  
Employee Assistance Plan  
Long-term Disability Plan  
Facilities Operations Fund  
GOVNET Fund

The proprietary funds financial statements can be found immediately following the governmental fund financial statements.

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

The State's fiduciary funds are divided into the following three basic categories: the Pension Trust Funds (six separate retirement plans for employees); the Private Purpose Trust Funds (which report only the Abandoned Property Fund previously reported as an expendable trust fund); and the Agency Funds (which account for the assets held for distribution by the State as an agent for other governmental units, other organizations or individuals). Individual fund detail can be found in the combining financial statements described below.

The fiduciary funds financial statements can be found immediately following the proprietary fund financial statements.

#### **Notes to the Financial Statements**

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

#### **Required Supplementary Information Other Than MD&A**

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

Schedules comparing the original budgets, final budgets, actual inflows, outflows, and balances stated on the budgetary basis, and variances between the final budgeted amounts and actual amounts presented on a budgetary basis for the General Fund and each major Special Revenue Fund.

A reconciliation between the statutory fund balance for budgetary purposes and the fund balance as presented in the governmental fund financial statements for each major governmental fund is also reported.

## **Other Supplementary Information**

### **Combining Financial Statements**

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

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

**Statistical Data** The data reported in this section includes the following:

- A ten-year comparison of Revenues by Source and Expenditures by Function- General and Special Revenue Funds
- A discussion of state indebtedness and procedure for authorization for issuing debt
- A ten-year comparison of general obligation bonded debt to assessed taxable property value and general obligation bonded debt per capita
- A ten-year comparison of annual debt service expenditures for bonded debt to fund expenditures – General Fund and Transportation Fund
- A ten-year comparison of property values and taxes in Vermont
- Demographic Statistics
- Vermont's largest employers as of March, 2002

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

### **Net Assets**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The State's combined net assets (government and business-type activities) totaled \$1.14 billion at the end of 2002, compared to \$1.12 billion at the end of the previous year.

The largest portion of the State's net assets (68.54%) reflects its investment in capital assets such as land, buildings, equipment, and infrastructure (road, bridges, and other immovable assets), less any related debt still outstanding that was used to acquire those assets. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the State's net assets (35.74%) represents resources that are subject to external restrictions on how they may be used. Internally imposed designations of resources are not presented as restricted net assets.

The business-type activities' positive unrestricted net asset balance may be used to meet the State's ongoing obligations to citizens and creditors. The governmental activities' negative unrestricted net assets balance is mainly the result of the following: debt issued by the State for municipal, non-profit or component unit capital purposes that does not result in a governmental activities' capital asset; and the restricting of net assets for the budget stabilization reserves.

At the end of the current fiscal year, the State is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The following condensed financial statement information is derived from the State's government-wide, June 30, 2002 financial statements. Although the government-wide statements include component unit activity, the component unit activity has not been included here.

	Governmental Activities (1000's)	Business-type Activities (1000's)	Total (1000's)
Current Assets	\$502,866	\$332,081	\$834,947
Non-current Assets:			
Capital Assets	963,983	505	964,488
Other Assets	<u>247,715</u>	<u>1,873</u>	<u>249,588</u>
Total Assets	<u>1,714,564</u>	<u>334,459</u>	<u>2,049,023</u>
Current Liabilities	291,269	15,027	306,296
Non-current Liabilities	<u>597,642</u>	<u>609</u>	<u>598,251</u>
Total Liabilities	<u>888,911</u>	<u>15,636</u>	<u>904,547</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	783,951	505	784,456
Restricted	94,310	314,711	409,021
Unrestricted	<u>(52,608)</u>	<u>3,607</u>	<u>(49,001)</u>
Total Net Assets	<u>\$825,653</u>	<u>\$318,823</u>	<u>\$1,144,476</u>

### Changes in Net Assets

The State's primary government's total net assets increased by \$20.6 million (1.83%). Approximately 52% of the primary government's total revenue came from taxes, while 33% resulted from operating and capital grants and contributions (including federal aid). Charges for programs and general revenues other than taxes provided the remaining 15% of the total revenues. The primary government's expenses cover a range of services. The largest expenses were incurred in the areas of education (35.11%), social services (35.47%), and transportation (8.73%). In 2002, governmental activity expenses exceeded program revenues by almost \$1.59 billion, resulting in the use of approximately \$1.6 billion in general revenues (mostly taxes). On the other hand, business-type activities' expenses (\$190.3 million) exceeded related program revenues (\$184.4 million) by approximately \$5.9 million. The following condensed financial information's source is the "Statement of Activities" for the year ended June 30, 2002 and is for the primary government only.

	Governmental Activities (1000's)	Business-Type Activities (1000's)
<b>Revenues:</b>		
Program Revenues:		
Charges for Services	\$195,759	\$ 184,387
Operating Grants and Contributions	831,069	
Capital Grants and Contributions	144,364	
General Revenues:		
Income Taxes	429,431	
Sales Taxes	217,685	
Statewide Property Tax	424,244	
Meals and Rooms	100,623	
Other Taxes	385,674	
Miscellaneous	<u>37,813</u>	<u>19,965</u>
Total Revenues	<u>2,766,662</u>	<u>204,352</u>
<b>Expenses:</b>		
General Government	87,432	
Protection To Persons and Property	173,209	
Human Services	1,046,569	
Employment and Training	25,972	
General Education	1,035,751	
Natural Resources	71,367	
Commerce and Community Development	36,782	
Transportation	257,520	
Public Service Enterprises	2,002	



Interest on Debt	23,549	
Business-type Activities	<u>          </u>	<u>190,282</u>
Total Expenses	<u>2,760,153</u>	<u>190,282</u>
Increase (Decrease) in Net Assets Before Transfers	6,509	14,070
Transfers	<u>16,930</u>	<u>(16,930)</u>
Change in Net Assets	23,439	(2,860)
Net Assets, Beginning of Year (as restated)	<u>802,214</u>	<u>321,683</u>
Net Assets, End of Year	<u>\$825,653</u>	<u>\$318,823</u>

## FINANCIAL ANALYSIS OF THE STATE'S INDIVIDUAL FUNDS

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

### Governmental Funds

The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the State's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$339.7 million. \$233.7 million or 68.8% of this fund balance constitutes an unreserved fund balance, which is available for spending in the coming year. The remainder of this fund balance is reserved to indicate that it is not available for new spending because it has already been committed: 1) to liquidate contracts and purchase orders of the prior fiscal year (\$23.5 million), 2) for human caseload management (\$18 million), 3) to be held in permanent trust funds for education, wildlife and prevention of tobacco related health issues (\$7.4 million), 4) for budget stabilization purposes (\$33.6 million), or 5) for a variety of other restricted purposes (\$23.5 million).

### General Fund

The general fund is the chief operating fund of the State. At the end of the current fiscal year, the unreserved fund balance of the general fund was \$97.9 million which is an \$11.3 million (13.1%) increase compared to the balance at the end of fiscal year 2001. The total fund balance approximated \$149.6 million as of June 30, 2002, which is a decrease of \$23.5 million or 13.6% compared to the balance at June 30, 2001. \$51.7 million of this balance is reserved for various purposes including \$9.44 million in the budget stabilization (rainy day) fund (see Note 20-

Subsequent Events for updated information concerning the stabilization reserve). This leaves approximately \$97.9 million as undesignated and available for appropriation in the future.

This decline in fund balance measurement can be attributed to a decline in tax revenues, especially in personal income tax revenue, and a 14.9% increase in general fund expenditures overall as measured on a GAAP basis.

As a measure of the general fund's liquidity, it may be useful to compare both unreserved and total fund balances to total fund expenditures. The unreserved portion of its fund balance represents approximately 15.6% while its total fund balance represents approximately 23.8% of its total fund expenditures as measured on a GAAP basis.

### **Education Fund**

The education fund experienced a decrease in the unreserved portion of its fund balance amounting to \$11.4 million as well as a decline in its total fund balance of \$18.1 million. Its revenues were up \$24 million but its expenditures increased by \$67.4 million resulting in a net decrease of resources available of approximately \$43.4 million.

### **Special Fund**

The special fund changed substantially from fiscal year 2001 to 2002 due primarily to the reclassification of previously designated expendable trust funds to special funds. The total fund balance increased from \$44.9 million to a restated \$69.1 million at June 30, 2001 due to the GASB Statement #34 required reclassification being instituted. See Note 10 for additional information regarding these reclassifications.

### **Federal Revenue Fund**

The activity in this fund reports all federal activity transacted in the State except for federal activity associated with transportation activity and fish and wildlife activity. Federal activity for these two areas is reported in those two funds. For fiscal year 2002, federal revenue was up \$102.4 million while associated federal expenditures were only up \$94.6 million. This differential accounted for approximately half of the increase in the overall increase in the total fund balance of \$16.1 million.

### **Proprietary Funds**

The State's proprietary funds provide the same type of information found in the business-type activities section in the government-wide financial statements, but in more detail. These funds consist of 9 enterprise funds and 20 internal service funds. The Unemployment Compensation Trust Fund's total net assets (\$314.2 million) accounts for approximately 92.9% of the enterprise funds total net assets. The internal service funds' net assets total approximately \$19.7 million.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the original budget and the final budget were relatively minor (\$23.8 million increase in appropriations) and can be briefly summarized as follows:

1. Protection to Persons and Property received \$8.6 million in supplemental appropriations for increased expenses in providing police protection.

2. General Education received \$5.7 million in supplemental appropriations for increased expenses.
3. Commerce and Community Development received \$7.2 million in supplemental appropriations to focus on creating additional job opportunities in the State.

These increases in appropriations were funded by decreasing appropriated amounts in almost all of the other functions of State government. As budgetary revenue estimates were less than actual budgetary revenue amounts received, these supplemental appropriations were primarily funded from available fund balances. During the year, actual budgetary-based revenues received were less than original and final budgetary estimates by approximately \$69.1 million and \$28.6 million respectively, with most of this shortfall being realized in the area of tax revenue. Expenditures were less than original and final budgetary estimates by approximately \$17.5 million and \$41.3 million respectively. However, in both the original and final scenarios, existing fund balance was budgeted to fund appropriations.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2002, amounts to approximately \$1.89 billion, net of accumulated depreciation of \$926 million, leaving a net book value of approximately \$964 million. This investment in capital assets includes land, buildings, improvements, equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the State, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items.

The total increase in expenditures in the State's investment in capital assets for fiscal year 2002 over 2001 was about \$121.3 million. Much of this amount was used to construct or reconstruct roads and bridges. Depreciation charges for the year totaled \$52.3 million. Additional information on the State's capital assets can be found in Note 4 of the notes to the financial statements of this report.

### **Debt Administration**

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

The State of Vermont's total debt increased by a little over \$6 million during the current fiscal year. The State issued \$51 million worth of general obligation bonds and accreted \$3.6 million of capital appreciation bonds while paying approximately \$48.5 million in principal payments

during the fiscal year. Additional information on the State's long-term indebtedness can be found in Note 8 of the notes to the financial statements of this report.

The State's bond ratings as of October 2003 are as follows: Moody's - Aa1; S&P - AA+; and Fitch - AA+.

## **ECONOMIC CONDITIONS**

The economic conditions described here represent conditions as they existed during and at the end of fiscal year 2002. According to the economic forecast and opinions put forth by Economic and Policy Resources, Inc of Williston, Vermont, which utilizes the underlying forecast contained in "The Economic.com National Forecast Assumptions" provided by Economy.com of West Chester, Pa. and which was completed in conjunction with the New England Economic Project (NEEP), the U.S economic recovery appears to be slowing as 2002 progresses because of near term weakness and volatility. Because of this weakness and volatility, consumers and businesses are unlikely to increase spending, a key ingredient in any near term recovery. Transition from recovery to expansion seems unlikely in the near term because of these perceptions.

In contrast to the national recovery's progress, Vermont's broad based recovery has yet to begin. Reduced investment earnings resulting from the recent downturn in the stock market and reduced interest rates have dampened the recovery. There have been significant layoffs by employers in the State. However, on a bright note, even with these layoffs, Vermont's unemployment rate as of June 2002 was 4.3%, which was about the same rate experienced in 2001. Further, this compares favorably to the nation's average unemployment rate of 5.9% and the rest of New England's rate of 4.4%.

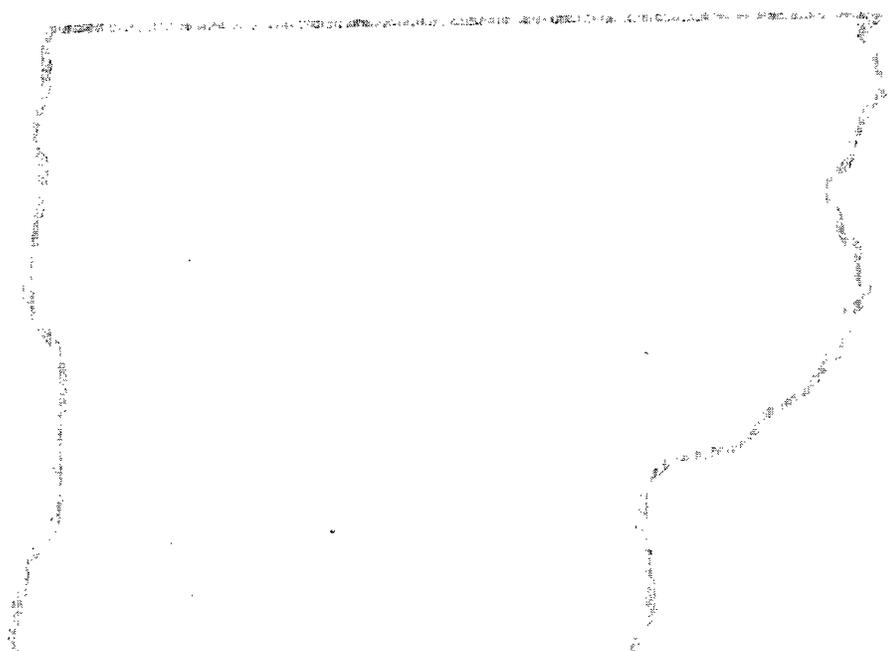
Perhaps the most important fact in Vermont's economic recovery is the fact that the national economic recovery is now in place and will begin to affect Vermont in the near future, perhaps in the proximity of the winter of 2003.

It should be noted that Vermont's total economic picture including the economic facts and forecasts presented above are considered by legislative leaders and management in preparing the State's budget for both current and future years.

## **REQUESTS FOR INFORMATION**

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

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



***THIS PAGE INTENTIONALLY LEFT BLANK***

Vermont



**BASIC FINANCIAL STATEMENTS**

***THIS PAGE INTENTIONALLY LEFT BLANK***



**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS**



**STATE OF VERMONT  
STATEMENT OF NET ASSETS  
JUNE 30, 2002**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and cash equivalents.....	\$ 211,070,570	\$ 311,826,171	\$ 522,896,741	\$ 212,429,185
Taxes receivable.....	114,345,639	8,558,941	122,904,580	-
Loans and notes receivable-current.....	4,441,339	1,682,967	6,124,306	119,522,444
Federal grants receivable.....	120,294,572	580,849	120,875,221	12,301,545
Other receivables.....	32,345,927	1,150,067	33,495,994	66,034,191
Investments.....	8,527,676	4,431,350	12,959,026	134,129,134
Inventories.....	2,496,293	4,543,324	7,039,617	1,972,746
Internal balances.....	838,793	(838,793)	0	-
Receivable from primary government.....	-	-	0	10,627
Receivable from component units.....	7,709,928	-	7,709,928	-
Other current assets.....	795,225	146,036	941,261	6,983,913
<b>Total current assets.....</b>	<b>502,865,962</b>	<b>332,080,712</b>	<b>834,946,674</b>	<b>553,383,785</b>
<b>Noncurrent assets:</b>				
Cash and cash equivalents.....	-	698,574	698,574	8,550,138
Taxes receivable.....	77,873,038	-	77,873,038	-
Other receivables.....	19,311,947	46,007	19,357,954	-
Notes and loans receivable.....	125,504,996	1,128,805	126,633,801	1,380,283,033
Investments.....	24,782,131	-	24,782,131	402,391,933
Other noncurrent assets.....	242,540	-	242,540	43,781,612
<b>Capital assets:</b>				
Land.....	4,183,634	-	4,183,634	13,177,213
Construction in progress.....	323,966,636	-	323,966,636	1,394,558
<b>Capital assets being depreciated:</b>				
Infrastructure.....	1,270,533,277	-	1,270,533,277	16,173,670
Property, plant and equipment.....	290,674,590	1,046,597	291,721,187	474,670,481
Less accumulated depreciation.....	(925,374,893)	(541,835)	(925,916,728)	(250,104,012)
<b>Total capital assets, net of depreciation.....</b>	<b>963,983,244</b>	<b>504,762</b>	<b>964,488,006</b>	<b>255,311,910</b>
<b>Total noncurrent assets.....</b>	<b>1,211,697,896</b>	<b>2,376,148</b>	<b>1,214,074,044</b>	<b>2,090,318,626</b>
<b>Total assets.....</b>	<b>1,714,563,858</b>	<b>334,458,860</b>	<b>2,049,022,718</b>	<b>2,643,702,411</b>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable and other current liabilities.....	155,885,113	10,208,508	165,893,621	52,917,322
Income tax refunds payable.....	44,902,176	-	44,902,176	-
Payable to primary government.....	-	-	0	7,709,928
Payable to component units.....	10,627	-	10,627	-
Accrued interest payable.....	8,919,557	-	8,919,557	3,903,070
Bonds, notes and leases payable.....	51,355,000	-	51,355,000	129,449,926
Compensated absences.....	16,313,547	188,154	16,501,701	-
Claims and judgments.....	8,675,158	3,670,907	12,346,065	-
Current portion of other long-term liabilities.....	-	-	0	1,946,686
Deferred revenue.....	5,407,232	959,681	6,366,913	31,716,350
<b>Total current liabilities.....</b>	<b>291,268,410</b>	<b>15,027,250</b>	<b>306,295,660</b>	<b>227,643,282</b>
<b>Long-term liabilities:</b>				
Lottery prize awards payable.....	-	484,243	484,243	-
Bonds, notes and leases payable.....	435,110,090	-	435,110,090	1,659,405,235
Compensated absences.....	9,750,536	124,623	9,875,159	-
Claims and judgments.....	19,332,778	-	19,332,778	-
Other long-term liabilities.....	133,448,826	-	133,448,826	54,920,876
<b>Total long-term liabilities.....</b>	<b>597,642,230</b>	<b>608,866</b>	<b>598,251,096</b>	<b>1,714,326,111</b>
<b>Total liabilities.....</b>	<b>\$ 888,910,640</b>	<b>\$ 15,636,116</b>	<b>\$ 904,546,756</b>	<b>\$ 1,941,969,393</b>

<b>NET ASSETS</b>				
Invested in capital assets, net of related debt.....	\$ 783,951,377	\$ 504,762	\$ 784,456,139	\$ 159,352,039
Restricted for:				
Unemployment compensation.....	-	314,212,191	314,212,191	-
Equipment purchase commitments.....	-	20,042	20,042	-
Surplus property.....	-	479,005	479,005	-
Higher Education.....	-	-	0	289,038,291
Funds held in permanent investments:				
Expendable.....	1,518,780	-	1,518,780	-
Nonexpendable.....	7,418,453	-	7,418,453	-
Budget stabilization.....	33,575,978	-	33,575,978	-
Capital projects.....	51,798,769	-	51,798,769	75,755,871
Unrestricted.....	(52,608,139)	3,606,744	(49,001,395)	177,586,817
Total net assets.....	<u>\$ 825,653,218</u>	<u>\$ 318,822,744</u>	<u>\$ 1,144,475,962</u>	<u>\$ 701,733,018</u>

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

**STATE OF VERMONT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2002**

<b>Functions/Programs</b>	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary Government:</b>				
Governmental activities:				
General government.....	\$ 87,431,591	\$ 9,699,360	\$ 2,821,291	\$ -
Protection to persons & property.....	173,208,802	73,459,483	28,057,555	7,326,650
Human services.....	1,046,568,774	24,892,193	635,626,572	4,871,222
Employment & training.....	25,972,322	2,830,314	21,045,881	-
General education.....	1,035,750,817	3,211,121	75,838,839	-
Natural resources.....	71,367,475	24,057,234	17,625,395	15,468,156
Commerce & community development.....	36,782,068	678,310	14,150,021	-
Transportation.....	257,519,692	54,870,144	35,903,602	116,697,632
Public service enterprises.....	2,001,936	2,061,251	-	-
Interest on long-term debt.....	23,549,404	-	-	-
Total governmental activities.....	<u>2,760,152,881</u>	<u>195,759,410</u>	<u>831,069,156</u>	<u>144,363,660</u>
Business-type activities:				
Vermont Lottery Commission.....	65,590,029	82,000,455	-	-
Liquor Control.....	33,311,074	33,118,564	-	-
Unemployment Compensation.....	88,557,267	66,441,794	-	-
Other.....	2,823,430	2,825,694	-	-
Total business-type activities.....	<u>190,281,800</u>	<u>184,386,507</u>	<u>0</u>	<u>0</u>
Total primary government.....	<u>\$ 2,950,434,681</u>	<u>\$ 380,145,917</u>	<u>\$ 831,069,156</u>	<u>\$ 144,363,660</u>
<b>Component Units:</b>				
University of Vermont.....	\$ 345,810,000	\$ 178,577,000	\$ 163,913,000	\$ 10,038,000
Vermont State Colleges.....	100,250,838	57,995,029	44,798,723	-
Vermont Student Assistance Corporation.....	99,644,000	60,200,000	37,007,000	-
Other.....	59,012,629	32,725,161	17,257,067	-
Total component units.....	<u>\$ 604,517,467</u>	<u>\$ 329,497,190</u>	<u>\$ 262,975,790</u>	<u>\$ 10,038,000</u>

**General Revenues:**

Taxes:

Personal and corporate income.....
Sales and use.....
Meals and rooms.....
Purchase and use.....
Motor fuel.....
Statewide property.....
Other taxes.....
Total taxes.....
Unrestricted investment earnings.....
Tobacco litigation settlement.....
Miscellaneous.....
Transfers.....
Total general revenues and transfers.....

Changes in net assets.....

Net Assets - Beginning.....

Net Assets - Ending.....

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

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

<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Units</b>
\$ (74,910,940)	\$ -	\$ (74,910,940)	\$ -
(64,365,114)	-	(64,365,114)	-
(381,178,787)	-	(381,178,787)	-
(2,096,127)	-	(2,096,127)	-
(956,700,857)	-	(956,700,857)	-
(14,216,690)	-	(14,216,690)	-
(21,953,737)	-	(21,953,737)	-
(50,048,314)	-	(50,048,314)	-
59,315	-	59,315	-
(23,549,404)	-	(23,549,404)	-
<u>(1,588,980,655)</u>	<u>0</u>	<u>(1,588,980,655)</u>	<u>-</u>
-	16,410,426	16,410,426	-
-	(192,510)	(192,510)	-
-	(22,115,473)	(22,115,473)	-
-	2,264	2,264	-
<u>0</u>	<u>(5,895,293)</u>	<u>(5,895,293)</u>	<u>0</u>
<u>(1,588,980,655)</u>	<u>(5,895,293)</u>	<u>(1,594,875,948)</u>	<u>0</u>
-	-	-	6,918,000
-	-	-	2,542,914
-	-	-	(2,437,000)
-	-	-	(9,030,401)
<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,006,487)</u>
429,430,661	-	429,430,661	-
217,685,005	-	217,685,005	-
100,622,918	-	100,622,918	-
79,455,165	-	79,455,165	-
69,223,434	-	69,223,434	-
424,243,836	-	424,243,836	-
236,994,926	-	236,994,926	11,088,000
1,557,855,945	0	1,557,855,945	11,088,000
4,529,099	19,964,380	24,493,479	5,910,584
31,000,098	-	31,000,098	-
2,284,384	295	2,284,679	-
16,929,798	(16,929,798)	-	-
<u>1,612,399,324</u>	<u>3,034,877</u>	<u>1,615,434,201</u>	<u>16,998,584</u>
23,438,669	(2,860,416)	20,578,253	14,992,097
802,214,549	321,683,160	1,123,897,709	686,740,921
<u>\$ 825,653,218</u>	<u>\$ 318,822,744</u>	<u>\$ 1,144,475,962</u>	<u>\$ 701,733,018</u>



***THIS PAGE INTENTIONALLY LEFT BLANK***

REMOVED



**GOVERNMENTAL FUNDS  
FINANCIAL STATEMENTS**

**STATE OF VERMONT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2002**

	<b>General Fund</b>	<b>Transportation Fund</b>	<b>Education Fund</b>
<b>ASSETS:</b>			
Cash and cash equivalents.....	\$ 33,948,372	\$ 15,293,408	\$ 19,880,368
Investments.....	-	-	-
Receivables:			
Taxes receivable (net).....	172,121,640	6,465,898	9,563,550
Accrued interest receivable.....	-	-	-
Notes and loans receivable.....	16,717,660	916,236	-
Other receivables (net).....	2,138,404	8,612,758	-
Intergovernmental receivable - federal government.....	-	12,343,618	-
Due from other funds.....	520,121	89,224	1,625,433
Due from component units.....	1,239,332	1,493,304	-
Interfund receivable.....	22,349,097	-	-
Advances to other funds.....	523,700	-	-
Advances to component units.....	1,914,486	-	-
Restricted cash.....	-	2,548,877	-
<b>Total assets.....</b>	<b>\$ 251,472,812</b>	<b>\$ 47,763,323</b>	<b>\$ 31,069,351</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES:</b>			
Accounts payable.....	\$ 12,430,909	\$ 14,872,122	\$ 9,502,103
Accrued liabilities.....	7,417,859	3,847,799	-
Retainage payable.....	591,880	3,757,953	-
Accrued interest payable.....	-	-	-
Due to other funds.....	1,538,083	1,180,639	242,326
Due to component units.....	-	10,627	-
Interfund payable.....	-	-	-
Tax refunds payable.....	792,633	-	-
Deferred revenue.....	79,107,531	7,729,726	4,068,877
<b>Total liabilities.....</b>	<b>101,878,895</b>	<b>31,398,866</b>	<b>13,813,306</b>
<b>FUND BALANCE:</b>			
Reserved for:			
Encumbrances.....	6,334,834	293,639	-
Budget stabilization.....	9,441,773	9,890,396	14,243,809
Debt service.....	68,763	-	-
Advances and notes receivable.....	13,454,375	-	-
General fund surplus.....	4,347,380	-	-
Appropriation.....	-	5,644,836	-
Human caseload management.....	18,048,618	-	-
Endowments.....	-	-	-
Unreserved:			
Designated for specific purposes.....	-	-	-
Undesignated.....	97,898,194	535,586	3,012,236
<b>Total fund balance.....</b>	<b>149,593,917</b>	<b>16,364,457</b>	<b>17,256,045</b>
<b>Total liabilities and fund balance.....</b>	<b>\$ 251,472,812</b>	<b>\$ 47,763,323</b>	<b>\$ 31,069,351</b>

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

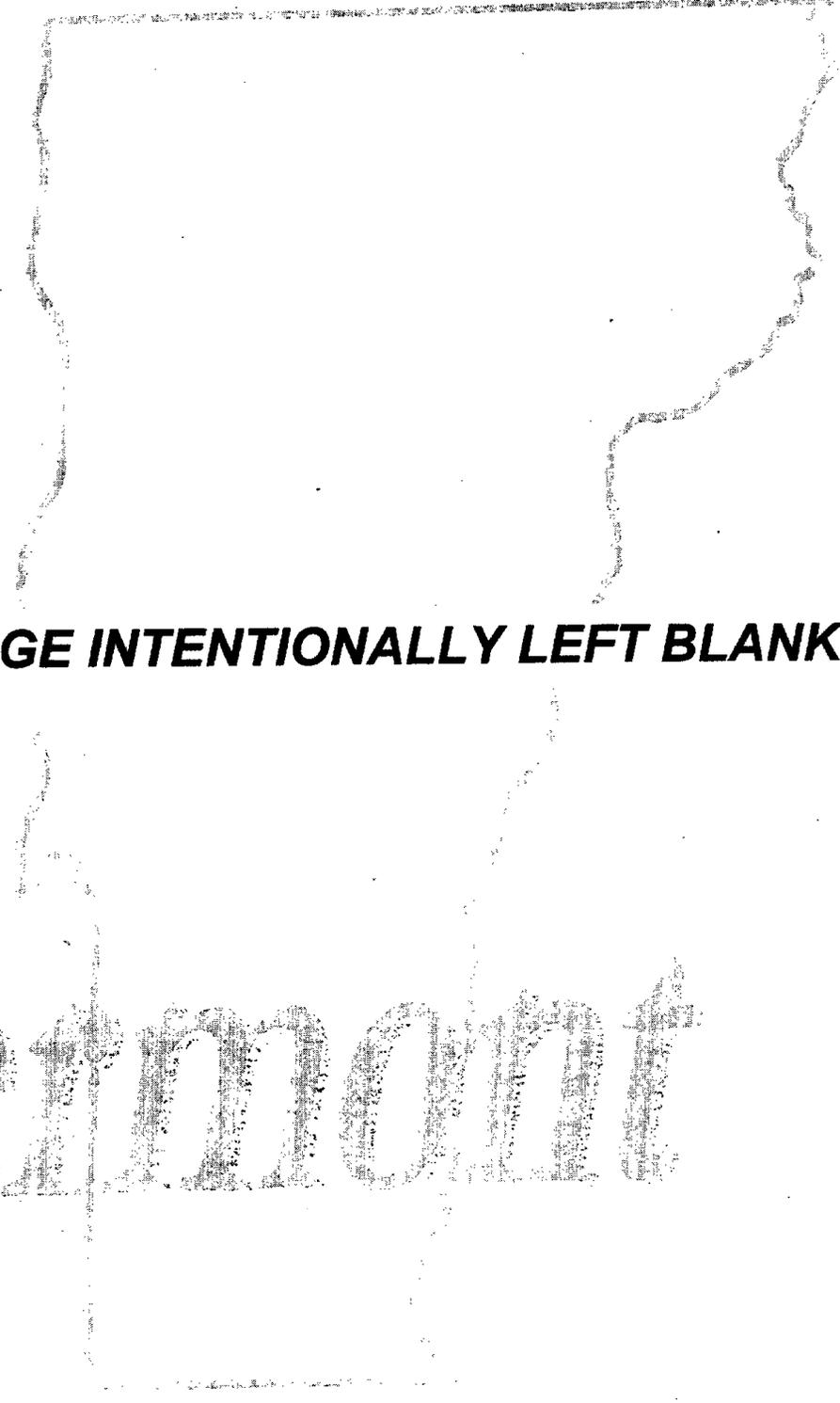
	<u>Special Fund</u>	<u>Federal Revenue Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$	36,551,408	\$ -	\$ 63,259,628	\$ 168,933,184
	25,040,575	-	8,269,232	33,309,807
	3,985,485	-	82,104	192,218,677
	1,000	-	-	1,000
	331,902	111,980,537	-	129,946,335
	20,146,301	9,228,731	788,619	40,914,813
	-	107,673,358	277,596	120,294,572
	6,300,568	257,192	11,855	8,804,393
	-	3,062,806	-	5,795,442
	-	-	-	22,349,097
	-	-	-	523,700
	-	-	-	1,914,486
	3,303,000	-	-	5,851,877
<b>\$</b>	<b>95,660,239</b>	<b>\$ 232,202,624</b>	<b>\$ 72,689,034</b>	<b>\$ 730,857,383</b>
\$	31,488,359	\$ 60,112,404	\$ 2,229,844	\$ 130,635,741
	1,988,877	4,359,348	370,052	17,983,935
	138,336	-	1,494,969	5,983,138
	150,534	-	-	150,534
	147,169	1,087,819	10,951	4,206,987
	-	-	-	10,627
	-	3,676,265	6,155	3,682,420
	-	-	-	792,633
	15,461,531	121,306,156	-	227,673,821
	<b>49,374,806</b>	<b>190,541,992</b>	<b>4,111,971</b>	<b>391,119,836</b>
	821,362	13,046,730	3,009,969	23,506,534
	-	-	-	33,575,978
	-	-	-	68,763
	-	-	-	13,454,375
	-	-	-	4,347,360
	-	-	-	5,644,836
	-	-	-	18,048,618
	-	-	7,416,453	7,416,453
	-	-	51,798,769	51,798,769
	45,464,071	28,613,902	6,351,872	181,875,861
	<b>46,285,433</b>	<b>41,660,632</b>	<b>68,577,063</b>	<b>\$ 339,737,547</b>
<b>\$</b>	<b>95,660,239</b>	<b>\$ 232,202,624</b>	<b>\$ 72,689,034</b>	<b>\$ 730,857,383</b>



**Reconciliation of Governmental Fund Balances  
to the Statement of Net Assets - Governmental Activities  
June 30, 2002**

<b>Total fund balances from previous page .....</b>	<b>\$</b>	<b>339,737,547</b>
<p>Capital assets used in governmental activities (net of internal service funds' capital assets) are not considered financial resources for fund perspective reporting and, therefore, are not reported in the funds. Those assets consist of:</p>		
Land.....		4,157,478
Construction in progress.....		323,938,097
Depreciable capital assets and infrastructure, net of \$900,792,154 of accumulated depreciation.....		<u>613,439,730</u>
Capital assets, net of accumulated depreciation.....		941,535,305
<p>Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to certain funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.....</p>		
		19,544,659
<p>Amount presented in the statement of net assets relating to, but not in fund balances due to different basis of accounting include:</p>		
Long-term assets are not available to pay for current-period expenditures and therefore are reported as deferred revenues in the governmental funds.....		222,439,039
Deferred charge for unamortized bond issuance costs.....		242,540
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not considered financial liabilities for fund perspective reporting, and therefore, are not reported in the funds. These liabilities include:</p>		
Bonded debt.....		(486,465,090)
Accrued interest payable on bonds.....		(8,769,023)
Compensated absences (net of internal service funds' liability).....		(25,053,390)
Tax refunds payable.....		(44,109,543)
Other long-term liabilities.....		<u>(133,448,826)</u>
Long-term liabilities.....		<u>(697,845,872)</u>
<b>Net assets of governmental activities.....</b>	<b>\$</b>	<b><u>825,653,218</u></b>

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



***THIS PAGE INTENTIONALLY LEFT BLANK***

Vermont

**STATE OF VERMONT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>General Fund</u>	<u>Transportation Fund</u>	<u>Education Fund</u>
<b>REVENUES:</b>			
Taxes:			
Personal income tax.....	\$ 443,453,138	\$ -	\$ -
Corporate income tax.....	26,503,865	-	6,216,892
Sales and use tax.....	215,503,133	-	-
Meals and rooms.....	80,963,579	-	18,161,994
Motor fuel tax.....	-	52,576,402	10,568,055
Purchase and use tax.....	-	65,991,808	13,518,316
Statewide property tax.....	-	-	424,198,212
Other taxes.....	90,646,412	18,584,187	44,391,871
Earnings of departments:			
Fees.....	8,374,304	1,966,819	2,542,500
Rents and leases.....	11,374	825,851	-
Sales of service.....	1,483,324	95,319	-
Federal grants.....	-	152,601,234	-
Fines, forfeits and penalties.....	2,114,612	9,449,327	-
Investment income.....	2,949,284	90,759	171,844
Licenses:			
Business.....	2,559,090	404,546	-
Non-business.....	121,254	48,597,970	-
Special assessments.....	57,216	-	-
Other revenues.....	1,034,857	3,117,850	-
<b>Total revenues.....</b>	<b><u>875,775,442</u></b>	<b><u>354,302,072</u></b>	<b><u>519,769,684</u></b>
<b>EXPENDITURES:</b>			
General government.....	46,652,276	11,499,244	-
Protection to persons and property.....	55,572,530	31,295,161	-
Human services.....	310,434,496	2,032,660	-
Employment & training.....	1,376,062	-	-
General education.....	118,167,849	4,689,594	818,329,889
Natural resources.....	16,868,210	1,289,343	-
Commerce and community development.....	15,127,450	-	-
Transportation.....	-	311,050,934	-
Public service enterprises.....	-	-	-
Debt service.....	63,899,370	2,910,054	-
<b>Total expenditures.....</b>	<b><u>628,098,243</u></b>	<b><u>364,766,990</u></b>	<b><u>818,329,889</u></b>
<b>Excess of revenues over (under) expenditures.....</b>	<b><u>247,677,199</u></b>	<b><u>(10,464,918)</u></b>	<b><u>(298,560,205)</u></b>
<b>Other Financing Sources (Uses):</b>			
Proceeds from the sale of bonds.....	-	-	-
Premium on sale of bonds.....	-	-	-
Transfers in.....	20,380,670	15,592,657	280,438,797
Transfers (out).....	(291,521,886)	(3,864,212)	-
<b>Total other financing sources (uses).....</b>	<b><u>(271,141,016)</u></b>	<b><u>11,728,445</u></b>	<b><u>280,438,797</u></b>
<b>Excess of revenues and other sources over (under) expenditures and other (uses).....</b>	<b><u>(23,463,817)</u></b>	<b><u>1,263,527</u></b>	<b><u>(18,121,408)</u></b>
<b>Fund balance, July 1 (as restated).....</b>	<b><u>173,057,734</u></b>	<b><u>15,100,930</u></b>	<b><u>35,377,453</u></b>
<b>Fund balance, June 30.....</b>	<b><u>\$ 149,593,917</u></b>	<b><u>\$ 16,364,457</u></b>	<b><u>\$ 17,256,045</u></b>

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

<u>Special Fund</u>	<u>Federal Revenue Fund</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 443,453,138
-	-	-	32,720,757
-	-	-	215,503,133
-	-	-	99,125,573
5,092,542	-	986,434	69,223,433
-	-	-	79,510,124
-	-	-	424,198,212
82,733,035	-	635,881	236,991,386
23,612,018	-	213,133	36,708,774
804,931	-	85,249	1,727,405
12,307,645	-	-	13,886,288
-	807,720,150	3,820,479	964,141,863
2,632,894	-	12,748	14,209,581
2,680,585	380,417	610,694	6,883,583
5,503,071	-	1,750	8,468,457
2,035,189	-	6,903,762	57,658,175
21,554,901	-	16,897	21,629,014
71,442,196	2,650,629	281,345	78,526,877
<u>230,399,007</u>	<u>810,751,196</u>	<u>13,568,372</u>	<u>2,804,565,773</u>
10,349,204	2,893,860	10,528,350	81,922,934
54,221,452	33,349,146	1,538,105	175,976,394
141,670,231	610,158,601	1,584,269	1,065,880,257
1,381,857	23,527,109	-	26,285,028
4,806,868	74,685,151	14,891,278	1,035,570,629
23,477,430	32,248,141	16,172,991	90,056,115
4,803,815	14,163,296	2,804,818	36,899,379
58,179	-	24,311	311,133,424
2,001,936	-	-	2,001,936
2,405,223	-	-	69,214,647
<u>245,176,195</u>	<u>791,025,304</u>	<u>47,544,122</u>	<u>2,894,940,743</u>
<u>(14,777,188)</u>	<u>19,725,892</u>	<u>(33,975,750)</u>	<u>(90,374,970)</u>
-	-	51,000,000	51,000,000
123,348	-	-	123,348
8,191,177	7,753,440	15,257,833	347,614,574
(16,362,037)	(11,394,166)	(3,060,816)	(326,202,917)
<u>(8,047,512)</u>	<u>(3,640,726)</u>	<u>63,197,017</u>	<u>72,535,005</u>
<u>(22,824,700)</u>	<u>16,085,166</u>	<u>29,221,267</u>	<u>(17,839,965)</u>
<u>69,110,133</u>	<u>25,575,466</u>	<u>39,355,796</u>	<u>357,577,512</u>
<u>\$ 46,285,433</u>	<u>\$ 41,660,832</u>	<u>\$ 68,577,063</u>	<u>\$ 339,737,547</u>

**Reconciliation of Statement of Revenues, Expenditures and Changes in  
Fund Balances - Governmental Funds to the  
Statement of Activities - Governmental Activities  
For the Fiscal Year Ended June 30, 2002**

<b>Total net change in fund balances from the previous page.....</b>	<b>\$</b>	<b>(17,839,965)</b>
 Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period (net of internal service funds).		
Capital outlay/functional expenditures.....		114,096,618
Depreciation expense and expensed net book value of disposed capital assets.....		(48,420,835)
 Repayment of bond principal is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.....		
		48,535,000
 Bond proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.		
Bonds issued.....		(51,000,000)
Bond premium is amortized over the life of the bonds in the statement of activities.....		(115,423)
 Bond issuance costs are reported as expenditures in the governmental funds, but this cost is amortized over the life of the bonds in the statement of activities.....		
		242,540
 Revenue and expense reimbursements in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.....		
		8,023,193
 Personal income tax revenues in the statement of activities are reported net of estimated refunds.....		
		(44,109,543)
 Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Net decrease in accrued interest payable.....		422,421
Accreted interest on capital appreciation bonds.....		(3,556,732)
Increase in compensated absences.....		(415,563)
Increase in employer pension related costs.....		(903,174)
Increase in arbitrage rebate liability.....		(305,863)
 Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.....		
		1,933,667
 Notes and loans issued by governmental funds are reported as an expenditure in governmental funds and repayments are reported as a revenue in the governmental funds, but the issuances and repayment increase or decrease notes and loans receivable in the statement of net assets.....		
		16,852,328
<b>Total changes in net assets of governmental activities as reported on the statement of activities.....</b>	<b>\$</b>	<b>23,438,669</b>

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



**PROPRIETARY  
FINANCIAL STATEMENTS**

**STATE OF VERMONT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2002**

	<b>Business-type</b>		
	<b>Unemployment Compensation Trust Fund</b>	<b>Liquor Control Fund</b>	<b>Vermont Lottery Commission</b>
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents.....	\$ 308,429,651	\$ 2,324,782	\$ 364,761
Investments.....	-	-	4,431,350
Receivables:			
Taxes receivable.....	8,558,941	-	-
Accrued interest receivable.....	-	-	-
Accounts receivable (net of allowance for uncollectibles)....	115,675	155,870	573,265
Loans receivable.....	-	-	-
Due from other funds.....	-	-	214,660
Intergovernmental receivable - federal.....	580,649	-	-
Inventories, at cost.....	-	3,518,500	458,023
Prepaid expenses.....	-	-	-
<b>Total current assets.....</b>	<b><u>317,684,916</u></b>	<b><u>5,999,152</u></b>	<b><u>6,042,059</u></b>
<b>Restricted and Noncurrent Assets:</b>			
Cash-subscription reserve fund.....	-	-	-
Loans receivable.....	-	-	-
Accounts receivable - subscriptions.....	-	-	-
Imprest cash and change fund - advances.....	-	5,700	-
<b>Total restricted &amp; noncurrent assets.....</b>	<b><u>0</u></b>	<b><u>5,700</u></b>	<b><u>0</u></b>
<b>Capital Assets:</b>			
Land.....	-	-	-
Machinery, equipment and buildings.....	-	704,985	275,739
Less accumulated depreciation.....	-	(326,347)	(149,615)
<b>Total capital assets, net of depreciation.....</b>	<b><u>0</u></b>	<b><u>378,638</u></b>	<b><u>126,124</u></b>
<b>Total assets.....</b>	<b><u>317,684,916</u></b>	<b><u>6,383,490</u></b>	<b><u>6,168,183</u></b>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts payable.....	3,432,868	5,603,836	724,047
Accrued salaries and benefits.....	-	290,933	110,344
Claims payable.....	-	-	3,670,907
Due to agents.....	-	180,728	-
Due to other funds.....	39,857	245,661	42,243
Interfund payable.....	-	-	-
Future and unclaimed prizes payable.....	-	-	484,243
Deferred revenue.....	-	-	238,868
<b>Total current liabilities.....</b>	<b><u>3,472,725</u></b>	<b><u>6,321,158</u></b>	<b><u>5,270,652</u></b>
<b>Liabilities Payable From Restricted Assets:</b>			
Unexpired subscriptions.....	-	-	-
Cash advances by state treasurer.....	-	5,700	500,000
<b>Total liabilities payable from restricted assets.....</b>	<b><u>0</u></b>	<b><u>5,700</u></b>	<b><u>500,000</u></b>
<b>Total liabilities.....</b>	<b><u>3,472,725</u></b>	<b><u>6,326,858</u></b>	<b><u>5,770,652</u></b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt.....	-	378,638	126,124
Restricted for unemployment compensation benefits.....	314,212,191	-	-
Restricted for equipment purchase commitments.....	-	-	20,042
Restricted for surplus property.....	-	-	-
Unrestricted.....	-	(322,006)	251,365
<b>Total net assets.....</b>	<b><u>\$ 314,212,191</u></b>	<b><u>\$ 56,632</u></b>	<b><u>\$ 397,531</u></b>

The notes to the financial statements are an integral part of this statement.

<b>Activities - Enterprise Funds</b>		<b>Governmental Activities</b>	
<b>Total Nonmajor Enterprise Funds</b>	<b>Total Enterprise Funds</b>	<b>Total Internal Service Funds</b>	
\$ 706,977	\$ 311,826,171	\$ 36,270,409	
-	4,431,350	-	
-	8,558,941	-	
12,456	12,456	-	
292,801	1,137,611	11,815,764	
1,682,987	1,682,987	-	
39,857	254,517	79,497	
-	580,649	-	
566,801	4,543,324	2,496,293	
146,036	146,036	795,225	
<u>3,447,895</u>	<u>333,174,022</u>	<u>51,457,188</u>	
689,974	689,974	-	
1,128,805	1,128,805	-	
46,007	46,007	-	
2,900	8,600	15,100	
<u>1,867,686</u>	<u>1,873,386</u>	<u>15,100</u>	
-	-	26,156	
65,873	1,046,597	47,004,522	
(65,873)	(541,835)	(24,582,739)	
<u>0</u>	<u>504,762</u>	<u>22,447,939</u>	
<u>5,315,581</u>	<u>335,552,170</u>	<u>73,920,227</u>	
110,963	9,871,714	5,717,877	
67,566	488,843	1,681,697	
-	3,670,907	28,007,936	
-	180,728	-	
-	327,761	886,595	
373,648	373,648	17,777,214	
-	484,243	-	
30,839	269,707	172,450	
<u>583,016</u>	<u>15,647,551</u>	<u>54,243,769</u>	
689,974	689,974	-	
2,900	508,600	15,100	
<u>692,874</u>	<u>1,198,574</u>	<u>15,100</u>	
<u>1,275,890</u>	<u>16,846,125</u>	<u>54,258,869</u>	
-	504,762	22,447,939	
-	314,212,191	-	
-	20,042	-	
479,005	479,005	17,316	
3,560,686	3,490,045	(2,803,897)	
<u>\$ 4,039,691</u>	<u>\$ 318,706,045</u>	<u>\$ 19,661,358</u>	

Adjustment to reflect the consolidation of internal service activities related to enterprise funds ..... 116,699  
Net Assets - Business-type Activities ..... \$ 318,822,744



**STATE OF VERMONT**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<i>Business-type</i>		
	Unemployment Compensation Trust Fund	Liquor Control Fund	Vermont Lottery Commission
<b>Operating Revenues</b>			
Charges for sales and services.....	\$ 39,493,412	\$ 31,979,758	\$ -
Ticket sales.....	-	-	81,982,303
Rental income.....	-	-	-
License fees.....	-	168,419	18,152
Advertising revenue.....	-	-	-
Other operating revenues.....	26,948,382	970,387	-
<b>Total operating revenues.....</b>	<b>66,441,794</b>	<b>33,118,564</b>	<b>82,000,455</b>
<b>Operating Expenses</b>			
Cost of sales and services.....	84,759,310	26,258,363	-
Cash and free ticket prizes.....	-	-	52,323,450
Agents commissions and fees.....	-	-	4,733,543
Megabucks expenses.....	-	-	4,441,376
Lottery tickets.....	-	-	1,339,694
Salaries and wages.....	-	120,549	1,038,583
Insurance premium expense.....	-	-	-
Transportation.....	-	-	133,945
Warehouse expense.....	-	824,488	-
Depreciation.....	-	120,218	66,640
Rentals.....	-	-	50,675
Utilities.....	-	-	-
Stores and agencies expense.....	-	3,517,336	-
Promotions and advertising.....	-	-	-
Administration.....	-	1,296,804	811,587
Inspection and enforcement expense.....	-	1,221,038	-
Supplies.....	-	-	27,036
Distribution and postage.....	-	-	-
Travel.....	-	-	-
Loss on Bad debts.....	-	-	17,577
Other operating expenses.....	3,797,957	11,838	648,999
<b>Total operating expenses.....</b>	<b>88,557,267</b>	<b>33,370,634</b>	<b>65,633,105</b>
<b>Operating income (loss).....</b>	<b>(22,115,473)</b>	<b>(252,070)</b>	<b>16,367,350</b>
<b>Non-Operating Revenues (Expenses)</b>			
Gain (loss) on disposal of fixed assets.....	-	295	-
Other.....	-	-	-
Interest expense.....	-	-	-
Investment income.....	19,638,238	-	311,804
<b>Total non-operating revenues (expenses).....</b>	<b>19,638,238</b>	<b>295</b>	<b>311,804</b>
<b>Income (loss) before contributions and transfers.....</b>	<b>(2,477,235)</b>	<b>(251,775)</b>	<b>16,679,154</b>
Capital contributions from other funds.....	-	-	-
Transfer in.....	323,601	-	-
Transfer (out).....	(353,615)	(250,644)	(16,679,154)
<b>Changes in net assets.....</b>	<b>(2,507,249)</b>	<b>(502,419)</b>	<b>0</b>
<b>Total net assets July 1, restated.....</b>	<b>316,719,440</b>	<b>559,051</b>	<b>397,531</b>
<b>Total net assets June 30.....</b>	<b>\$ 314,212,191</b>	<b>\$ 56,632</b>	<b>\$ 397,531</b>

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

<b>Activities - Enterprise Funds</b>		<b>Governmental Activities</b>
<b>Total Nonmajor Enterprise Funds</b>	<b>Total Enterprise Funds</b>	<b>Total Internal Service Funds</b>
\$ 1,866,147	\$ 73,339,317	\$ 126,934,055
-	81,982,303	-
-	0	9,820,870
-	186,571	-
567,137	567,137	-
392,410	28,311,179	39,713
<u>2,825,694</u>	<u>184,386,507</u>	<u>136,794,638</u>
889,983	111,907,656	75,816,061
-	52,323,450	-
-	4,733,543	-
-	4,441,376	-
-	1,339,694	-
888,324	2,047,456	16,486,570
-	0	14,822,834
32,283	166,228	20,416
-	824,488	-
-	186,858	3,866,469
3,345	54,020	1,219,693
448	448	249,760
-	3,517,336	-
419,514	419,514	-
185,549	2,293,940	7,364,985
-	1,221,038	-
17,925	44,961	1,492,510
262,513	262,513	61,269
5,413	5,413	-
30,000	47,577	(146)
102,196	4,560,990	9,720,303
<u>2,837,493</u>	<u>190,398,499</u>	<u>131,120,724</u>
<u>(11,799)</u>	<u>(6,011,992)</u>	<u>5,673,914</u>
-	295	(129,947)
-	0	(1,942,670)
-	0	(18,253)
14,338	19,964,380	413,465
<u>14,338</u>	<u>19,964,675</u>	<u>(1,677,405)</u>
2,539	13,952,883	3,996,509
-	0	121,385
353,615	677,216	2,001,597
<u>(323,601)</u>	<u>(17,607,014)</u>	<u>(4,069,125)</u>
32,553	(2,977,115)	2,050,366
<u>4,007,138</u>	<u>321,683,160</u>	<u>17,610,992</u>
\$ <u>4,039,691</u>	\$ <u>318,706,045</u>	\$ <u>19,661,358</u>
Total change in net assets reported above	(2,977,115)	
Consolidation adjustment of internal service activities related to Enterprise Funds	116,699	
Change in Net Assets - Business-type Activities	\$ <u>(2,860,416)</u>	

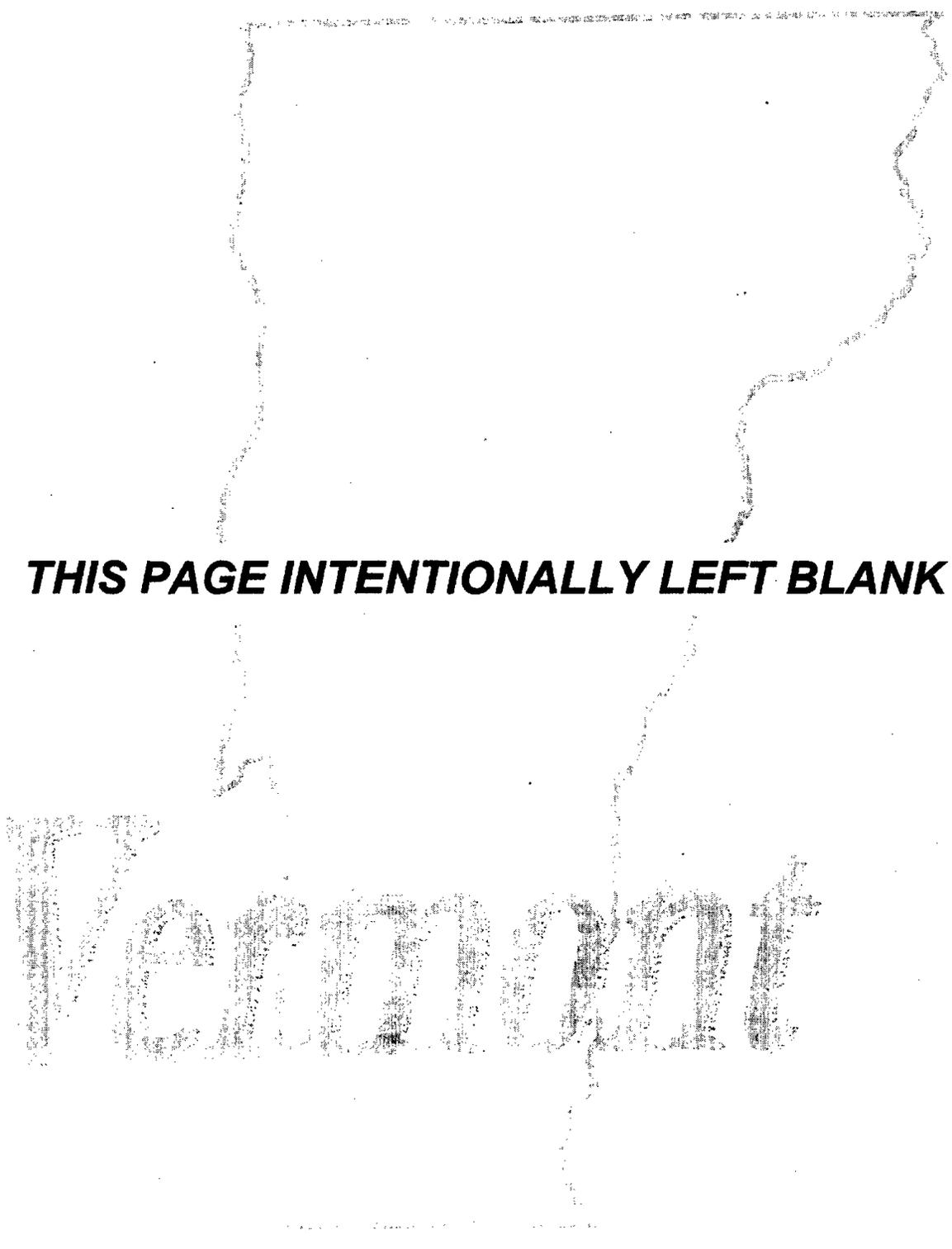
STATE OF VERMONT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Business- Type Activities		
	Unemployment Compensation Trust Fund	Liquor Control Fund	Vermont Lottery Commission
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers.....	\$ 49,803,057	\$ 43,220,060	\$ 82,217,834
Cash paid to suppliers for goods and services.....	-	(28,631,719)	-
Loans received (made).....	-	-	-
Cash paid to employees for services.....	-	(2,739,559)	-
Cash paid for prizes and commissions.....	-	-	(57,087,943)
Cash paid to claimants.....	(87,335,716)	-	-
Liquor taxes and licenses paid.....	-	(11,100,254)	-
Cash paid for fees, operations and other.....	-	-	(8,771,900)
Other operating revenues (expenses).....	16,682,876	958,548	18,152
Net cash provided (used) by operating activities.....	<u>(20,849,783)</u>	<u>1,707,076</u>	<u>18,376,143</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Operating/equity transfers in (out).....	-	(250,844)	(16,893,814)
Other.....	-	-	-
Interfund loans and advances.....	-	-	200,000
Net cash provided (used) by noncapital financing activities.....	<u>0</u>	<u>(250,844)</u>	<u>(16,893,814)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and construction of fixed assets.....	-	(116,333)	(40,877)
Proceeds from sale of fixed assets.....	-	295	-
Net cash provided (used) by capital and related financing activities.....	<u>0</u>	<u>(116,038)</u>	<u>(40,877)</u>
<b>Cash Flows From Investing Activities:</b>			
Interest and dividends on investments.....	19,638,238	-	98,332
Proceeds from sales/maturities of investments.....	-	-	434,000
Net cash provided (used) by investing activities.....	<u>19,638,238</u>	<u>0</u>	<u>532,332</u>
Net increase (decrease) in cash and cash equivalents.....	(1,211,545)	1,340,394	173,984
Cash and cash equivalents at July 1,.....	308,841,196	990,088	190,777
Cash and cash equivalents at June 30 ( see note below).....	<u>\$ 308,429,651</u>	<u>\$ 2,330,482</u>	<u>\$ 364,761</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>			
Operating income (loss).....	\$ (22,115,473)	\$ (252,070)	\$ 18,387,350
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>			
Depreciation and amortization.....	-	120,218	66,840
Expense from non-operating investment and other activity.....	(30,014)	-	-
(Increase) decrease in accounts/taxes receivable.....	898,073	(28,372)	184,409
(Increase) decrease in loans receivable.....	-	-	-
(Increase) decrease in accrued interest receivable.....	-	-	-
(Increase) decrease in due from other funds.....	-	-	-
(Increase) decrease in inventory.....	-	225,963	105,052
(Increase) decrease in prepaid expenses.....	-	-	-
(Increase) decrease in other assets.....	(588,491)	-	-
Increase (decrease) in accounts payable.....	-	1,928,216	(283,345)
Increase (decrease) in accrued salaries and benefits.....	-	3,825	917
Increase (decrease) in claims payable.....	1,221,551	-	(433,642)
Increase (decrease) in due to agents.....	-	2,069	-
Increase (decrease) in future and unclaimed prizes payable.....	-	-	297,840
Increase (decrease) in deferred income.....	-	-	51,122
Increase (decrease) in due to other funds.....	8,817	(365,103)	-
Increase (decrease) in other liabilities.....	(242,248)	72,330	-
Increase (decrease) in subscription reserves.....	-	-	-
Total adjustments.....	<u>1,265,690</u>	<u>1,859,146</u>	<u>8,793</u>
Net cash provided (used) by operating activities.....	<u>\$ (20,849,783)</u>	<u>\$ 1,707,076</u>	<u>\$ 18,376,143</u>

NOTE: Total cash/cash equivalents at June 30 on the cash flow statement is equal to cash/cash equivalents, cash-subscription reserve fund. The accompanying notes are an integral part of the financial statements.

- Enterprise Funds		Governmental
Total Nonmajor Enterprise Funds	Total Enterprise Funds	Activities Total Internal Service Funds
\$ 3,560,453	\$ 178,801,404	\$ 133,505,588
(3,743,293)	(32,375,012)	(55,115,232)
44,505	44,505	-
(584,857)	(3,624,416)	(17,523,294)
-	(57,087,943)	-
-	(87,335,716)	(46,922,532)
-	(11,100,254)	-
-	(8,771,900)	-
300,722	17,960,298	(223,973)
<u>(722,470)</u>	<u>(3,489,034)</u>	<u>13,720,557</u>
8,736	(17,135,722)	(1,970,250)
-	0	(1,942,870)
-	200,000	9,127,529
<u>8,736</u>	<u>(16,935,722)</u>	<u>5,214,809</u>
-	(157,010)	(6,790,430)
-	296	10,256
<u>0</u>	<u>(156,715)</u>	<u>(6,780,174)</u>
14,338	19,750,908	428,838
-	434,000	-
<u>14,338</u>	<u>20,184,908</u>	<u>428,838</u>
(699,398)	(396,563)	12,583,830
<u>2,099,247</u>	<u>312,921,308</u>	<u>23,888,579</u>
\$ <u>1,399,851</u>	\$ <u>312,524,745</u>	\$ <u>36,270,409</u>
\$ (11,799)	\$ (6,011,992)	\$ 5,873,914
-	186,858	3,886,469
165,304	155,290	-
(123,879)	930,431	(3,211,898)
(737,131)	(737,131)	-
5,739	5,739	-
-	0	358
(136,425)	194,590	(53,532)
96,817	96,817	(452,068)
-	(588,491)	-
51,403	1,716,274	3,717,538
2,886	7,628	845,931
-	787,908	2,498,352
-	2,069	-
-	297,640	-
(46,450)	4,672	66,190
(6,817)	(365,103)	789,305
-	(189,916)	-
(2,318)	(2,318)	-
<u>(710,971)</u>	<u>2,522,958</u>	<u>8,046,843</u>
\$ <u>(722,470)</u>	\$ <u>(3,489,034)</u>	\$ <u>13,720,557</u>

and Imprest cash on the Statement of Net Assets



***THIS PAGE INTENTIONALLY LEFT BLANK***



**FIDUCIARY FUNDS  
FINANCIAL STATEMENTS**

**STATE OF VERMONT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2002**

	<u>Pension Trust Funds</u>	<u>Private Purpose Trust Funds</u> <u>Abandoned Property Fund</u>	<u>Agency Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents.....	\$ 53,637,233	\$ 1,843,884	\$ 16,283,801
Investments at fair value.....	2,213,391,983	-	-
Receivables:			
Taxes.....	-	-	737,248
Contributions.....	4,446,076	-	-
Investment principal and interest.....	14,055,117	-	-
Other.....	122,864,295	-	568,861
Due from other funds.....	771,649	-	192,459
Prepaid expenses.....	1,283,850	-	-
<b>Total assets.....</b>	<b><u>2,410,450,203</u></b>	<b><u>1,843,884</u></b>	<b><u>17,782,369</u></b>
<b>LIABILITIES</b>			
Liabilities:			
Accounts payable.....	2,845,878	17,626	-
Accrued liabilities.....	39,859	3,440	-
Claims payable.....	-	1,366,790	-
Due to other funds.....	-	5,990	4,675,182
Interfund loans payable.....	-	-	515,815
Due to depositories.....	-	-	230,398
Intergovernmental payable - other governments...	-	-	1,290,579
Amounts held in custody for others.....	-	-	8,814,699
Other liabilities.....	140,531,576	-	2,255,696
<b>Total liabilities.....</b>	<b><u>143,417,313</u></b>	<b><u>1,393,846</u></b>	<b><u>\$ 17,782,369</u></b>
<b>NET ASSETS</b>			
Reserved for endowments, claims and distributions.....		450,038	
Reserved for pension benefits.....	2,267,032,890	-	
<b>Total net assets.....</b>	<b><u>\$ 2,267,032,890</u></b>	<b><u>\$ 450,038</u></b>	

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

**STATE OF VERMONT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<b>Pension Trust Funds</b>	<b>Private Purpose Trust Funds</b>
		<b>Abandoned Property Fund</b>
<b>ADDITIONS</b>		
Contributions:		
Employer.....	\$ 50,961,099	\$ -
Plan member.....	35,152,814	-
Other contributions.....	16,277	-
Total contributions.....	86,130,190	0
Investment Income:		
Net appreciation (depreciation) in fair value of investments.....	(177,184,738)	-
Dividends.....	23,565,734	-
Interest income.....	49,999,616	88,802
Securities lending income.....	4,870,423	-
Other income.....	1,073,282	-
Less Investment Expenses:		
Investment managers and consultants.....	(9,564,618)	-
Securities lending expenses.....	(4,085,386)	-
Net investment income (loss).....	(111,325,687)	88,802
Escheat property remittances.....	0	2,314,127
<b>Total additions.....</b>	<b>(25,195,497)</b>	<b>2,402,929</b>
<b>DEDUCTIONS</b>		
Retirement allowances.....	97,832,847	-
Refunds of contributions.....	1,990,512	-
Death claims.....	441,024	-
Operating expenses.....	15,536,040	341,120
Transfers out.....	-	2,414,331
<b>Total deductions.....</b>	<b>115,800,423</b>	<b>2,755,451</b>
<b>Net increase (decrease).....</b>	<b>(140,995,920)</b>	<b>(352,522)</b>
<b>Net assets held in trust for others</b>		
Beginning of fiscal year .....	2,408,028,810	802,560
<b>Net assets held in trust for others</b>		
end of fiscal year.....	\$ 2,267,032,890	\$ 450,038

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



***THIS PAGE INTENTIONALLY LEFT BLANK***

Vermont



**COMPONENT UNIT  
FINANCIAL STATEMENTS**

STATE OF VERMONT  
STATEMENT OF NET ASSETS  
COMPONENT UNITS  
June 30, 2002

ASSETS	Vermont Student Assistance Corporation 06/30/02	University of Vermont and State Agricultural College 06/30/02	Vermont State Colleges 06/30/02	Total Nonmajor Component Units	Total Component Units
<b>Current Assets:</b>					
Cash and cash equivalents.....	\$ 143,541,000	\$ 35,980,000	\$ 3,884,139	\$ 29,044,048	\$ 212,429,185
Investments.....	23,987,000	86,839,000	4,920,444	38,382,690	134,129,134
Accounts receivable.....	-	22,722,000	6,940,200	223,752	29,885,952
Accrued interest receivable - loans.....	24,995,000	-	-	6,869,030	31,564,030
Accrued interest receivable - investments.....	203,000	-	-	356,558	559,558
Loans and notes receivable - current portion.....	81,141,000	3,272,000	-	35,109,444	119,522,444
Other receivables.....	560,000	3,423,000	-	41,851	4,024,651
Due from federal government.....	336,000	-	-	11,985,545	12,301,545
Due from primary government.....	-	-	-	10,827	10,827
Inventories (at cost).....	-	1,783,000	93,758	115,988	1,972,746
Prepaid expenses.....	-	4,799,000	-	306,171	5,105,171
Other current assets.....	1,228,000	-	558,173	94,599	1,878,742
<b>Total current assets.....</b>	<b>275,889,000</b>	<b>138,798,000</b>	<b>16,378,714</b>	<b>122,320,071</b>	<b>553,383,785</b>
<b>Restricted and Non-Current Assets:</b>					
Cash.....	-	5,894,000	451,321	2,204,817	8,550,138
Investments.....	-	321,528,000	20,886,437	80,198,496	402,391,933
Deferred bond issue costs.....	5,206,000	-	-	5,126,574	10,332,574
Loans and notes receivable (net).....	908,987,000	31,833,000	5,278,243	437,106,790	1,380,283,033
Other assets.....	22,688,000	10,701,000	-	80,038	33,447,038
<b>Total restricted and noncurrent assets.....</b>	<b>933,839,000</b>	<b>370,056,000</b>	<b>26,363,601</b>	<b>504,718,715</b>	<b>1,835,006,716</b>
<b>Capital Assets:</b>					
Land.....	-	10,243,000	2,764,367	189,846	13,177,213
Construction in process.....	-	-	1,382,401	12,157	1,394,558
Building and leasehold improvements.....	1,215,000	277,925,000	87,186,820	13,410,790	379,737,410
Equipment, furniture and fixtures.....	9,064,000	78,230,000	4,064,831	3,574,440	94,833,071
Infrastructure.....	-	-	16,173,870	-	16,173,870
Accumulated depreciation.....	(7,489,000)	(167,406,000)	(65,400,242)	(9,808,770)	(280,104,012)
<b>Total capital assets, net of depreciation.....</b>	<b>2,796,000</b>	<b>198,992,000</b>	<b>46,171,447</b>	<b>7,368,463</b>	<b>256,311,910</b>
<b>Total assets.....</b>	<b>1,212,818,000</b>	<b>707,848,000</b>	<b>88,941,162</b>	<b>634,397,249</b>	<b>2,943,702,411</b>
<b>LIABILITIES</b>					
<b>Current Liabilities:</b>					
Accounts payable.....	2,799,000	11,739,000	5,145,782	658,475	20,342,237
Accrued salaries and benefits.....	-	19,221,000	-	921,378	20,142,378
Accrued interest payable.....	-	-	-	1,043,657	1,043,657
Bond interest payable.....	1,104,000	-	-	1,785,413	2,889,413
Deferred revenue.....	-	28,374,000	3,074,950	287,400	31,716,350
Due to other governments.....	328,000	-	-	-	328,000
Accrued arbitrage rebate.....	1,074,000	-	-	657,686	1,631,686
Current portion - bonds, notes and leases payable.....	54,300,000	2,306,000	1,090,000	71,783,926	129,449,926
Due to primary government.....	-	-	-	5,795,442	5,795,442
Escrowed cash deposits.....	-	-	-	137,150	137,150
Other current liabilities.....	2,295,000	315,000	-	9,672,557	12,282,557
<b>Total current liabilities.....</b>	<b>61,900,000</b>	<b>61,955,000</b>	<b>9,280,712</b>	<b>92,593,084</b>	<b>228,728,796</b>
<b>Restricted and Non-Current Liabilities:</b>					
Bonds, notes and leases payable.....	1,043,052,000	182,198,000	19,697,427	414,457,808	1,859,405,235
Accounts payable and accrued liabilities.....	-	-	215,937	-	215,937
Accrued arbitrage rebate.....	13,425,000	-	-	804,506	14,029,506
Other liabilities.....	22,666,000	13,469,000	4,429,803	110,830	40,675,433
Advances from primary government.....	-	-	-	1,914,488	1,914,488
<b>Total liabilities payable from restricted assets.....</b>	<b>1,079,143,000</b>	<b>195,667,000</b>	<b>24,342,967</b>	<b>417,087,630</b>	<b>1,718,240,567</b>
<b>Total liabilities.....</b>	<b>1,141,043,000</b>	<b>257,622,000</b>	<b>33,623,679</b>	<b>509,680,714</b>	<b>1,941,969,393</b>
<b>NET ASSETS</b>					
Invested in capital assets, (net of related debt).....	2,790,000	121,412,000	27,899,771	7,250,268	159,352,039
Restricted.....	41,707,000	236,624,000	10,707,291	75,755,871	364,794,182
Unrestricted - designated.....	26,978,000	-	-	30,000	27,008,000
Unrestricted.....	-	62,188,000	16,710,421	41,680,398	150,578,817
<b>Total net assets.....</b>	<b>\$ 71,475,000</b>	<b>\$ 460,224,000</b>	<b>\$ 55,317,483</b>	<b>\$ 124,716,535</b>	<b>\$ 701,733,018</b>

The accompanying notes are an integral part of the financial statements

**STATE OF VERMONT  
STATEMENT OF ACTIVITIES  
COMPONENT UNITS  
FOR THE YEAR ENDED JUNE 30, 2002**

Function/Program	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Vermont Student Assistance Corporation.....	\$ 99,644,000	\$ 60,200,000	\$ 37,007,000	\$ 0	\$ (2,437,000)
University of Vermont.....	345,610,000	178,577,000	163,913,000	10,038,000	6,918,000
Vermont State Colleges.....	100,250,838	57,995,029	44,798,723	0	2,542,914
Total nonmajor component units....	<u>59,012,629</u>	<u>32,725,161</u>	<u>17,257,067</u>	<u>0</u>	<u>(9,030,401)</u>
Total component units.....	<u>\$ 604,517,467</u>	<u>\$ 329,497,190</u>	<u>\$ 282,975,790</u>	<u>\$ 10,038,000</u>	<u>(2,006,487)</u>

General Revenues:

Property transfer tax.....	11,088,000
Investment income .....	<u>5,910,584</u>
Total general revenues.....	<u>16,998,584</u>
Changes in net assets.....	14,992,097
Net assets - beginning.....	<u>686,740,921</u>
Net assets - ending.....	<u>\$ 701,733,018</u>

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

***THIS PAGE INTENTIONALLY LEFT BLANK***

VERMONT

**State of Vermont  
Notes To The Financial Statements  
Fiscal Year Ended June 30, 2002**

	<u>INDEX</u>	<u>Page No.</u>
Note 1	Reporting Entity	62
Note 2	Cash, Cash Equivalents, Investments	73
Note 3	Not Utilized	-
Note 4	Capital Assets	76
Note 5	Retirement Plans	78
Note 6	Restricted Net Assets- Discretely Presented Component Units	83
Note 7	Lease Commitments	83
Note 8	General Obligation Bonds and Notes Payable	84
Note 9	Prior Years' Bond Refundings	85
Note 10	Accounting Method Changes and Fund Equity Restatements	87
Note 11	Segment Information for Enterprise Funds	88
Note 12	Contingent and Limited Liabilities	89
Note 13	Litigation	90
Note 14	Budget Stabilization Reserves	90
Note 15	Joint Venture	90
Note 16	Risk Management	91
Note 17	Deficit Fund Balances	94
Note 18	Interfund Balances	96
Note 19	Changes in Long-Term Liabilities	99
Note 20	Subsequent Events	100

**STATE OF VERMONT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

**Note 1. Summary of Significant Accounting Policies**

The accompanying financial statements of the State of Vermont have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). Newly implemented in these statements are the requirements of GASB Statements Nos. 34, 35, 37, and 38 and GASB Interpretation No. 6. The implementation of GASB Statement No. 34 – Basic Financial Statements – and Management’s Discussion and Analysis – For Local and State Governments, and GASB Statement No. 35 – Basic Financial Statements – Management Discussion – For Public Colleges and Universities – establish new reporting requirements for state and local governments and public colleges and universities throughout the United States. They require new information and restructure much of the information that governments have presented in the past. Comparability with reports issued in prior years is affected. Statement No. 37 – Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments amend or clarify several areas as found in GASB Statements Nos. 14 and 34. Statement No. 38 – Certain Financial Note Disclosures modifies certain current disclosures and adds additional disclosure requirements. GASB Interpretation No. 6 clarifies the application of existing standards for distinguishing the respective portions of certain types of liabilities that should be reported as (a) governmental fund liabilities and expenditures and (b) general long-term liabilities of the government.

The accompanying financial statements present the financial position of the State and the various funds and fund types, the results of operations of the State and the various funds and fund types, and the cash flows of the various proprietary funds. The financial statements are presented as of and for the period ending June 30, 2002.

**A. Reporting Entity**

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

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

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

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

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

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

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

**COMPONENT UNITS**

Component Units are entities which are legally separate from the State, but which are either financially accountable to the State, or whose relationships with the State are such that exclusion would cause the

State's financial statements to be misleading or incomplete. Their activity may be "blended" into the activity of the primary government or may be reported separately. If they are reported separately, they are called "discretely presented component units." Vermont does not report any blended component units in this CAFR but does report discretely presented component units that may report blended component units in their financial statements (See the Vermont Municipal Bond Bank). Component Units designation as either "major" or "non-major" has been determined by applying the criteria of GASB Statement No. 34. See Section C – Fund Financial Statements – for definitions of major and non-major funds. Additional information as well as separately issued financial reports may be obtained by contacting the individual entity desired at the address given in the following text.

The Component Units columns of the government-wide financial statements report the financial results of the following entities:

#### Major Component Units

*Vermont Student Assistance Corporation (VSAC)* – VSAC was established by the 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. For further information, contact their administrative offices at the Champlain Mill, P.O. Box 2000, Winooski, Vermont 05404-2601

*University Of Vermont (UVM)* - The University of Vermont's financial report includes both the university and the State Agricultural College. The requirements of GASB Statement Nos. 34, 35, 37, and 38 have been implemented in its FY2002 financial statements, which have been issued under separate cover. Additional information may be obtained by contacting the university's administrative offices in Burlington, Vermont.

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

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

The requirements of GASB Statements Nos. 34, 35, 37, and 38 have been implemented in its audited financial statements that have been issued under separate cover. Additional information may be obtained by contacting the Office of the Chancellor, Vermont State Colleges, Post Office Box 359, Waterbury, Vermont 05676.

#### Non-Major Component Units

*Vermont Educational and Health Buildings Financing Agency (VEHBFA)* – VEHBFA is a non-profit entity which finances or assists in the financing of projects for eligible educational or health related entities. It has a December 31 (annual) year-end and issues audited financial statements under separate cover. For additional information, they may be contacted at 133 State Street, Montpelier, Vermont 05633.

*Vermont Housing and Conservation Board (VHCB)* – The Legislature created and charged this non-profit organization with two goals: Create affordable housing for Vermont residents; and conserve and protect Vermont's agricultural lands, historic properties, important natural areas, and recreational lands. VHCB issues audited financial statements under separate cover. Additional information may be obtained by contacting them at 136 Main Street, Drawer 20, Montpelier, Vermont 05620-3501.

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

VEDA also administers the State Infrastructure Bank (SIB) and the Drinking Water State Revolving Loan Fund – Private Loans. These two funds are administered for the benefit of the State and are consolidated



and reported in VEDA's agency fund. Audited financial statements or additional information may be obtained by contacting them at 56 East State Street, Montpelier, Vermont 05602.

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

VMBB also administers the *Special Environmental Revolving Fund* in accordance with 24 V.S.A. 4753(b). This fund has a June 30 year-end and issues its own audited financial statements. For financial reporting purposes, its financial statements have been consolidated with the State's Federal Revenue Fund financial statements in this CAFR. Further information regarding VMBB or the Special Environmental Revolving Fund may be obtained by contacting VMBB at 133 State Street, Montpelier, Vermont 05633.

*Vermont Center For Geographic Information (VCGI)* – The Vermont Legislature established VCGI and charged it with creating a comprehensive strategy for the development and use of a geographic information system. Audited financial statements or additional information may be obtained by contacting them at 58 South Main Street, Waterbury, Vermont 05671.

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

*Vermont Transportation Authority (VTA)* – The Vermont Legislature specifically authorized the creation of VTA pursuant to the acquisition, operation, and support of an authorized transportation facility as defined in 29 V.S.A. 701. Its only current activity is managing the commuter rail line running from Shelburne to Burlington, Vermont. Audited financial statements and additional information may be obtained from VTA at 1 Main Street, Burlington, Vermont 05401.

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

#### JOINT VENTURES

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

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

#### RELATED ORGANIZATIONS

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

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

#### EXCLUDED ORGANIZATIONS

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

Vermont Council On The Humanities  
Vermont Council On The Arts  
Vermont Historical Society  
Vermont Public Power Supply Authority

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

#### B. Government-wide Financial Statements

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

The statement of activities demonstrates the degree to which direct expenses of a given function, segment, or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. Program revenues include charges to customers who purchase, use, or directly benefit from goods or services provided by a given function, segment, or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Items not properly included among program revenues are reported instead as general revenues. Taxes and other resources that are dedicated internally are reported as general revenues rather than as program revenues. The State does not allocate general government (indirect) expenses to other functions.

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

#### C. Fund Financial Statements

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

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

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

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

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

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

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

Interest on general long-term debt is recognized when due to be paid.

Executed purchase orders and contracts are recorded as a reservation of fund balance, usually as an encumbrance.

Debt service expenditures and claims and judgments are recorded only when payment is due to be paid.

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

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

*University of Vermont (UVM) and the Vermont State College System (VSC)* – These entities account for their activity using the economic resources measurement focus and the accrual basis of accounting in accordance with generally accepted accounting principles set forth for public colleges and universities. As noted under the "Component Units" section, they have adopted the requirements of GASB Statement Nos. 34, 35, 37 and 38 in preparing their separate financial reports.

#### **E. Fund Accounting**

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

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

#### GOVERNMENTAL FUNDS

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

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

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

*Education Fund* – This fund was established by the Vermont Legislature to equalize statewide funding requirements. Expenditures authorized for funding are codified in 16 V.S.A. 4025(b) and may include only legitimate items of current education expense. Sources of funding are described in 16 V.S.A. 4025(a). A stabilization reserve for the Education Fund has also been established in accordance with 16 V.S.A. 4026.

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

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

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

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

*Permanent Funds* – These funds report resources that are legally restricted to the extent that only earnings, not principal, may be expended for purposes that benefit the government or citizenry, such as higher education, cemetery care, monument preservation, etc. In previous years, these funds were reported as non-expendable trust funds.

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

*Enterprise Funds* – These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The State's intent in these funds is to recover the costs including depreciation associated with providing the goods and services to the public primarily through user charges. The Unemployment Trust Fund, previously reported as an expendable trust fund, is now reported as an enterprise fund as required by GASB Statement No.34.

*Internal Service Funds* – These funds are used to account for the financing of goods and services provided by one state department to other state agencies, departments, or intergovernmental units. The objective is

not to make a profit but rather to recover the total cost of providing these goods and services. In the government-wide financial statements, Internal Service Funds are reported within the governmental activities.

#### FIDUCIARY FUNDS

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

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

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

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

#### BUDGETARY PROCESS

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

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

#### CASH AND CASH EQUIVALENTS

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

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

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

#### RECEIVABLES

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

Receivables reported in the governmental funds financial statements consist primarily of accrued taxes (see exception for personal income taxes below), federal grants receivable, and notes receivable from component units. Revenues accrued in the governmental funds financial statements consist primarily of accrued taxes, federal grants receivable, and notes receivable from component units that will be collected by the State within 60 days. Personal income taxes receivable are primarily assessed taxes owed by the taxpayer as of June 30 that are received by the State during the following 10 months. These revenues are accrued 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 consist primarily of advances in the form of Vermont Economic Development Authority notes purchased by the State. See Note 12 – Contingent Liabilities for further information. No allowances for uncollectible amounts have been recognized in these receivables.

The "Other Receivables" balance of \$122,864,295 on the Statement of Fiduciary Net Assets – Pension Trust Funds includes \$88,520,605 for the Vermont State Retirement Fund; \$22,372,908 for the State Teachers' Retirement Fund; and \$11,970,782 for the Vermont Municipal Employees' Retirement Fund. These amounts represent monies due to the respective retirement funds for investments sold or matured prior to June 30, 2002, but for which the receipts were received subsequent to June 30, 2002.

#### INVENTORIES

Inventories of materials and supplies reported in the governmental funds are recorded as expenditures when purchased. Inventories reported in the proprietary funds are generally valued at the lower of average cost or market.

#### CAPITAL ASSETS AND DEPRECIATION

Capital Assets, which include property, plant, equipment, and infrastructure assets are recorded in the Government-wide Statement of Net Assets at historical cost if available or, if donated or the actual cost is not known, at the estimated fair market value at the date the State acquired them. Infrastructure assets such as roads and bridges are being capitalized and reported for the first time in FY 2002. Interest incurred on debt issued for construction of these fixed assets is not capitalized.

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

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

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

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

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

#### DEFERRED REVENUE

Revenue in the government-wide financial statements, the proprietary fund financial statements and the General Fund is deferred if cash has been received prior to being earned.

#### PAYABLES

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

The "other liabilities" balance totaling \$140,531,576 on the Statement of Fiduciary Net Assets – Pension Trust Funds includes \$81,879,452 for the Vermont State Retirement Fund, \$23,335,939 for the Vermont Teacher's Retirement Fund, \$28,086,522 for the Vermont Municipal Employees' Retirement Fund, and \$7,229,663 for the Single Investment Deposit Account. These figures represent amounts due for securities purchased prior to June 30, 2002, but which were paid subsequent to June 30, 2002.

#### ACCRUED LIABILITIES

Accrued liabilities consist of employee wages and related fringe benefit accruals earned as of June 30, 2002. Retainage payable consists of portions of progress payment amounts due to contractors that have been withheld and which will be paid by the State to the contractors upon final completion and acceptance of the contracted item or service.

#### TAX REFUNDS

Tax refunds primarily represent amounts owed by the State to taxpayers because of overpayment of their 2001 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 reported as personal income tax refunds payable at June 30, 2002 in the governmental funds statements is comprised of refunds for filed tax returns due and payable at June 30, 2002. The amount reported as personal income tax refunds payable at June 30, 2002 in the government-wide financial statements is comprised of estimated tax liability overpayments for the first and second calendar quarters of year 2002 tax liability as well as overpayments for calendar year 2001 and prior years' tax liabilities that have not been paid out as of June 30, 2002.

#### ENCUMBRANCES

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

#### FUND BALANCES

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

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

*Budget Stabilization Reserve* – These reserves are established in the General, Transportation, and Education funds. They were created to reduce the effects of annual variations in state revenues by reserving certain surpluses of revenue. See Note 14 for a more complete disclosure of these reserves as it pertains to the current fiscal year.

The following reservations apply to the General Fund:

*Reserve For Debt Service* – During fiscal year 1993, the State initiated a lawsuit to recover costs associated with asbestos removal. A settlement agreement between the contractor and the State was reached which resulted in net proceeds of \$1,734,543 being credited to and reserved in the General Fund to meet future debt obligations associated with issuance of bonds relating to asbestos removal. The reserved amount is reduced annually through fiscal year 2009 in proportion to the repayment schedule of the bonds issued to refinance the asbestos removal. 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 2002 is \$68,763.

*Reserve For Human Caseload Management* – The reserve for human caseload management, established pursuant to 32 V.S.A. Section 308b(a) was created to be available for appropriation to meet caseload-related needs at the Agency of Human Services. The Secretary of Administration may transfer to this reserve any general fund unexpended appropriations directly attributable to Aid To Needy Families With Children (ANFC) caseload reductions and the effective management of related federal receipts. For fiscal year 2002, the balance remained at \$18,048,618.

*Reserve For General Fund Surplus* – The reserve for general fund surplus was established pursuant to Public Act 1 of 1999, Section 88. This reserve is to be credited with the budgetary based surplus for the year ended June 30, 2002 as determined by the Commissioner of Finance and Management. The reserve shall not be expended except by specific authorization of the General Assembly. The balance at June 30, 2002 remained at \$4,347,360.

#### COMPENSATED ABSENCES

Compensated absences include accumulated unpaid vacation, compensatory time, and personal leave credits. Classified state employees may accrue vacation leave based on the number of years employed up to a maximum rate of 24 days annually and may not accumulate more than a maximum of 45 days (360 hours) at any one time. The State's total vacation liability at June 30, 2002 was \$21,905,735 of which \$20,786,104 was applicable to the governmental funds. This liability is expected to be liquidated in future periods as either salary payments or cash payments upon termination of employment. Compensatory time and personal leave time accumulates as earned by the employees but must be taken within an accrual year. The State's liability for compensatory time and personal leave time at June 30, 2002 was \$4,471,125 of which \$4,267,286 was applicable to the governmental funds.

Employees earn sick leave credits based on the number of years employed with a maximum accrual rate of 21 days per fiscal year. Sick leave may only be liquidated if and when sickness or injury is incurred. Additionally, if employment is terminated, any sick leave that the individual may have accrued is cancelled without any payout; therefore, it is not an accruable liability to the State. There is no limit on the amount of sick leave an employee may accumulate. The dollar value of unused sick leave accumulated at June 30, 2002 is approximately \$115,839,301.

Liabilities related to proprietary fund types are recorded in the fund where the employees are assigned. The above amounts are calculated based on an employee's pay rate in effect on June 30, 2002.

#### BOND DISCOUNTS, PREMIUMS, AND ISSUANCE COSTS

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

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

#### INTERFUND TRANSACTIONS

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



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

*QUASI-EXTERNAL TRANSACTIONS* –These transactions occur between two government funds that would be accounted for as revenue and expenditures if they occurred between a government entity and a private sector entity.

*RESIDUAL EQUITY TRANSFERS* – These transfers are defined as non-recurring and non-routine transfers of equity between two funds.

*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 funds.

#### PREPAID EXPENSES

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

#### USE OF ESTIMATES

The preparation of financial statements in conformity with 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 for the reporting period. Actual results could differ from these estimates.

#### RECLASSIFICATIONS

Certain amounts in prior year's presentations have been reclassified to conform to the current year's presentation.

**Note 2: 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, 2002  
Primary Government and Component Units**

Cash and Cash Equivalents	\$ 801,223,867
Investments	2,787,654,207
Restricted Cash	<u>15,115,689</u>
<b>Total</b>	<b>\$ <u>3,603,993,763</u></b>

**Deposits, Investments, and Reconciling Items**

Carrying Value of Deposits	\$ 291,849,378
Carrying Value of Investments	3,001,844,541
Cash on Hand	828,951
U.S. Treasury - Unemployment Account	<u>309,470,893</u>
<b>Total</b>	<b>\$ <u>3,603,993,763</u></b>

**DEPOSITS:**

The following statutory requirement and Treasury Department policy have been implemented to minimize risk associated with deposits. 32 V.S.A. Sec. 431 establishes the requirements the State Treasurer must adhere to when depositing public monies. The statute sets parameters regarding the amount of funds that may be on deposit with any particular institution at any one time. Although not statutorily required, the State Treasurer requires State cash deposits to be collateralized with either United States Treasury securities or Vermont 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, 2002, the State's deposits, listed by credit risk category, are shown in the following schedule:

	Categories			Bank Balance	Reported Amount
	1	2	3		
Primary Government	\$ 4,732,754	\$ 11,486,924	\$ 90,294,361	\$ 106,514,039	\$ 77,614,205
Component Units	<u>2,298,143</u>	<u>150,016,827</u>	<u>66,561,049</u>	<u>218,876,019</u>	<u>214,235,173</u>
<b>Total</b>	<b>\$ <u>7,030,897</u></b>	<b>\$ <u>161,503,751</u></b>	<b>\$ <u>156,855,410</u></b>	<b>\$ <u>325,390,058</u></b>	<b>\$ <u>291,849,378</u></b>

**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 \$309,470,893 at June 30, 2002 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's name.

32 V.S.A. 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 whose underlying collateral consists of such obligations; certificates of deposit issued by banks and savings and loan associations approved by the Treasurer; prime bankers' acceptances; prime commercial paper; tax exempt securities; and domestic money market funds. The boards overseeing the various pension funds have adopted their own sets of investment guidelines.

At June 30, 2002 the State's investments, categorized by the credit risk categories listed above, are shown in the following schedule:

	<b>INVESTMENTS</b>			Carrying Amount
	Categories			
	1	2	3	
<b>Primary Government</b>				
Stocks	\$ 1,147,785,825	-	-	\$ 1,147,785,825
U.S. Government Securities	398,698,936	-	-	398,698,936
Corporate Bonds and Notes	571,915,516	-	-	571,915,516
Other Investments	-	-	-	0
Subtotals	2,118,400,277	0	0	\$ 2,118,400,277
Not Categorized:				
Real Estate/Venture Capital	-	-	-	227,730,145
Mutual Funds	-	-	-	111,550,513
Lottery Annuity	-	-	-	848,748
Mortgages	-	-	-	49,641
Totals - Primary Government	<u>\$ 2,118,400,277</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,458,579,324</u>
<b>Component Units</b>				
U.S. Government Obligations	\$ 48,982,863	\$ 32,582,000	\$ 30,597,074	\$ 112,161,937
Corporate Bonds	3,563,063	4,345,000	-	7,908,063
Stocks	36,161,782	-	-	36,161,782
Other	15,832,272	207,862,698	163,338,465	387,033,435
Totals - Component Units	<u>\$ 104,539,980</u>	<u>\$ 244,789,698</u>	<u>\$ 193,935,539</u>	<u>\$ 543,265,217</u>
Totals - Reporting Entity				<u>\$ 3,001,844,541</u>

**Securities Lending Transactions**

State statutes and boards 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 pension plans' securities dealer, State Street Bank and Trust Company (State Street), is the agent in lending the plans' domestic securities for cash collateral of 102% and international securities for cash collateral of 105%. At year-end the pension plans have no credit risk exposure to borrowers because the amounts the plans owe the borrowers exceed the amounts the borrowers owe the plans. The lending agent indemnified Vermont by agreeing to purchase replacement securities or to return cash collateral in the event borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay Vermont for income distributions by the securities' issuers while the securities were on loan. There were no losses during the fiscal year resulting from a default of the borrowers or State Street.

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 69 days at June 30, 2002. 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, 2002, the collateral held and the market value of the securities on loan for Vermont was \$141,183,316 and \$125,861,080, respectively.

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

**Statute Reference**

**Retirement Plan**

3 V.S.A. 471(m)

Vermont State Employees' Retirement Fund

16 V.S.A. 1942(q)

Vermont Teachers' Retirement Fund

24 V.S.A. 5062(o)

Vermont Municipal Employees' Retirement Fund

**Note 3: NOT UTILIZED**

**Note 4: Capital Assets:**

Capital Assets activities for the fiscal year ended June 30, 2002 were as follows:

**Primary Government**

Governmental Activities	Beginning Balance	Additions	Deletions	Adjustments and Reclassifications	Ending Balance
Capital assets, not being depreciated:					
Land and land improvements	\$ 4,183,634	\$ -	\$ -	\$ -	\$ 4,183,634
Construction in process	248,679,980	107,942,195	(32,655,539)	-	323,966,636
Works of Art	103,321	8,200	-	-	111,521
Total capital assets, not being depreciated	<u>252,966,935</u>	<u>107,950,395</u>	<u>(32,655,539)</u>	<u>0</u>	<u>328,261,791</u>
Capital assets, being depreciated:					
Buildings and improvements	196,682,703	2,381,131	-	-	199,063,834
Machinery and equipment	85,080,003	10,780,308	(4,849,299)	488,223	91,499,235
Infrastructure	1,236,789,930	32,655,539	(912,192)	-	1,270,533,277
Total capital assets, being depreciated	<u>1,520,552,636</u>	<u>45,816,978</u>	<u>(5,761,491)</u>	<u>488,223</u>	<u>1,561,096,346</u>
Less accumulated depreciation for:					
Buildings and improvements	(97,565,790)	(5,200,056)	-	-	(102,765,846)
Machinery and equipment	(54,103,313)	(8,118,355)	4,627,518	(723,841)	(58,317,991)
Infrastructure	(726,261,717)	(38,842,259)	812,920	-	(764,291,056)
Total accumulated depreciation	<u>(877,930,820)</u>	<u>(52,160,670)</u>	<u>5,440,438</u>	<u>(723,841)</u>	<u>(925,374,893)</u>
Total capital assets, being depreciated, net	<u>642,621,816</u>	<u>(6,343,692)</u>	<u>(321,053)</u>	<u>(235,618)</u>	<u>635,721,453</u>
Governmental activities capital assets, net	<u>\$ 895,588,751</u>	<u>\$ 101,606,703</u>	<u>\$ (32,976,592)</u>	<u>\$ (235,618)</u>	<u>\$ 963,983,244</u>
Business-type Activities	Beginning Balance	Additions	Deletions	Adjustments and Reclassifications	Ending Balance
Capital assets, being depreciated:					
Buildings and improvements	\$ 41,850	\$ -	\$ -	\$ -	\$ 41,850
Machinery and equipment	873,167	151,869	(20,289)	-	1,004,747
Total capital assets, being depreciated	<u>915,017</u>	<u>151,869</u>	<u>(20,289)</u>	<u>0</u>	<u>1,046,597</u>
Less accumulated depreciation for:					
Buildings and improvements	(11,385)	(5,231)	-	-	(16,616)
Machinery and equipment	(363,881)	(181,627)	20,289	-	(525,219)
Total accumulated depreciation	<u>(375,266)</u>	<u>(186,858)</u>	<u>20,289</u>	<u>0</u>	<u>(541,835)</u>
Total capital assets, being depreciated, net	<u>539,751</u>	<u>(34,989)</u>	<u>0</u>	<u>0</u>	<u>504,762</u>
Business-type activities capital assets, net	<u>\$ 539,751</u>	<u>\$ (34,989)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 504,762</u>

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

Governmental Activities:

General Government	\$	5,103,723
Protection to Persons and Property		1,794,111
Human Services		870,898
Employment & Training		123,103
General Education		7,314
Natural Resources		1,297,372
Commerce and Community Development		59,823
Transportation		39,038,057
Depreciation on Capital Assets held by the Internal Service Funds		<u>3,866,469</u>
Total	\$	<u>52,160,870</u>

Business-type Activities:

Liquor Control	\$	120,218
Lottery		66,840
Total	\$	<u>188,858</u>

**Discretely Presented Component Units**

	Beginning Balance	Additions	Deletions	Adjustments and Reclass- ifications	Ending Balance
Capital assets, not being depreciated:					
Land and land improvements	\$ 12,092,540	\$ 921,673	\$ (38,000)	\$ 201,000	\$ 13,177,213
Construction in process	12,157	1,382,401	-	-	1,394,558
Total capital assets, not being depreciated	<u>12,104,697</u>	<u>2,304,074</u>	<u>(38,000)</u>	<u>201,000</u>	<u>14,571,771</u>
Capital assets, being depreciated:					
Buildings and improvements	366,689,572	13,223,838	(1,754,000)	1,578,000	379,737,410
Machinery and equipment	82,228,845	14,518,233	(31,335)	(1,782,672)	94,933,071
Infrastructure	16,173,670	-	-	-	16,173,670
Total capital assets, being depreciated	<u>465,092,087</u>	<u>27,742,071</u>	<u>(1,785,335)</u>	<u>(204,672)</u>	<u>490,844,151</u>
Less accumulated depreciation	<u>(229,673,780)</u>	<u>(17,813,586)</u>	<u>31,334</u>	<u>(2,648,000)</u>	<u>(250,104,012)</u>
Total capital assets, being depreciated, net	<u>235,418,327</u>	<u>9,928,485</u>	<u>(1,754,001)</u>	<u>(2,852,672)</u>	<u>240,740,139</u>
Component unit capital assets, net	<u>\$ 247,523,024</u>	<u>\$ 12,232,559</u>	<u>\$ (1,792,001)</u>	<u>\$ (2,651,672)</u>	<u>\$ 255,311,910</u>

**Note 5: RETIREMENT PLANS AND OTHER POST EMPLOYMENT BENEFITS:**

**A. Retirement Plan Descriptions**

**Defined Benefit Retirement Plans**

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

The Vermont State Retirement System (VSRS) (3 V.S.A. Chapter 16) is a single-employer public employee defined benefit retirement system which covers substantially all general state employees and State Police, except employees hired in a temporary capacity. Membership in the system is a condition of employment. The membership consists of:

- (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 3.35% of payroll.

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

- (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 3.4% 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 16 years remaining (the liability will be fully amortized in fiscal year 2018).

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

#### **Defined Contribution Retirement Plans**

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

The actuarial calculations were performed on a cost-neutral basis so that the accrued balances and liabilities were equivalent. 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, 2002, plan member contributions were \$567,086 and State employer contributions were \$1,411,414. As of June 30, 2002, the Vermont State Defined Contribution Plan's net assets totaled \$26,002,011 and there were 530 participants.

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

Participating municipal employees and their employers are required to contribute at the rate of 5%. Employees become vested in the plan after 12 months of service. For fiscal year ending June 30, 2002, plan participants and the municipalities each contributed \$373,657 while members transferred \$618,356 into the defined contribution plan from other pension plans. As of June 30, 2002, the Municipal Employees' Defined Contribution Plan's net assets at fair value totaled \$4,733,355 and there were 389 participants.

Copies of each individual defined benefit retirement plan's annual actuarial valuation report, information describing each defined benefit plan's provisions including vesting requirements, benefits provided, post retirement adjustments, etc., and information relating to the two defined contribution plans is available for inspection at the Retirement Division, State Treasurer's Office, 133 State Street, Montpelier, Vermont 05633-6901.



**B. Plan Membership**

At June 30, 2002, VSRS, STRS, and MERS membership consisted of:

	<u>VSRS</u>	<u>STRS</u>	<u>MERS</u>
Retirees and beneficiaries of deceased retirees currently receiving benefits	3,633	3,991	903
Terminated employees entitled to benefits but not yet receiving them (vested)	744	2,932	188
Inactive members:	1,019	513	870
Active employees:			
Vested	5,122	7,408	2,202
Non-vested	2,603	2,849	2,722
Total active employees	<u>7,725</u>	<u>10,257</u>	<u>4,924</u>
Total participants	<u>13,121</u>	<u>17,693</u>	<u>8,665</u>

**C. Schedules of Employer Contributions and Funding Progress**

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

	<u>VSRS</u>	<u>STRS</u>	<u>MERS</u>
Valuation date	06/30/02	06/30/02	07/01/02
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	16 years	16 years	16 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
<b><u>Actuarial assumptions</u></b>			
Investment rate of return	8.0%	8.5%	8.0%
Projected salary increases	4.5%-7.79%	4.9%-8.9%	5.6%
Cost-of-living adjustments	1.5%-3.0%	2%-4%	2%-2.3%
<b><u>Post Retirement Adjustments</u></b>			
allowances in payment for at least one year adjusted for cost of living based on CPI but not in excess of percentage indicated	Groups A, C, D - 5%	Group A - 5%	N/A
allowances in payment for at least one year adjusted for cost of living based on one-half of CPI but not in excess of percentage indicated	Group F - 5%	Group C - 5%	Group A - 2% Group B, C, D - 3%

**Schedule Of Employer Contributions**

Year Ended 6/30	VSRS		STRS		MERS	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
1993	27,990,000	81.84%	28,820,000	89.02%	2,692,159	100.00%
1994	27,224,000	80.04%	25,805,000	79.75%	3,003,674	100.00%
1995	29,245,000	89.70%	27,452,000	85.88%	3,045,585	100.00%
1996	24,222,000	88.52%	28,712,000	99.98%	3,365,821	100.00%
1997	24,098,000	99.48%	30,722,000	88.85%	3,541,692	100.00%
1998	22,598,000	104.28%	26,927,000	87.14%	3,665,833	100.00%
1999	23,288,000	98.88%	20,724,000	87.24%	4,233,559	100.00%
2000	19,548,817	97.28%	19,938,345	93.23%	4,788,871	100.00%
2001	19,679,398	98.34%	20,970,278	91.28%	4,571,993	100.00%
2002	24,189,000	98.34%	22,146,880	92.33%	4,984,484	100.00%

**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)
<b>VSRS</b>						
1993	400,084	831,837	231,553	83.3%	210,032	110.2%
1994	428,878	865,427	236,749	84.4%	217,043	109.1%
1995	480,049	879,427	199,378	70.7%	225,089	88.8%
1996	580,659	884,173	103,514	84.4%	226,792	45.6%
1997	639,128	783,883	114,755	84.8%	227,000	50.8%
1998	733,718	804,501	70,785	91.2%	235,956	30.0%
1999	804,970	878,412	71,441	91.9%	238,281	30.0%
2000	885,151	967,084	71,913	92.8%	266,519	27.0%
2001	954,821	1,026,993	72,172	93.0%	278,507	25.9%
2002	990,450	1,017,129	26,679	97.4%	300,994	8.9%
<b>STRS</b>						
1993	433,327	555,220	121,893	78.1%	324,537	37.6%
1994	473,229	587,851	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	717,398	849,179	131,783	84.5%	364,895	38.1%
1998	821,977	955,894	133,717	86.0%	357,899	37.4%
1999	931,058	1,086,400	135,344	87.3%	372,299	36.4%
2000	1,037,466	1,174,087	136,621	88.4%	387,999	35.2%
2001	1,116,846	1,254,341	137,496	89.0%	403,258	34.1%
2002	1,169,294	1,307,202	137,908	89.5%	418,904	32.9%
<b>MERS</b>						
1993	52,536	51,292	(1,244)	102.4%	55,900	-2.2%
1994	80,848	59,251	(1,394)	102.4%	82,300	-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	85,886	(10,510)	112.3%	70,800	-14.8%
1998	113,878	102,005	(11,873)	111.4%	79,056	-14.8%
1999	137,454	114,481	(22,973)	124.8%	70,808	-32.4%
2000	161,900	138,697	(23,203)	118.7%	87,147	-28.8%
2001	177,928	158,786	(19,142)	112.1%	101,873	-18.8%
2002	193,278	176,109	(17,169)	109.7%	108,986	-16.0%

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

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

The State's annual pension cost and net pension obligation (NPO) to the Vermont State Retirement System and the State Teachers' Retirement System at June 30, 2002 were as follows:

	<u>VSRS</u>	<u>STRS</u>
Annual Required Contribution (ARC)	\$24,189,000	\$22,146,880
Interest on NPO	3,243,168	7,382,403
Adjustment to ARC	<u>(3,346,923)</u>	<u>(6,484,824)</u>
Annual Pension Cost (APC)	\$24,085,245	\$21,054,459
Employer Contribution Made	<u>23,786,262</u>	<u>20,448,248</u>
Increase (Decrease) in NPO	\$208,983	\$606,211
NPO - Beginning of Year	<u>38,154,923</u>	<u>88,969,443</u>
NPO - End of Year	<u>\$38,451,866</u>	<u>\$87,575,654</u>
Percentage of APC contributed	98.77%	97.12%

**E. Single Deposit Investment Account**

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

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

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

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

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

No additional contributions could be made to the SDIA beyond those described above. The SDIA funds are not available to the members until they retire or terminate employment. At June 30, 2002, there were 1,622 STRS members and 1,252 VSRS members, with net assets of \$103,479,863. In the Single Deposit Investment Account.

**F. Other Post Employment Benefits**

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

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 surviving spouse must pay 100% of the cost.

In the case of life insurance, if a state employee retires or terminates due to disability prior to age 60, 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: RESTRICTED NET ASSETS – Discretely Presented Component Units**

Restricted net assets are those portions of total net assets that are not appropriable for expenditure or that are legally segregated for a specific future use. Net assets restricted at June 30, 2002 are as follows.

Discretely Presented Component Units	Vermont Student Assistance Corp	University Of Vermont	Vermont State Colleges	Non-major Component Units
<b>Restricted for:</b>				
Bond Resolution	\$ 41,267,000	\$ 0	\$ 0	\$ 0
Grants and Scholarships	440,000	0	0	0
Project Commitments	0	0	0	11,914,140
Restricted- Nonexpendable	0	50,915,000	7,987,231	0
Restricted- Expendable	0	185,709,000	2,720,060	6,686,363
Loans Receivable (1)	0	0	0	57,155,368
Total Component Units				
Restricted Net Assets	<u>\$ 44,497,000</u>	<u>\$ 236,624,000</u>	<u>\$ 10,707,291</u>	<u>\$ 75,755,871</u>

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

**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 non-cancelable 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
2003	\$ 4,386,130	\$ 204,208	\$4,570,338	\$1,809,947	\$ 654,000	\$6,834,285
2004	3,430,723		3,430,723	991,793	663,000	5,085,516
2005	2,691,909		2,691,909	809,731		3,501,640
2006	1,763,438		1,763,438	623,605		2,387,043
2007	1,467,793		1,467,793	499,678		1,967,471
2008-2012	2,764,543		2,764,543	543,473		3,308,016
Totals	<u>\$16,484,536</u>	<u>\$ 204,208</u>	<u>\$16,688,744</u>	<u>\$5,078,227</u>	<u>\$1,317,000</u>	<u>\$23,083,971</u>

**Capital Leases**

The future minimum lease obligation and the net present value of the minimum lease payments as of June 30, 2002 are as follows:

Fiscal Year	Vermont State Colleges	Total Reporting Entity
2003	\$43,105	\$43,105
2004	34,338	34,338
2005	34,338	34,338
2006	20,029	20,029
2007	0	0
Thereafter	0	0
Total Minimum Lease Payments	<u>\$131,180</u>	<u>\$131,180</u>
Less: interest	<u>(13,128)</u>	<u>(13,128)</u>
Present value of minimum lease payments	<u>\$118,682</u>	<u>\$118,682</u>

The State of Vermont, acting through its Agency of Transportation (AOT) entered into a capital lease with Main Street Landings Company, for premises in and adjacent to Union Station at 1 Main Street, Burlington, Vermont on January 20, 1998. The term of the lease was for a 20 year period and the entire 20 year rent of \$1,500,000 was prepaid in four equal installments beginning November 26, 1996 and ending in 1998. The terms of the lease gives the State the right to purchase a condominium interest in their leased property at the end of the lease term for \$500,000 subject to certain terms and conditions. The State is also required to pay its share of certain annual operating costs throughout the term of the lease. The State has allowed the Vermont Transportation Authority (VTA) to utilize these premises under the terms of a Memorandum of Agreement between AOT and VTA.

**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 the date of the bonds, and the last such payment to be made no later than twenty years after the date of the bonds.

Changes in bond and note principal payable during fiscal year 2002 are summarized as follows:

		<u>General Obligation Bonds</u>
Balance July 1, 2001	\$	480,443,358
Additions:		
Issuances	\$ 51,000,000	
Accretions	<u>3,556,732</u>	
Total		54,556,732
Deductions:		
Principal repayments	\$ <u>48,535,000</u>	
Total		<u>(48,535,000)</u>
Balance June 30, 2002	\$	<u>486,465,090</u>

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

On December 1, 1993, the State issued capital appreciation bonds with a maturity value of \$32,625,000 maturing on August 1 in the years 1999 through 2013. Proceeds from these bonds totaled \$17,987,640. At June 30, 2002, the accreted value of these bonds was \$18,781,159.

On October 30, 1991, capital appreciation bonds with a maturity value of \$20,575,000 were issued. These bonds mature on October 15 in the years 1996 through 2011. Proceeds from these bonds totaled \$9,999,837 and have an accreted value of \$9,491,205 at June 30, 2002.

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 \$27,457,728 at June 30, 2002.

Future general obligation debt service requirements at June 30, 2002 are as follows:

Fiscal Year	Current Interest		Capital	Total
	Bonds Principal	Bonds Interest	Appreciation Bonds	
2003	\$43,335,000	\$21,149,312	\$8,020,000	\$72,504,312
2004	39,815,000	18,570,671	8,230,000	66,715,671
2005	36,750,000	16,728,959	7,400,000	60,878,959
2006	34,970,000	14,950,244	7,410,000	57,330,244
2007	34,415,000	13,233,448	7,495,000	55,143,448
2008-2012	148,155,000	42,791,722	32,315,000	223,261,722
2013-2017	77,710,000	13,052,423	3,750,000	94,512,423
2018-2021	15,485,000	1,564,331	-	17,049,331
Totals	<u>\$430,735,000</u>	<u>\$142,041,109</u>	<u>\$74,620,000</u>	<u>\$647,396,109</u>

At June 30, 2002, there remained \$39,000,868 of authorized but unissued General Obligation Bonds.

\* See following page for schedule of General Obligation Bonds outstanding at June 30, 2002.

**Note 9: PRIOR YEARS' BOND REFUNDINGS:**

During the fiscal year 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, 2002, \$44,040,000 worth of defeased bonds remain outstanding.

General Obligation Bonds outstanding at June 30, 2002 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			Total
					Sources of Payments			
				General Fund	Transportation Fund	Special Fund		
<b>General Obligation Current Interest Bonds:</b>								
10/01/91	08/01/04	4.7 to 6.0	\$ 23,040,000	\$	\$ 1,170,000	\$ 40,000	\$	\$ 1,210,000
02/01/92	02/01/12	5.0 to 7.5	49,285,000		1,710,000	740,000		2,450,000
08/01/92	08/01/08	3.0 to 5.75	71,280,000		24,480,000	1,485,000		25,925,000
08/01/93	02/01/12	3.0 to 5.0	58,415,000		48,010,000	5,330,000		53,340,000
10/15/93	04/15/08	3.7 to 6.6	85,000,000		45,608,000	2,394,000		48,000,000
11/15/94	01/15/14	5.6 to 7.0	70,000,000		13,782,400	277,800		14,040,000
12/01/95	01/15/15	4.875 to 5.125	60,000,000		41,040,000			41,040,000
11/20/96	01/15/16	5.0 to 5.125	38,000,000		28,000,000			28,000,000
12/12/96	01/15/16	3.7 to 5.6	15,000,000		11,050,000			11,050,000
10/29/97	01/15/17	4.5 to 5.0	26,500,000		21,018,553	1,481,447		22,500,000
12/03/97	01/15/17	3.9 to 5.2	14,990,000		11,830,000			11,830,000
03/15/98	01/15/14	4.25 to 5.0	84,575,000		40,921,197	2,938,803	11,925,000	55,785,000
05/01/98	01/15/17	4.5 to 5.0	7,755,000				6,480,000	6,480,000
11/23/98	01/15/18	4.5 to 4.75	26,630,000		21,867,882	547,118		22,415,000
12/22/98	01/15/04	3.6 to 4.0	7,855,000		3,060,000			3,060,000
11/01/99	02/01/19	4.5 to 6.5	32,000,000		28,630,000			28,630,000
12/16/99	02/01/10	4.55 to 5.05	5,000,000		4,000,000			4,000,000
11/14/01	08/01/20	3.25 to 4.75	46,000,000		46,000,000			46,000,000
12/27/01	08/01/11	4.0 to 4.375	5,000,000		5,000,000			5,000,000
<b>Total General Obligation Current Interest Bonds</b>					<b>\$ 397,136,032</b>	<b>\$ 15,213,968</b>	<b>\$ 18,385,000</b>	<b>\$ 430,735,000</b>
<b>General Obligation Capital Appreciation Bonds:</b>								
12/13/90	12/01/10	N/A	19,310,002	48,935,000	\$ 36,875,000		\$	\$ 36,875,000
10/30/91	10/15/11	N/A	9,999,837	20,575,000	12,850,000			12,850,000
12/01/93	08/01/13	N/A	17,987,840	32,625,000	24,895,000			24,895,000
<b>Total Maturity Value</b>					<b>\$ 74,620,000</b>			<b>\$ 74,620,000</b>
Less: Unaccrued Interest					18,889,910			18,889,910
<b>Total General Obligation Capital Appreciation Bonds</b>					<b>\$ 55,730,090</b>			<b>\$ 55,730,090</b>
<b>Total General Obligation Bonds</b>					<b>\$ 452,866,122</b>	<b>\$ 15,213,968</b>	<b>\$ 18,385,000</b>	<b>\$ 486,465,090</b>

**Note 10: ACCOUNTING METHOD CHANGES AND FUND EQUITY RESTATEMENTS:**

The July 1, 2001 fund balance in the General Fund was restated to record additional VEDA receivables that were omitted at June 30, 2001.

The July 1, 2001 Transportation Fund's fund balance was restated to reclassify to an agency fund the international plate registration receipts passed on to other governments.

The fund balance in the Special Fund was restated to reflect the reclassification of previously reported expendable trust funds to the Special Fund except for the Unemployment Compensation Trust & Contingency Funds and the Abandoned Property Fund and to reflect the reclassification of the Child Support Fund balance to an agency fund.

The July 1, 2001 net asset balance for the University of Vermont was restated to take into account the application of the provisions of GASB Statements Nos. 34 and 35. The restatement included a reduction in Federal loan capital contributions bad debt provision of \$1.08 million, as well as a decrease in grants and deferred revenue recognition (\$9.506 million).

The July 1, 2001 net assets balance for the Vermont State Colleges was restated to take into account the requirements of GASB Statements Nos. 34 and 35. These adjustments resulted in reductions in the following areas: change in capitalization policies (\$48,892,874), depreciation adjustment (\$61,989,354), Federal loan program capital contributions (\$4,361,708), and grants and contracts deferred revenue (\$674,237).

The Governmental Funds now include a new category of funds called Permanent Funds which reflect the reclassification of the previously reported non-expendable trust funds.

The Federal Surplus Property Fund's net asset balance at July 1, 2001 was restated to record additional inventory not included at June 30, 2001.

The Adaptive Equipment Loan Fund's July 1, 2001 net asset balance was restated to reflect a decrease of \$14,300. This decrease reflects the amount owed to the Vermont Developmental Credit Union at June 30, 2001.

The Unemployment Compensation Funds are now classified as Enterprise Funds as per the requirements of GASB Statement No. 34.

GOVNET's net asset balance as of July 1, 2001 was restated to record additional capital assets not originally recorded.

The Vermont Veterans' Home's July 1, 2001 balance was restated to include the Home's trust fund balances previously not reported.

	Retained Earnings/Fund Balance/Net Assets, July 1	Reclassification of Fund	Change in accounting method	Correction of prior period error	Retained Earnings/Fund Balance/Net Assets, July 1, as restated
<b>GOVERNMENTAL - MAJOR</b>					
General Fund	\$ 172,757,734	\$ -	\$ -	300,000	\$ 173,057,734
Transportation Fund	15,381,888	(280,738)	-	-	15,100,930
Special Fund	44,878,901	24,233,232	-	-	69,110,133
<b>GOVERNMENTAL - NONMAJOR</b>					
Permanent Funds	0	8,189,058	-	-	8,189,058
<b>PROPRIETARY - MAJOR</b>					
Unemployment Compensation Trust Fund	0	316,719,440	-	-	316,719,440
<b>PROPRIETARY - NONMAJOR</b>					
<b>Enterprise Funds</b>					
Federal Surplus Property	199,498	-	-	155,289	354,787
Adaptive Equipment Loan Fund	731,644	-	-	(14,300)	717,344
Unemployment Compensation Contingency Fund	0	228,264	-	-	228,264
<b>Internal Service Funds</b>					
GOVNET	(119,095)	-	-	(89,439)	(208,534)
<b>FIDUCIARY FUNDS</b>					
Private Purpose Trust Funds	0	802,560	-	-	802,560
Expendable Trust Funds	342,318,137	(342,318,137)	-	-	0
Non-expendable Trust Funds	8,189,056	(8,189,056)	-	-	0
<b>COMPONENT UNITS - MAJOR</b>					
University of Vermont	487,789,000	-	(19,328,000)	-	448,461,000
Vermont State Colleges	187,432,193	-	(113,917,971)	-	53,514,222
<b>COMPONENT UNITS - NONMAJOR</b>					
Vt Veterans' Home	6,314,608	-	-	45,252	6,359,860



**Note 11: SEGMENT INFORMATION FOR ENTERPRISE FUNDS:**

The State reports three major and six non-major enterprise funds relating to sales of lottery tickets, liquor, Vermont Life Magazine and related products, industrial homework products, federal surplus property, adaptive equipment loans, municipal equipment loans, and Unemployment Compensation Trust Funds. Segment Information for the year ended June 30, 2002 is as follows:

	Vermont Lottery Commission	Liquor Control Fund	Unemployment Compensation Trust Fund	Non-major Enterprise Funds	Total Enterprise Funds
<b>Condensed Statement of Net Assets</b>					
Due From Other Funds	\$ 214,660	\$ -	\$ -	\$ 39,857	\$ 254,517
Total Other Current Assets	5,827,399	5,999,152	317,684,916	3,408,038	332,919,505
Total Capital Assets (Net)	126,124	378,638	-	-	504,762
Other Assets	-	5,700	-	1,867,686	1,873,386
<b>Total Assets</b>	<b>6,168,183</b>	<b>6,383,490</b>	<b>317,684,916</b>	<b>5,315,581</b>	<b>335,552,170</b>
Due To Other Funds	42,243	245,661	39,857	-	327,761
Total Other Current Liabilities	5,228,409	6,075,497	3,432,868	583,016	15,319,790
Total Restricted Liabilities	500,000	5,700	-	692,874	1,198,574
<b>Total Liabilities</b>	<b>5,770,652</b>	<b>6,326,858</b>	<b>3,472,725</b>	<b>1,275,890</b>	<b>16,846,125</b>
Invested in capital assets, net of related debt	126,124	378,638	-	-	504,762
Restricted	20,042	-	314,212,191	479,005	314,711,238
Unrestricted	251,365	(322,006)	-	3,560,686	3,490,045
<b>Total Net Assets</b>	<b>\$ 397,531</b>	<b>\$ 56,632</b>	<b>\$ 314,212,191</b>	<b>\$ 4,039,691</b>	<b>\$ 318,706,045</b>
<b>Condensed Statement of Revenues, Expenses and Changes in Net Assets</b>					
Charges For Sales/Service	\$ 81,982,303	\$31,979,758	\$ 39,493,412	\$ 1,866,147	\$ 155,321,620
Other Operating Revenues	18,152	1,138,806	26,948,382	959,547	29,084,887
<b>Total Operating Revenues</b>	<b>82,000,455</b>	<b>33,118,564</b>	<b>66,441,794</b>	<b>2,825,694</b>	<b>184,386,507</b>
Depreciation Expense	66,640	120,218	-	-	186,858
Other Operating Expenses	65,566,465	33,250,416	88,557,267	2,837,493	190,211,641
<b>Total Operating Expenses</b>	<b>65,633,105</b>	<b>33,370,634</b>	<b>88,557,267</b>	<b>2,837,493</b>	<b>190,398,499</b>
Operating Income (Loss)	16,367,350	(252,070)	(22,115,473)	(11,799)	(6,011,992)
Non-operating Revenues/Expenses	311,804	295	19,638,238	14,338	19,964,675
Transfers In (Out)-Net	(16,679,154)	(250,644)	(30,014)	30,014	(16,929,798)
Changes in Net Assets	-	(502,419)	(2,507,249)	32,553	(2,977,115)
Beginning Net Assets	397,531	559,051	316,719,440	4,007,138	321,683,160
<b>Ending Net Assets</b>	<b>\$ 397,531</b>	<b>\$ 56,632</b>	<b>\$ 314,212,191</b>	<b>\$ 4,039,691</b>	<b>\$ 318,706,045</b>
<b>Condensed Statement Of Cash Flows</b>					
Net Cash Provided By:					
Operating Activities	\$ 16,376,143	\$ 1,707,076	\$ (20,849,783)	\$ (722,470)	\$ (3,489,034)
Noncapital Financing Activities	(16,693,814)	(250,644)	-	8,736	(16,935,722)
Capital and Related Financing Activities	(40,677)	(116,038)	-	-	(156,715)
Investing Activities	532,332	-	19,638,238	14,338	20,184,908
Cash and Cash Equivalent-July 1	190,777	990,088	309,641,196	2,099,247	312,921,308
<b>Cash and Cash Equivalent-June 30</b>	<b>\$ 364,761</b>	<b>\$ 2,330,482</b>	<b>\$ 308,429,651</b>	<b>\$ 1,399,851</b>	<b>\$ 312,524,745</b>

**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, 2002, the Authority had mortgage insurance contracts totaling \$4,097,366. 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, 2002 was \$847,611. The State's net cash contribution since inception is \$258,437.

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, 2002, the Authority had \$720,266 outstanding on these obligations

**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.

**LIMITED LIABILITIES**

**Vermont Economic Development Authority**

The State has a limited liability for the Vermont Economic Development Authority. The Authority may create one or more debt service reserve funds in accordance with 10 VSA Section 219. Annually, the Authority must report to the State the amount necessary to bring the reserve balances up to the minimum required by statute. This sum so certified may be appropriated by the State. It has not been necessary for the State to appropriate money to maintain the reserve and it is not anticipated that any appropriation will have to be made.

**Vermont Municipal Bond Bank:**

The State has a limited liability for the Vermont Municipal Bond Bank. The Bank is required to maintain debt service reserve funds. Title 24, VSA, 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 VSA 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. 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, 2002 was \$9,890,396, the General Fund's Budget Stabilization Reserve was \$9,441,773 at June 30, 2002, and the Education Fund's Budget Stabilization Reserve at June 30, 2002 was \$14,243,809.

**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 29, 2002, the commission had total assets of \$234,871,488 and total liabilities of \$212,033,428. For the fiscal year ended June 29, 2002, the commission has operating revenues of \$80,329,957, interest income of \$377,761, commissions, fees, and bonus expenses of \$11,402,738, prize awards of \$40,296,726, and other operating expenses of \$4,420,535. During the fiscal year, the commission made operating transfers to member states of \$24,587,719, which includes \$1,627,538 transferred to Vermont.

## **Note 16: RISK MANAGEMENT and INSURANCE**

### **A. Workers' Compensation and Liability Risk Management**

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

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

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

The State Liability Insurance Fund covers general and employment practices liability, discrimination, and auto liability risk. The coverage is comparable to standard private commercial policies. It offers coverage to the same group of participants as those covered by the Worker's Compensation plan described above. Its exposure to risk in Vermont is subject to the Doctrine of Sovereign Immunity and is governed by Vermont Tort Claims Act, 12 VSA 5601. Exposure outside of Vermont is potentially unlimited. It is self-insured for the first \$250,000 of exposure and has purchased excess commercial insurance to cover the additional per occurrence exposure in amounts of up to \$1,000,000 in Vermont and \$10,000,000 for claims that are not subject to the Vermont Torts Claim Act. The State's liability is reviewed annually by an outside actuary. This review includes a review of incurred but not reported claims (IBNR). The contribution required to fully fund these estimated losses is calculated annually by an outside actuary. Allocation of each participating entity's portion of this contribution is performed by the Risk Management Division utilizing exposure and departmental experience factors. A Third Party Administrator (TPA) administers all claims other than minor property damage claims which are administered by division staff. The liability loss projections and the claims processing data are audited annually by outside claims' adjusters.

The Risk Management-All Other Fund provides insurance coverage through purchased commercial policies for risks not covered in the above funds or which are self assumed. This coverage provides insurance for state-owned real property, bonds for various categories of employees, 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, Dental Insurance, Life Insurance, Employee Assistance, and Long Term Disability Funds For State Employee Plans**

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

The medical plan offerings changed beginning January 2002. There was one set of plan offerings in the first half of fiscal year 2002 and another set of plan offerings in the second half of FY2002. The change in medical plan offerings was negotiated with the Vermont State Employees Association, the bargaining agent for state employees. The new plans are designed to be more cost effective than the prior plans. Participating employees share in the premium cost of all of the medical plans. Premium rate setting is provided by an outside actuary in conjunction with the benefits division. The State's liability for incurred but not yet reported (IBNR) claims is calculated by an actuary and is usually based on the State's prior claims experience.

The health plans which were in place for the first half of FY2002 included two fully insured health maintenance organizations (HMOs): MVP Health Plan, and TVHP Blue Care. A self-funded/self insured indemnity plan (Choice Plus) was also offered and was administered by Blue Cross and Blue Shield of Vermont. The HMO plans' premiums were calculated by the HMO based on community rates. The coverage available to the participants was administered under a managed care arrangement. The State bore no insurance risk for catastrophic occurrences or claims dollars in excess of the premium paid to the HMO's. The self-funded Choice Plus plan provided medical benefits coverage with high dollar limitations. To limit the State's large claims exposure from this plan, the State purchased stop-loss reinsurance.

The new plan offerings implemented in the second half of FY2002 include four plan options. Total Choice, HealthGuard PPO, and SafetyNet are "preferred provider organization" indemnity type plans. There is a lifetime limit on coverage for a participant in these three plans. The SelectCare POS is a "point of service" plan option, similar to an open-ended HMO. Members may opt out of the network but must meet a high deductible and coinsurance to do so. The coverage is basically unlimited but is administered under a managed care arrangement. All four of the new plan options are primarily self insured by the state. To limit the state's large claims loss, the state has purchased stop loss insurance.

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. The state pays 100% of the premium for state employee participants.

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. The benefits division analyst calculates the premium rates charged for both of these programs. The state pays 75% of active employees premiums and 100% of retirees' premium costs. Only current employees, retired employees and current members of outside groups are eligible to participate.

A flexible spending account is available to active state 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) is provided for the benefit of state employees and their immediate families. 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 are eligible for this program. The manager of this program, ETP, Inc., is paid a monthly fee based on the number of employees who work for the State and provides up to 5 counseling sessions per case through a network of providers. No claim's costs, or claim's liabilities are incurred under this plan by the State. The state pays 100% of the premium for this plan.

A Long-term Disability Program (special fund through FY2001, an internal service fund beginning in FY2002) is provided as an income replacement benefit for employees who become permanently disabled. The plan provides financial protection for state employees and their families by paying a portion of their income while disabled. Only state employees who are not eligible to be represented by the employees' union, the Vermont State Employees Association, are eligible for this benefit. There is a one-year eligibility waiting period once disabled. This plan is fully insured through the carrier, the Standard, so there is no liability to the state for claims. Premium is based on a percentage of salaries of eligible participants. The combined benefit integrated with retirement and social security

income, replaces 66 2/3% of the disabled person's base salary at the time of disability. The state pays 100% of the premium for the plan. Eligible employees, depending upon whether they are covered by a leave plan, forfeit either 1 day of leave per year or have a one-time .2% salary reduction in their next cost-of-living increase to offset the state cost of the plan.

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

<u>Fund and Fiscal Year</u>	<u>Liability at Beginning of the Fiscal Year</u>	<u>Current FY Claims and Changes in Estimates</u>	<u>Current FY Claims Payments</u>	<u>Balance of Liability at End of Fiscal Year</u>
<b>Workers' Compensation</b>				
<b>Fund</b>				
FY 2000	9,327,495	5,728,010	4,848,810	10,206,695
FY 2001	10,206,695	7,470,814	5,686,611	11,990,898
FY 2002	11,990,898	6,258,621	5,296,358	12,953,161
<b>State Liability</b>				
<b>Insurance Fund</b>				
FY 2000	5,232,096	1,008,171	1,132,410	5,107,857
FY 2001	5,107,857	3,020,229	1,395,800	6,732,286
FY 2002	6,732,286	607,876	960,545	6,379,617
<b>Choice Plus - Medical</b>				
<b>Insurance Fund</b>				
FY 2000	4,826,276	27,388,115	26,697,579	5,516,812
FY 2001	5,516,812	31,122,193	30,178,494	6,460,511
FY 2002	6,460,511	38,189,077	36,322,720	8,326,868
<b>Dental Insurance Fund</b>				
FY 2000	229,570	3,483,951	3,457,767	255,754
FY 2001	255,754	3,717,131	3,646,996	325,889
FY 2002	325,889	4,363,223	4,340,822	348,290
<b>Life Insurance Fund</b>				
FY 2000	0	0	0	0
FY 2001	0	0	0	0
FY 2002	0	0	0	0
<b>Employee Assistance Program</b>				
FY 2000	0	0	0	0
FY 2001	0	0	0	0
FY 2002	0	0	0	0
<b>Long-term Disability Plan</b>				
FY 2002	0	0	0	0

## NOTE 17: DEFICIT FUND BALANCES

The following individual funds have deficit total net assets or deficit unrestricted net assets at June 30, 2002:

### Business-type Proprietary Funds

*Liquor Control Fund:* has a deficit unrestricted net asset balance of \$322,006. Its total net assets balance remains positive but has been reduced from \$559,051 at June 30, 2001 to \$56,832 at June 30, 2002. It had an operating loss of \$252,070 for fiscal year 2002.

*Federal Surplus Property Fund:* has a deficit unrestricted net asset balance of \$149,370 although its total net asset balance remained positive at June 30, 2002. It had an operating loss of \$25,152 for fiscal year 2002.

### Internal Service Funds

*Copy Center Fund:* has a deficit unrestricted net asset balance of \$1,807,424 but has a positive total net asset fund balance of \$431,235 at June 30, 2002. It had operating income of \$254,518 for FY2002 but transferred \$1,085,000 to the general fund thereby reducing its total net asset balance from \$1,261,717 at June 30, 2001 to \$431,235 at June 30, 2002. This deficit will be extinguished by a rate adjustment to the customers of this fund.

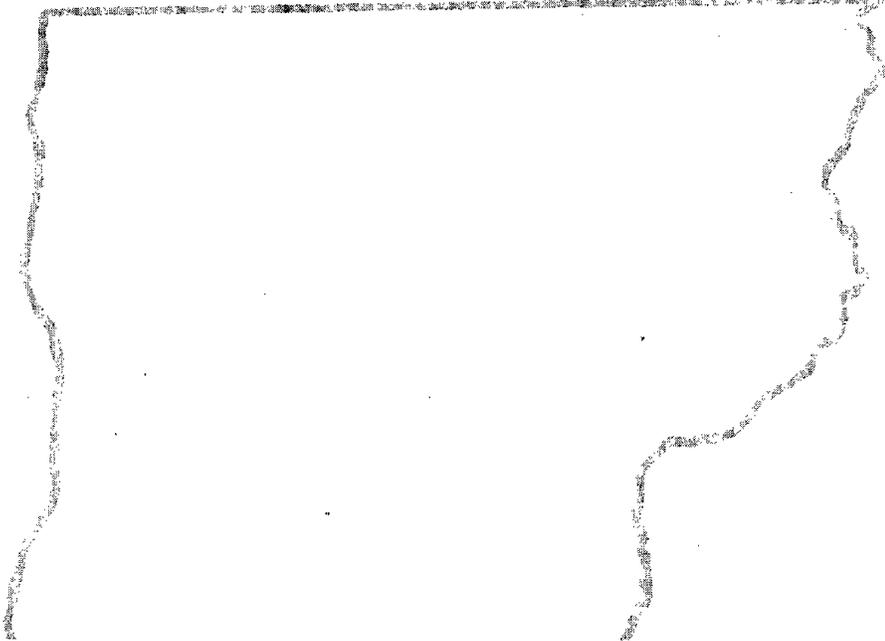
*Postage Center Fund:* has a deficit unrestricted net asset balance of \$164,071 and a deficit total net asset balance of \$107,928 at June 30, 2002. These deficits will be addressed via a change in the current rate structure.

*Workers' Compensation Fund:* has a deficit unrestricted and total net asset balance of \$5,463,351 after incurring an operating loss of \$2,139,484 for FY2002. The State expects to eliminate this deficit through rate adjustments over the next 5 years.

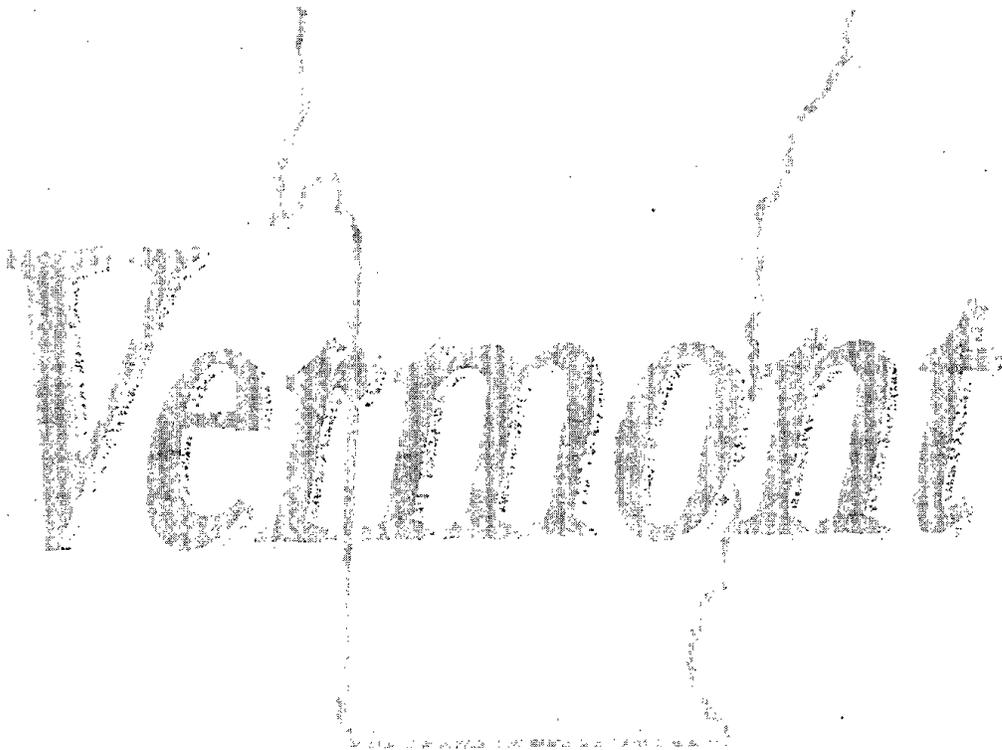
*Property Management Fund:* has a deficit unrestricted net asset balance of \$2,757,068 and a deficit total net assets balance of \$2,745,000 at June 30, 2002. It had operating income of \$1,709,464 but transferred \$2,389,385 to the special fund for funding of bond principal and interest payments during fiscal year 2002. This deficit net asset balance is a structural one resulting from a mismatch between twenty-year bonds being used as the funding source for a fifty-year life building. The bonds are being paid off over a twenty-year period depending on the building. The tenants' rents cover 100% of the interest costs plus 2% of the bond principal amount per year so it will take fifty years to collect the total bond principal even though the bond principal will be paid off in twenty years. The fund equity will continue to go negative until the bonds are paid off and then the equity balance will become less negative as the 2% annual principal payments are received until it finally goes to zero after fifty years.

*Facilities Operations Fund:* has a both a deficit unrestricted net assets balance and a deficit total net assets balance of \$5,952,287 and \$5,584,944 respectively at June 30, 2002 for its first year of operation. It had an operating loss of \$3,642,274 for FY2002 and also recorded additional non-current startup costs of \$1,942,670 in FY2002. The State intends to eliminate this deficit via a rent surcharge over a ten-year period.

*GOVNET Fund:* has a deficit unrestricted net assets balance of \$326,963 and a deficit total net assets balance of \$217,283 at June 30, 2002. It incurred an operating loss of \$8,749 for FY2002. Its deficits will be recovered via rate adjustments to its customers.



***THIS PAGE INTENTIONALLY LEFT BLANK***



Vermont



**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, 2002 were:

Fund Type/Fund	Due From Other Funds	Due To Other Funds	Interfund Loans Receivable	Interfund Loans Payable
<b>PRIMARY GOVERNMENT</b>				
<b>GOVERNMENTAL FUNDS</b>				
General Fund	\$ 520,121	\$ 1,538,083	\$ 22,349,097	\$
<b>Special Revenue Funds</b>				
Transportation Fund	89,224	1,180,639		
Education Fund	1,625,433	242,326		
Special Fund	6,300,568	147,169		
Federal Revenue Fund	257,192	1,087,819		3,676,265
<b>Non-major Governmental Funds</b>				
Fish & Wildlife Fund	5,697	10,951		
Transportation Bond Fund	6,158			6,155
<b>PROPRIETARY FUNDS</b>				
<b>Enterprise Funds</b>				
Unemployment Compensation Trust Fund		39,857		
Liquor Control Fund		245,661		
Vermont Lottery Fund	214,660	42,243		
<b>Non-major Enterprise Funds</b>				
Industrial Homework Fund				176,414
Federal Surplus Fund				197,234
Vermont Life Magazine				
Unemployment Compensation Contingency Fund	39,857			
<b>Internal Service Funds</b>				
Highway Garage Fund				173,193
Offender Work Programs				572,980
Communication & Information Technology Fund				3,970,867
Supply Center Fund				667,509
Copy Center Fund				2,507,642
Single Audit Revolving Fund				
Medical Insurance Fund		774,344		
Life Insurance Fund	2,694			
Postage Fund				834,372
Workers' Compensation Fund	7,004	103,426		
State Liability Insurance Fund	69,799	4,018		
Risk Management Fund		2,985		510,776
Property Management Fund				2,822,474
Equipment Revolving Fund		1,822		1,239,505
Facilities Operations Fund				4,216,180
GOVnet Fund				281,716
<b>FIDUCIARY FUNDS</b>				
<b>Pension Trust Funds</b>				
Vermont State Retirement System	762,157			
Vermont State Defined Contribution Plan	4,910			
State Teacher's Retirement Plan	4,582			
Vermont Municipal Employees Retirement Fund	183			
Vermont Municipal Employees Defined Contribution Plan		183		
<b>Private Purpose Trust Funds</b>				
Abandoned Property Fund		5,990		
<b>Agency Funds</b>				
Retirement Contributions & Withholdings Fund		793		5,490
Federal Income Tax Withholdings Fund		1,994		33,906
State Income Tax Withholdings Fund		506		
Social Security Contributions & Withholdings Fund		1,819		88,295
Employees Insurance Contributions & Withholdings Fund	192,352	2,673		
Employee Deferred Compensation Withholdings Fund				2,181
Child Support Collections Fund		4,658,902		
Unidentified Receipts Fund	107			335,612
Vendor and Other Deposits Fund		8,495		
Other Contributions & Withholdings Fund				50,331
<b>Total Primary Government Funds</b>	<b>\$ 10,102,698</b>	<b>\$ 10,102,698</b>	<b>\$ 22,349,097</b>	<b>\$ 22,349,097</b>
<b>COMPONENT UNITS</b>				
Vermont Student Assistance Corporation				
<b>Non-major Component Units</b>				
Vermont Economic Development Authority				
Vermont Housing and Conservation Board				
Vermont Transportation Authority				
<b>Total Reporting Entity</b>	<b>\$ 10,102,698</b>	<b>\$ 10,102,698</b>	<b>\$ 22,349,097</b>	<b>\$ 22,349,097</b>

<u>Advances To Other Funds</u>	<u>Advances From Other Funds</u>	<u>Due From Component Units/Primary Government</u>	<u>Due To Component Units/Primary Government</u>	<u>Advances To Component Units/Primary Government</u>	<u>Advances From Component Units/Primary Government</u>
--------------------------------	----------------------------------	--	--	---	---

\$ 523,700	\$	\$ 1,239,332	\$	\$ 1,914,488	\$
		1,493,304	10,627		
		3,062,806			

5,700  
500,000

1,700

1,200

15,100

\$ 523,700	\$ 523,700	\$ 5,795,442	\$ 10,627	\$ 1,914,488	\$ 0
			4,556,110		1,914,488
			1,239,332		
		10,627			
<u>\$ 523,700</u>	<u>\$ 523,700</u>	<u>\$ 5,806,069</u>	<u>\$ 5,806,069</u>	<u>\$ 1,914,488</u>	<u>\$ 1,914,488</u>

B. Operating Transfers between the individual funds of the primary government for the fiscal year ending June 30, 2002 were:

Fund Type/Fund	Transfers In	Transfers Out
<b>GOVERNMENTAL FUNDS</b>		
<b>General Fund</b>	\$ 20,380,670	\$ 291,521,686
<b>Special Revenue Funds</b>		
Transportation Fund	15,592,657	3,864,212
Education Fund	280,438,797	
Special Fund	8,191,177	16,362,037
Federal Revenue Fund	7,753,440	11,394,166
<b>Non-major Governmental Funds</b>		
Fish & Wildlife Fund	44,075	
General Bond Fund	15,213,758	3,060,816
<b>PROPRIETARY FUNDS</b>		
<b>Enterprise Funds</b>		
Unemployment Compensation Trust Fund	323,601	353,615
Vermont Lottery Fund		16,679,154
Liquor Control Fund		250,644
<b>Non-major Enterprise Funds</b>		
Unemployment Contingent Trust Fund	353,615	323,601
<b>Internal Service Funds</b>		
Postage Fund		165,000
Property Management Fund		2,389,385
Highway Garage Fund	1,978,078	336,447
Copy Center Fund		1,085,000
State Liability Insurance Fund		
State Surplus Property Fund		93,293
Long-term Disability Plan	23,519	
<b>PRIVATE PURPOSE TRUST FUNDS</b>		
Abandoned Property Fund		2,414,331
<b>Total</b>	<b>\$ 350,293,387</b>	<b>\$ 350,293,387</b>

**Note 19: CHANGES IN LONG-TERM LIABILITIES**

During the year ended June 30, 2002, the following changes occurred in long-term liabilities:

**PRIMARY GOVERNMENT**

	<u>July 1, 2001</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2002</u>	<u>Amounts due within one year</u>
<b>Governmental activities:</b>					
Bonds payable (1)	\$ 480,443,358	\$ 54,556,732	\$ 48,535,000	\$ 486,465,090	\$ 51,355,000
Compensated absences	25,097,113	31,052,186	30,085,216	26,064,083	16,313,547
Claims and judgements	25,509,584	49,850,345	47,351,993	28,007,936	8,675,158
Contingent liabilities	7,000,000	-	-	7,000,000	-
Net pension obligation	125,124,366	56,971,451	56,066,277	126,027,540	-
Other liabilities	0	429,211	7,925	421,286	-
Total governmental activities long-term liabilities	<u>\$ 663,174,421</u>	<u>\$ 192,859,925</u>	<u>\$ 182,048,411</u>	<u>\$ 673,985,935</u>	<u>\$ 76,343,705</u>
<b>Business-type activities:</b>					
Compensated absences	\$ 326,546	\$ 206,333	\$ 220,102	\$ 312,777	\$ 188,154
Claims and judgements	4,104,549	3,670,907	4,104,549	3,670,907	3,670,907
Total business-type activities long-term liabilities	<u>\$ 4,431,095</u>	<u>\$ 3,877,240</u>	<u>\$ 4,324,651</u>	<u>\$ 3,983,684</u>	<u>\$ 3,859,061</u>
<b>COMPONENT UNITS</b>					
Bonds and notes payable	\$ 1,850,180,886	\$ 215,845,902	\$ 77,290,309	\$ 1,788,736,479	\$ 129,409,926
Capital leases payable	195,522	-	76,840	118,682	40,000
Accrued arbitrage rebate	12,579,347	3,956,387	874,542	15,661,192	1,631,686
Other liabilities	27,509,587	14,100,540	403,757	41,206,370	315,000
Total component units long-term liabilities	<u>\$ 1,890,465,342</u>	<u>\$ 233,902,829</u>	<u>\$ 78,645,448</u>	<u>\$ 1,845,722,723</u>	<u>\$ 131,396,612</u>

(1) Governmental activities bonds payable additions includes \$3,556,732 of accretions on capital appreciation bonds.

**Note 20: SUBSEQUENT EVENTS:**

**Debt Issuance**

The State issued \$30,800,000 of 2002 Series A General Obligation Bonds, dated December 1, 2002. The State expects to use approximately \$1.7 million of the proceeds to fund capital improvements authorized by the legislature in years prior to 2002 with the remaining amount to be used for capital projects authorized by Act 149 of 2002. Interest rates on these bonds vary from 3% to 5%. Payments to the bondholders are scheduled to commence August 1, 2003 and terminate August 1, 2019.

The State issued \$31,555,000 of 2002 Series B General Obligation Refunding Bonds dated December 1, 2002. The proceeds from this offering will be used to refund the State's General Obligation Bonds, 1993 Series B maturing in 2006-2013. Interest rates on these bonds vary from 2% to 5%. Payments to the bondholders are scheduled to commence August 1, 2003 and terminate August 1, 2013.

The State issued \$5,000,000 of 2002 Series C General Obligation Bonds (Vermont Citizen Bonds) dated February 4, 2003. The proceeds from this sale will be used to fund various capital projects in the natural resources area as described in Act 149 of 2002, Section 8. Interest rates on these bonds vary from 2% to 2.2%. Payments to the bondholders will commence on August 1, 2003 and terminate August 1, 2007.

The State also issued \$75,000,000 2003 Series A General Obligation Revenue Anticipation Notes dated August 28, 2002. The proceeds will be used to pay the expenses of government for which appropriations have been made but for which anticipated revenues have not been received, and for the purpose of paying expenses in connection with the issuance of the notes. The interest rate on these notes is 2.5% with a price to yield of 1.36%. The notes matured and were paid off in full on June 17, 2003.

**Department of Information and Innovation**

In Act 31 of 2003, the Legislature created a new department in the Agency of Administration called the Department of Information and Innovation. This new department will be headed by a commissioner appointed by the Governor with the advice and consent of the Senate. The commissioner will also be designated as the Chief Information Officer of the State.

The Department of Information and Innovation shall have all its responsibilities assigned to it by law and shall include but not be limited to the following:

1. provide direction and oversight for all activities directly related to information technology including telecommunications services, information technology equipment, software, accessibility to systems, and networks in state government;
2. manage an agency coordinated budget;
3. manage GOVNet and K-12 net Information systems;
4. administer communication, information and technology services which have been transferred from the Department of Buildings and General Services;
5. review all information technology requests for proposal with a value greater than \$10,000;
6. review and approve all computer systems with a value greater than \$150,000, annually submit a strategic plan for information technology as well as perform other independent review responsibilities as required by the Secretary of Administration;
7. inventory technology assets within state government; and
8. coordinate information technology within state government.

### **Federal Jobs and Growth Tax Relief Reconciliation Act of 2003**

Federal tax reconciliation legislation (H.R.2) has made funds available to the State of Vermont. The State received \$25 million in June 2003 with another \$25 million anticipated in October 2003. An additional \$33 million of federal funds that will be earned during the period April 1, 2003 through June 30, 2004 due to increased federal participation in the cost of Medicaid and Foster Care programs are also expected to be received.

### **Act 68 of 2003**

Act 68 as passed by the 2003 Vermont Legislature, modifies as well as streamlines the revenue sources that provide the current funding for education in the State of Vermont. It changes the nature of property taxes as they apply to education funding by splitting the grand list between residential and non-residential properties and taxing each at a different rate. It eliminates the controversial "sharing pool" and replaces the varied Act 60 taxes (called "splinter taxes") with an increased sales tax.

### **General Fund Budget Stabilization Reserve**

In September 2002, the Emergency Board moved the \$4,347,360 reserved in the General Fund's fund balance at June 30, 2002 under the category entitled "General Fund Surplus" to the category entitled "Budget Stabilization" reserve. This resulted in the "General Fund Surplus" balance being reduced to \$0 while the "Budget Stabilization" reserve balance increased to \$13,789,133.



***Supplementary Information***

REQUIRED SUPPLEMENTARY INFORMATION

**STATE OF VERMONT  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Original Budget	Final Budget	Actual (Budgetary Based)	Variance with Final Budget Favorable (Unfavorable)
<b>Revenues:</b>				
Taxes.....	\$ 884,800,000	\$ 845,262,000	\$ 818,954,760	\$ (26,307,240)
Licenses.....	2,500,000	2,300,000	2,659,344	359,344
Fines, Forfeits and Penalties.....	2,000,000	2,200,000	2,607,674	407,674
Earnings of Departments.....	10,500,000	10,200,000	9,889,070	(310,930)
Interest and Premiums.....	6,300,000	5,696,000	3,057,695	(2,638,305)
Other.....	1,000,000	950,000	838,816	(111,184)
<b>Total Revenues.....</b>	<b>907,100,000</b>	<b>866,608,000</b>	<b>838,007,359</b>	<b>(28,600,641)</b>
<b>Expenditures:</b>				
General Government.....	55,722,848	53,250,697	47,390,299	5,860,398
Protection to Persons and Property.....	53,564,081	62,160,584	54,506,306	7,654,278
Human Services.....	347,934,601	344,648,755	328,818,778	15,829,977
Employment and Training.....	952,617	2,423,793	1,334,218	1,089,575
General Education.....	116,949,679	122,664,378	117,841,593	4,822,785
Natural Resources.....	19,784,599	22,858,689	18,495,622	4,363,067
Commerce and Community Development.....	12,856,148	20,039,677	18,478,810	1,560,867
Transportation.....	-	2,049	-	2,049
Debt Service.....	60,453,876	63,973,911	63,899,370	74,541
<b>Total Expenditures.....</b>	<b>668,218,449</b>	<b>692,022,533</b>	<b>650,764,996</b>	<b>41,257,537</b>
<b>Excess of Revenues over (Under) Expenditures.....</b>	<b>238,881,551</b>	<b>174,585,467</b>	<b>187,242,363</b>	<b>12,656,896</b>
<b>Other Financing Sources (Uses):</b>				
Operating Transfers In.....	-	20,361,992	20,361,992	-
Operating Transfers Out.....	(287,627,080)	(290,451,548)	(290,451,548)	-
Other Sources.....	-	74,427	74,427	-
<b>Total Other Financing Sources (Uses)...</b>	<b>(287,627,080)</b>	<b>(270,015,129)</b>	<b>(270,015,129)</b>	<b>-</b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses.....</b>	<b>(48,745,529)</b>	<b>(95,429,662)</b>	<b>(82,772,766)</b>	<b>12,656,896</b>
Fund Balance, July 1, as restated.....	150,993,004	150,993,004	150,993,004	-
<b>Fund Balance, June 30.....</b>	<b>\$ 102,247,475</b>	<b>\$ 55,563,342</b>	<b>\$ 68,220,238</b>	<b>\$ 12,656,896</b>

The Notes to Required Supplementary Information are an integral part of this statement.  
See Independent Auditor's Report



**STATE OF VERMONT  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE  
TRANSPORTATION FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Original Budget	Final Budget	Actual (Budgetary Based)	Variance with Final Budget Favorable (Unfavorable)
<b>Revenues:</b>				
Taxes.....	\$ 135,300,000	\$ 135,569,000	\$ 137,087,007	\$ 1,518,007
Licenses.....	43,000,000	43,500,000	49,389,068	5,889,068
Fines, Forfeits and Penalties.....	-	-	8,860,522	8,860,522
Earnings of Departments.....	-	-	3,130,494	3,130,494
Federal.....	173,535,808	177,720,808	155,260,839	(22,460,169)
Interest and Premiums.....	-	-	1,144	1,144
Other.....	14,898,174	16,024,773	3,137,810	(12,886,963)
<b>Total Revenues.....</b>	<b>366,733,982</b>	<b>372,814,581</b>	<b>356,866,684</b>	<b>(15,947,897)</b>
<b>Expenditures:</b>				
General Government.....	13,810,765	11,693,301	11,515,638	177,663
Protection to Persons and Property.....	30,933,689	31,904,973	31,745,654	159,319
Human Services.....	1,999,578	2,020,479	2,020,479	-
General Education.....	4,239,932	4,977,666	4,711,715	265,951
Natural Resources.....	1,688,140	1,560,850	1,409,416	151,434
Transportation.....	344,542,596	358,380,955	316,901,103	41,479,852
Debt Service.....	3,100,055	2,921,675	2,910,054	11,621
<b>Total Expenditures.....</b>	<b>400,314,755</b>	<b>413,459,899</b>	<b>371,214,059</b>	<b>42,245,840</b>
<b>Excess of Revenues over (Under) Expenditures.....</b>	<b>(33,580,773)</b>	<b>(40,645,318)</b>	<b>(14,347,375)</b>	<b>26,297,943</b>
<b>Other Financing Sources (Uses):</b>				
Operating Transfers In.....	16,918,741	16,761,398	16,761,398	-
Operating Transfers Out.....	(4,326,820)	(4,226,820)	(4,226,820)	-
<b>Total Other Financing Sources (Uses)...</b>	<b>12,591,921</b>	<b>12,534,578</b>	<b>12,534,578</b>	<b>-</b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses.....</b>	<b>(20,988,852)</b>	<b>(28,110,740)</b>	<b>(1,812,797)</b>	<b>26,297,943</b>
Fund Balance, July 1, as restated.....	15,674,246	15,674,246	15,674,246	-
<b>Fund Balance, June 30.....</b>	<b>\$ (5,314,606)</b>	<b>\$ (12,436,494)</b>	<b>\$ 13,861,449</b>	<b>\$ 26,297,943</b>

The Notes To Required Supplementary Information are an integral part of this statement.  
See Independent Auditor's Report

**STATE OF VERMONT  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE  
EDUCATION FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Original Budget	Final Budget	Actual (Budgetary Based)	Variance with Final Budget Favorable (Unfavorable)
<b>Revenues:</b>				
Taxes.....	\$ 516,350,000	\$ 515,532,000	\$ 517,085,956	\$ 1,553,956
Licenses.....	2,600,000	2,600,000	2,542,500	(57,500)
Interest and Premiums.....	100,000	90,000	171,844	81,844
<b>Total Revenues.....</b>	<b>519,050,000</b>	<b>518,222,000</b>	<b>519,800,300</b>	<b>1,578,300</b>
<b>Expenditures:</b>				
General Education.....	832,836,412	821,132,647	816,340,626	4,792,021
<b>Total Expenditures.....</b>	<b>832,836,412</b>	<b>821,132,647</b>	<b>816,340,626</b>	<b>4,792,021</b>
<b>Excess of Revenues over (Under) Expenditures.....</b>	<b>(313,786,412)</b>	<b>(302,910,647)</b>	<b>(296,540,325)</b>	<b>6,370,322</b>
<b>Other Financing Sources (Uses):</b>				
Operating Transfers In.....	252,863,322	279,847,324	279,847,324	-
Operating Transfers Out.....	-	-	-	-
Other Sources.....	-	-	-	-
<b>Total Other Financing Sources (Uses).....</b>	<b>252,863,322</b>	<b>279,847,324</b>	<b>279,847,324</b>	<b>-</b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses.....</b>	<b>(60,923,090)</b>	<b>(23,063,323)</b>	<b>(16,693,001)</b>	<b>6,370,322</b>
<b>Fund Balance, July 1, as restated.....</b>	<b>36,573,337</b>	<b>36,573,337</b>	<b>36,573,337</b>	<b>-</b>
<b>Fund Balance, June 30.....</b>	<b>\$ (24,349,753)</b>	<b>\$ 13,510,014</b>	<b>\$ 19,880,336</b>	<b>\$ 6,370,322</b>

The Notes To Required Supplementary Information are an integral part of this statement.  
See Independent Auditor's Report

**STATE OF VERMONT  
BUDGET AND ACTUAL (BUDGETARY BASED)  
SPECIAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Original Budget	Final Budget	Actual (Budgetary Based)	Variance with Final Budget Favorable (Unfavorable)
<b>Revenues:</b>				
Taxes.....	\$ -	\$ -	\$ 89,257,197	\$ N/A
Licenses.....	-	-	7,620,464	N/A
Fines, Forfeits and Penalties.....	-	-	2,529,361	N/A
Earnings of Departments.....	-	-	43,768,951	N/A
Interest and Premiums.....	-	-	3,414,503	N/A
Other.....	-	-	81,621,806	N/A
Special Fund Revenues.....	220,185,179	258,206,449	-	N/A
<b>Total Revenues.....</b>	<b>220,185,179</b>	<b>258,206,449</b>	<b>228,212,282</b>	<b>(29,994,167)</b>
<b>Expenditures:</b>				
General Government.....	11,460,638	16,284,404	11,668,325	4,616,079
Protection to Persons and Property.....	49,382,409	55,029,977	43,194,333	11,835,644
Human Services.....	125,556,269	156,226,144	139,544,326	16,681,818
Employment and Training.....	3,741,000	3,741,000	1,382,242	2,358,758
General Education.....	3,391,792	9,136,984	3,586,207	5,550,777
Natural Resources.....	27,648,455	32,040,914	24,466,300	7,574,614
Commerce and Community Development.....	1,181,871	7,740,042	5,044,254	2,695,788
Transportation.....	129,785	236,024	57,118	178,906
Public Service Enterprises.....	83,575	2,516,130	2,001,936	514,194
Debt Service.....	2,389,385	2,405,223	2,405,223	-
<b>Total Expenditures.....</b>	<b>224,965,179</b>	<b>285,356,842</b>	<b>233,350,264</b>	<b>52,006,578</b>
<b>Excess of Revenues over (Under) Expenditures.....</b>	<b>(4,780,000)</b>	<b>(27,150,393)</b>	<b>(5,137,982)</b>	<b>22,012,411</b>
<b>Other Financing Sources (Uses):</b>				
Premium on Sale of Bonds.....	-	123,348	123,348	-
Operating Transfers In.....	4,780,000	27,027,045	27,027,045	-
Operating Transfers Out.....	(40,000)	(35,969,518)	(35,969,518)	-
Other Sources (Uses).....	-	(5,355)	(5,355)	-
<b>Total Other Financing Sources (Uses).....</b>	<b>4,740,000</b>	<b>(8,824,480)</b>	<b>(8,824,480)</b>	<b>-</b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses.....</b>	<b>(40,000)</b>	<b>(35,974,873)</b>	<b>(13,962,462)</b>	<b>22,012,411</b>
Fund Balance, July 1, as restated.....	73,799,844	73,799,844	73,799,844	-
<b>Fund Balance, June 30.....</b>	<b>\$ 73,759,844</b>	<b>\$ 37,824,971</b>	<b>\$ 59,837,382</b>	<b>\$ 22,012,411</b>

The Notes To Required Supplementary Information are an integral part of this statement.  
See Independent Auditor's Report

**STATE OF VERMONT  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
FEDERAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Original Budget	Final Budget	Actual (Budgetary Based)	Variance- Favorable (Unfavorable)
<b>Revenues:</b>				
Federal.....	\$ 761,878,342	\$ 859,724,282	\$ 798,041,353	\$ (61,682,929)
Interest and Premiums.....	-	-	56,429	56,429
Other.....	-	-	2,281,330	2,281,330
<b>Total Revenues.....</b>	<b>761,878,342</b>	<b>859,724,282</b>	<b>800,379,112</b>	<b>(59,345,170)</b>
<b>Expenditures:</b>				
General Government.....	2,835,602	3,719,999	3,020,095	699,904
Protection to Persons and Property.....	28,445,185	40,529,985	32,456,041	8,073,944
Human Services.....	584,179,309	636,709,271	616,833,087	19,876,184
Employment and Training.....	24,201,686	24,201,686	23,803,034	398,652
General Education.....	96,494,320	98,994,320	75,157,416	21,836,904
Natural Resources.....	12,285,872	29,831,872	27,989,584	1,842,288
Commerce and Community Development.....	13,436,368	29,486,632	14,160,195	15,326,437
<b>Total Expenditures.....</b>	<b>761,878,342</b>	<b>861,473,765</b>	<b>793,419,452</b>	<b>68,054,313</b>
<b>Excess of Revenues over (Under) Expenditures.....</b>	<b>-</b>	<b>(1,749,483)</b>	<b>6,959,660</b>	<b>8,709,143</b>
<b>Other Financing Sources (Uses):</b>				
Operating Transfers In.....	-	1,749,483	1,749,483	-
Operating Transfers Out.....	-	(11,394,166)	(11,394,166)	-
Other Sources.....	-	3,677	3,677	-
<b>Total Other Financing Sources (Uses).....</b>	<b>-</b>	<b>(9,641,006)</b>	<b>(9,641,006)</b>	<b>-</b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses.....</b>	<b>-</b>	<b>(11,390,489)</b>	<b>(2,681,346)</b>	<b>8,709,143</b>
Fund Balance, July 1.....	(2,039,595)	(2,039,595)	(2,039,595)	-
<b>Fund Balance, June 30.....</b>	<b>\$ (2,039,595)</b>	<b>\$ (13,430,084)</b>	<b>\$ (4,720,941)</b>	<b>\$ 8,709,143</b>

The Notes To Required Supplementary Information are an integral part of this statement.  
See Independent Auditor's Report

**Notes to Required Supplementary Information - Budgetary Reporting**  
**For the fiscal year ended June 30, 2002**

**RECONCILIATION OF BUDGETARY TO GAAP**

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

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

The following schedule reconciles the general and special revenue funds of the primary government for differences between budgetary accounting methods and the GAAP basis accounting principles for the year ended June 30, 2002.

	<u>General Fund</u>	<u>Transportation Fund</u>	<u>Education Fund</u>	<u>Special Fund</u>	<u>Federal Revenue Fund</u>
Fund Balance - Budgetary Basis	\$ 68,220,238	\$ 13,861,449	\$ 19,880,336	\$ 59,837,382	\$ (4,720,941)
<b><u>Basis of Accounting Differences:</u></b>					
To record restricted cash, market value of investments	-	2,548,877	-	828,106	-
To record taxes receivable	172,121,640	6,465,898	9,563,550	3,985,485	-
To record loans/notes receivable, due from other funds, and other receivables	2,635,616	8,698,751	1,625,433	23,813,810	9,485,923
To record due from federal government	-	12,343,618	-	-	95,370,812
To record accounts and retainage payable, accrued liabilities, deferred revenue.	(91,227,494)	(28,773,340)	(13,570,948)	(46,600,468)	(72,184,899)
To record tax refunds payable	(792,633)	-	-	-	-
To record due to other funds	(1,538,083)	(1,180,639)	(242,326)	(147,169)	(1,087,819)
To record due to component units	-	(10,627)	-	-	-
To record effects of blended component units	-	2,410,470	-	4,328,996	14,768,964
To record removal of discretely presented component unit	174,633	-	-	239,291	28,592
Fund Balance - GAAP Basis	<u>\$ 149,593,917</u>	<u>\$ 16,364,457</u>	<u>\$ 17,256,045</u>	<u>\$ 46,285,433</u>	<u>\$ 41,660,632</u>



**COMBINING FINANCIAL STATEMENTS**

***THIS PAGE INTENTIONALLY LEFT BLANK***



**NONMAJOR  
GOVERNMENTAL FUNDS**



State of Vermont  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2002

	<u>Special Revenue</u>		<u>Capital Projects</u>	
	<u>Fish &amp; Wildlife Fund</u>		<u>General Bond Fund</u>	<u>Transportation Bond Fund</u>
<b>ASSETS:</b>				
Cash and cash equivalents.....	\$ 5,009,307	\$ 57,584,320	\$ -	
Investments.....	-	-	-	
Receivables:				
Taxes receivable.....	82,104	-	-	
Other receivables.....	496,531	292,088	-	
Intergovernmental receivable - federal government.....	277,596	-	-	
Due from other funds.....	5,697	-	6,158	
<b>Total assets.....</b>	<b>\$ 5,871,235</b>	<b>\$ 57,876,408</b>	<b>\$ 6,158</b>	
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES:</b>				
Accounts payable.....	\$ 420,056	\$ 1,809,788	\$ -	
Accrued liabilities.....	368,278	1,774	-	
Due to other funds	10,951	-	-	
Interfund payable.....	-	-	6,155	
Retainage payable.....	-	1,494,969	-	
<b>Total Liabilities.....</b>	<b>799,285</b>	<b>3,306,531</b>	<b>6,155</b>	
<b>FUND BALANCE:</b>				
Reserved for:				
Encumbrances.....	238,858	2,771,111	-	
Endowments.....	-	-	-	
Unreserved:				
Designated for specific purposes.....	-	51,798,766	3	
Undesignated.....	4,833,092	-	-	
<b>Total fund balance.....</b>	<b>5,071,950</b>	<b>54,569,877</b>	<b>3</b>	
<b>Total liabilities and fund balance.....</b>	<b>\$ 5,871,235</b>	<b>\$ 57,876,408</b>	<b>\$ 6,158</b>	

**Permanent Funds**

<b>Higher Education Endowment Fund</b>	<b>Vermont Sanitorium Fund</b>	<b>Albert C. Lord Trust Fund</b>	<b>Lumberjack Fund</b>	<b>Couching Lion Farm Cemetery Fund</b>
\$ 635,055	\$ (4,771)	\$ 4,237	\$ 13,281	\$ 16,922
7,779,947	242,616	215,259	10,726	2,268
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<b>\$ 8,415,002</b>	<b>\$ 237,845</b>	<b>\$ 219,496</b>	<b>\$ 24,007</b>	<b>\$ 19,190</b>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
-	-	-	-	-
7,000,000	206,502	183,217	9,129	1,930
-	-	-	-	-
1,415,002	31,343	36,279	14,878	17,260
<b>8,415,002</b>	<b>237,845</b>	<b>219,496</b>	<b>24,007</b>	<b>19,190</b>
<b>\$ 8,415,002</b>	<b>\$ 237,845</b>	<b>\$ 219,496</b>	<b>\$ 24,007</b>	<b>\$ 19,190</b>

State of Vermont  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2002

	<b>Permanent Funds</b>	
	<b>Carrie P. Underwood Fund</b>	<b>Laura H. Morgan Fund</b>
<b>ASSETS:</b>		
Cash and cash equivalents.....	\$ 1,270	\$ (139)
Investments.....	13,053	2,937
Receivables:		
Taxes receivable.....	-	-
Other receivables.....	-	-
Intergovernmental receivable - federal government.....	-	-
Due from other funds.....	-	-
<b>Total assets.....</b>	<b>\$ 14,323</b>	<b>\$ 2,798</b>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>LIABILITIES:</b>		
Accounts payable.....	\$ -	\$ -
Accrued liabilities.....	-	-
Due to other funds.....	-	-
Interfund payable.....	-	-
Retainage payable.....	-	-
<b>Total Liabilities.....</b>	<b>0</b>	<b>0</b>
<b>FUND BALANCE:</b>		
Reserved for:		
Encumbrances.....	-	-
Endowments.....	11,110	2,500
Unreserved:		
Designated for specific purposes.....	-	-
Undesignated.....	3,213	298
<b>Total fund balance.....</b>	<b>14,323</b>	<b>2,798</b>
<b>Total liabilities and fund balance.....</b>	<b>\$ 14,323</b>	<b>\$ 2,798</b>

<u>Bennington Battle Monument Fund</u>	<u>Zenus H. Ellis Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 78	\$ 68	\$ 63,259,628
1,251	1,175	8,269,232
-	-	82,104
-	-	788,619
-	-	277,596
-	-	11,855
<u>\$ 1,329</u>	<u>\$ 1,243</u>	<u>\$ 72,689,034</u>
\$ -	\$ -	\$ 2,229,844
-	-	370,052
-	-	10,951
-	-	6,155
-	-	1,494,969
<u>0</u>	<u>0</u>	<u>4,111,971</u>
-	-	3,009,969
1,065	1,000	7,416,453
-	-	51,798,769
264	243	6,351,872
<u>1,329</u>	<u>1,243</u>	<u>68,577,063</u>
<u>\$ 1,329</u>	<u>\$ 1,243</u>	<u>\$ 72,689,034</u>

**STATE OF VERMONT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Special Revenue</u>	<u>Capital Projects</u>	
	<u>Fish &amp; Wildlife Fund</u>	<u>General Bond Fund</u>	<u>Transportation Bond Fund</u>
<b>REVENUES:</b>			
Taxes:			
Motor fuel tax.....	\$ 986,434	\$ -	\$ -
Other taxes.....	-	-	-
Earnings of departments:			
Fees.....	213,133	-	-
Rents and leases.....	85,249	-	-
Federal grants.....	3,820,479	-	-
Fines, forfeits and penalties.....	12,748	-	-
Investment income.....	90,245	-	-
Licenses:			
Business.....	1,750	-	-
Non-business.....	6,903,762	-	-
Special assessments.....	16,897	-	-
Other revenues.....	281,447	-	-
<b>Total revenues.....</b>	<b>12,412,144</b>	<b>0</b>	<b>0</b>
<b>EXPENDITURES:</b>			
General government.....	-	10,528,350	-
Protection to persons and property.....	-	1,538,105	-
Human services.....	-	1,573,767	-
General education.....	-	14,511,729	-
Natural resources.....	12,426,262	3,746,729	-
Commerce and community development.....	-	2,804,818	-
Transportation.....	-	-	24,311
<b>Total expenditures.....</b>	<b>12,426,262</b>	<b>34,703,498</b>	<b>24,311</b>
<b>Excess of revenues over (under) expenditures.....</b>	<b>(14,118)</b>	<b>(34,703,498)</b>	<b>(24,311)</b>
<b>Other Financing Sources (Uses):</b>			
Proceeds from the sale of bonds.....	-	51,000,000	-
Transfers in.....	44,075	15,213,758	-
Transfers (out).....	-	(3,060,816)	-
<b>Total other financing sources (uses).....</b>	<b>44,075</b>	<b>63,152,942</b>	<b>0</b>
<b>Excess of revenues and other sources over (under) expenditures and other (uses).....</b>	<b>29,957</b>	<b>28,449,444</b>	<b>(24,311)</b>
<b>Fund balance, July 1 (as restated).....</b>	<b>5,041,993</b>	<b>26,120,433</b>	<b>24,314</b>
<b>Fund balance, June 30.....</b>	<b>\$ 5,071,950</b>	<b>\$ 54,569,877</b>	<b>\$ 3</b>

**Permanent Funds**

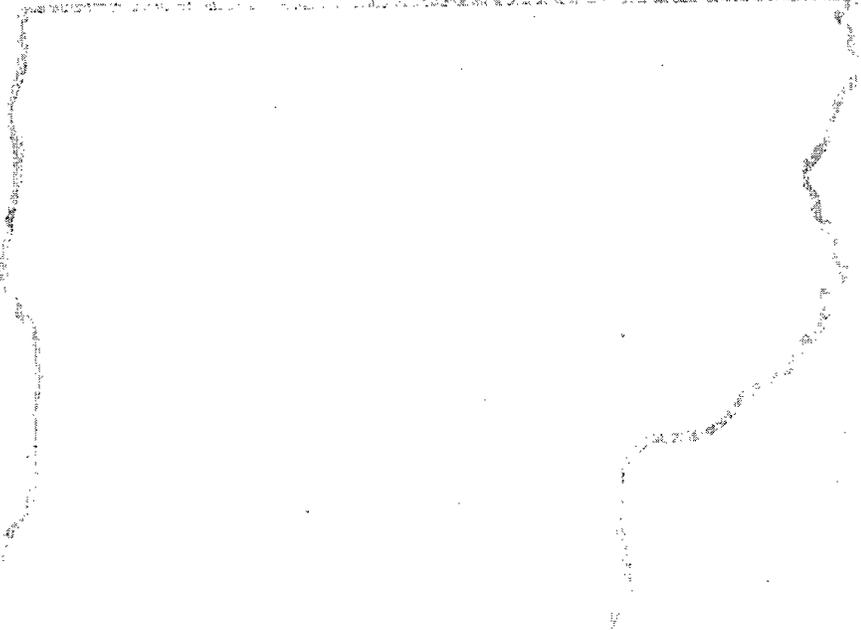
<u>Higher Education Endowment Fund</u>	<u>Vermont Sanitorium Fund</u>	<u>Albert C. Lord Trust Fund</u>	<u>Lumberjack Fund</u>	<u>Couching Lion Farm Cemetery Fund</u>
\$ -	\$ -	\$ -	\$ -	\$ -
635,881	-	-	-	-
-	-	-	-	-
-	-	-	-	-
480,047	19,622	17,514	1,150	545
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>1,115,928</u>	<u>19,622</u>	<u>17,514</u>	<u>1,150</u>	<u>545</u>
-	-	-	-	-
-	-	-	-	-
379,549	8,000	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>379,549</u>	<u>8,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>736,379</u>	<u>11,622</u>	<u>17,514</u>	<u>1,150</u>	<u>545</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
736,379	11,622	17,514	1,150	545
<u>7,678,623</u>	<u>226,223</u>	<u>201,982</u>	<u>22,857</u>	<u>18,645</u>
<u>\$ 8,415,002</u>	<u>\$ 237,845</u>	<u>\$ 219,496</u>	<u>\$ 24,007</u>	<u>\$ 19,190</u>

**STATE OF VERMONT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Permanent Funds	
	Carrie P. Underwood Fund	Laura H. Morgan Fund
<b>REVENUES:</b>		
Taxes:		
Motor fuel tax.....	\$ -	\$ -
Other taxes.....	-	-
Earnings of departments:		
Fees.....	-	-
Rents and leases.....	-	-
Federal grants.....	-	-
Fines, forfeits and penalties.....	-	-
Investment income.....	1,083	288
Licenses:		
Business.....	-	-
Non-business.....	-	-
Special assessments.....	-	-
Other revenues.....	-	(102)
<b>Total revenues.....</b>	<b>1,083</b>	<b>186</b>
<b>EXPENDITURES:</b>		
General government.....	-	-
Protection to persons and property.....	-	-
Human services.....	-	2,502
General education.....	-	-
Natural resources.....	-	-
Commerce and community development.....	-	-
Transportation.....	-	-
<b>Total expenditures.....</b>	<b>0</b>	<b>2,502</b>
<b>Excess of revenues over</b>		
<b>(under) expenditures.....</b>	<b>1,083</b>	<b>(2,316)</b>
<b>Other Financing Sources (Uses):</b>		
Proceeds from the sale of bonds.....	-	-
Transfers in.....	-	-
Transfers (out).....	-	-
<b>Total other financing sources (uses).....</b>	<b>0</b>	<b>0</b>
<b>Excess of revenues and other sources</b>		
<b>over (under) expenditures and other (uses).....</b>	<b>1,083</b>	<b>(2,316)</b>
<b>Fund balance, July 1 (as restated).....</b>	<b>13,240</b>	<b>5,114</b>
<b>Fund balance, June 30.....</b>	<b>\$ 14,323</b>	<b>\$ 2,798</b>

<u>Bennington Battle Monument Fund</u>	<u>Zenus H. Ellis Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ 986,434
-	-	635,881
-	-	213,133
-	-	85,249
-	-	3,820,479
-	-	12,748
103	97	610,694
-	-	1,750
-	-	6,903,762
-	-	16,897
-	-	281,345
<u>103</u>	<u>97</u>	<u>13,568,372</u>
-	-	10,528,350
-	-	1,538,105
-	-	1,584,269
-	-	14,891,278
-	-	16,172,991
-	-	2,804,818
-	-	24,311
<u>0</u>	<u>0</u>	<u>47,544,122</u>
<u>103</u>	<u>97</u>	<u>(33,975,750)</u>
-	-	51,000,000
-	-	15,257,833
-	-	(3,060,816)
<u>0</u>	<u>0</u>	<u>63,197,017</u>
103	97	29,221,267
<u>1,226</u>	<u>1,146</u>	<u>39,355,796</u>
<u>\$ 1,329</u>	<u>\$ 1,243</u>	<u>\$ 68,577,063</u>





***THIS PAGE INTENTIONALLY LEFT BLANK***

Vermont



**NONMAJOR  
ENTERPRISE FUNDS**

STATE OF VERMONT  
 COMBINING STATEMENT OF NET ASSETS  
 NONMAJOR ENTERPRISE FUNDS  
 June 30, 2002

	Industrial Homework Office Fund	Federal Surplus Property Fund
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents.....	\$ 42,867	\$ -
Accrued interest receivable.....	-	-
Accounts receivable (net of allowance for uncollectibles).....	25,545	36,424
Loans receivable.....	-	-
Due from other funds.....	-	-
Inventories, at cost.....	-	479,005
Prepaid expenses.....	-	-
<b>Total current assets.....</b>	<b>68,412</b>	<b>515,429</b>
<b>Restricted and Noncurrent Assets:</b>		
Cash - subscription reserve fund.....	-	-
Loans receivable.....	-	-
Accounts receivable - subscriptions.....	-	-
Imprest cash and change fund - advances.....	1,700	-
<b>Total restricted &amp; noncurrent assets.....</b>	<b>1,700</b>	<b>0</b>
<b>Capital Assets:</b>		
Machinery, equipment and buildings.....	-	-
Less accumulated depreciation.....	-	-
<b>Total capital assets, net of depreciation.....</b>	<b>0</b>	<b>0</b>
<b>Total assets.....</b>	<b>70,112</b>	<b>515,429</b>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts payable.....	-	4,262
Accrued salaries and benefits.....	6,363	5,118
Interfund payable.....	-	176,414
Deferred revenue.....	-	-
<b>Total current liabilities.....</b>	<b>6,363</b>	<b>185,794</b>
<b>Liabilities Payable From Restricted Assets:</b>		
Unexpired subscriptions.....	-	-
Cash advances by state treasurer.....	1,700	-
<b>Total liabilities payable from restricted assets.....</b>	<b>1,700</b>	<b>0</b>
<b>Total liabilities.....</b>	<b>8,063</b>	<b>185,794</b>
<b>NET ASSETS</b>		
Restricted for surplus property.....	-	479,005
Unrestricted.....	62,049	(149,370)
<b>Total Net Assets.....</b>	<b>\$ 62,049</b>	<b>\$ 329,635</b>

Vermont Life Magazine Fund	Municipal Equipment Loan Fund	Vermont Adaptive Equipment Revolving Fund	Unemployment Compensation Contingency Fund	Total Nonmajor Enterprise Funds
\$ -	\$ 386,451	\$ 125,911	\$ 151,748	\$ 706,977
-	8,521	3,935	-	12,456
193,898	-	36,934	-	292,801
-	1,081,709	601,258	-	1,682,967
-	-	-	39,857	39,857
87,796	-	-	-	566,801
146,036	-	-	-	146,036
<u>427,730</u>	<u>1,476,681</u>	<u>768,038</u>	<u>191,605</u>	<u>3,447,895</u>
689,974	-	-	-	689,974
-	1,128,805	-	-	1,128,805
46,007	-	-	-	46,007
1,200	-	-	-	2,900
<u>737,181</u>	<u>1,128,805</u>	<u>0</u>	<u>0</u>	<u>1,867,686</u>
65,873	-	-	-	65,873
(65,873)	-	-	-	(65,873)
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>1,164,911</u>	<u>2,605,486</u>	<u>768,038</u>	<u>191,605</u>	<u>5,315,581</u>
106,301	-	400	-	110,963
56,085	-	-	-	67,566
197,234	-	-	-	373,648
30,839	-	-	-	30,839
<u>390,459</u>	<u>0</u>	<u>400</u>	<u>0</u>	<u>583,016</u>
689,974	-	-	-	689,974
1,200	-	-	-	2,900
<u>691,174</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>692,874</u>
<u>1,081,633</u>	<u>0</u>	<u>400</u>	<u>0</u>	<u>1,275,890</u>
-	-	-	-	479,005
83,278	2,605,486	767,638	191,605	3,560,886
<u>\$ 83,278</u>	<u>\$ 2,605,486</u>	<u>\$ 767,638</u>	<u>\$ 191,605</u>	<u>\$ 4,039,891</u>

**STATE OF VERMONT**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**NONMAJOR ENTERPRISE FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Industrial Homework Office Fund	Federal Surplus Property Fund
<b>Operating Revenues</b>		
Charges for sales and services.....	\$ 188,084	\$ 100,315
Advertising revenue.....	-	-
Other operating revenues.....	-	-
<b>Total operating revenues.....</b>	<b>188,084</b>	<b>100,315</b>
<b>Operating Expenses</b>		
Cost of sales and services.....	-	54,294
Salaries and wages.....	183,731	54,216
Transportation.....	-	-
Rentals.....	-	3,345
Utilities.....	-	448
Promotions and advertising.....	-	103
Administration.....	-	4,442
Supplies.....	-	2,736
Distribution and postage.....	-	259
Travel.....	-	410
Loss on bad debts.....	1,543	-
Other operating expenses.....	-	5,214
<b>Total operating expenses.....</b>	<b>185,274</b>	<b>125,467</b>
<b>Operating income (loss).....</b>	<b>2,810</b>	<b>(25,152)</b>
<b>Non-Operating Revenues (Expenses)</b>		
Investment income.....	-	-
<b>Total non-operating revenues (expenses).....</b>	<b>0</b>	<b>0</b>
<b>Income (loss) before transfers.....</b>	<b>2,810</b>	<b>(25,152)</b>
<b>Transfers</b>		
Transfer in.....	-	-
Transfer (out).....	-	-
<b>Total transfers in (out).....</b>	<b>0</b>	<b>0</b>
<b>Changes in net assets.....</b>	<b>2,810</b>	<b>(25,152)</b>
<b>Total net assets July 1, restated.....</b>	<b>59,239</b>	<b>354,787</b>
<b>Total net assets June 30.....</b>	<b>\$ 62,049</b>	<b>\$ 329,635</b>

Vermont Life Magazine Fund	Municipal Equipment Loan Fund	Vermont Adaptive Equipment Revolving Fund	Unemployment Compensation Contingency Fund	Total Nonmajor Enterprise Funds
\$ 1,577,748	\$ -	\$ -	\$ -	\$ 1,866,147
567,137	-	-	-	567,137
306,119	32,559	53,732	-	392,410
<u>2,451,004</u>	<u>32,559</u>	<u>53,732</u>	<u>0</u>	<u>2,825,694</u>
835,689	-	-	-	889,983
650,377	-	-	-	888,324
32,283	-	-	-	32,283
-	-	-	-	3,345
-	-	-	-	448
419,411	-	-	-	419,514
181,107	-	-	-	185,549
15,189	-	-	-	17,925
262,254	-	-	-	262,513
5,003	-	-	-	5,413
25,019	-	3,438	-	30,000
26,123	-	-	70,859	102,196
<u>2,452,455</u>	<u>0</u>	<u>3,438</u>	<u>70,859</u>	<u>2,837,493</u>
(1,451)	32,559	50,294	(70,859)	(11,799)
3,047	7,105	-	4,186	14,338
<u>3,047</u>	<u>7,105</u>	<u>0</u>	<u>4,186</u>	<u>14,338</u>
1,596	39,664	50,294	(66,673)	2,539
-	-	-	353,615	353,615
-	-	-	(323,601)	(323,601)
<u>0</u>	<u>0</u>	<u>0</u>	<u>30,014</u>	<u>30,014</u>
1,596	39,664	50,294	(36,659)	32,553
81,682	2,565,822	717,344	228,264	4,007,138
<u>\$ 83,278</u>	<u>\$ 2,605,486</u>	<u>\$ 767,638</u>	<u>\$ 191,605</u>	<u>\$ 4,039,691</u>

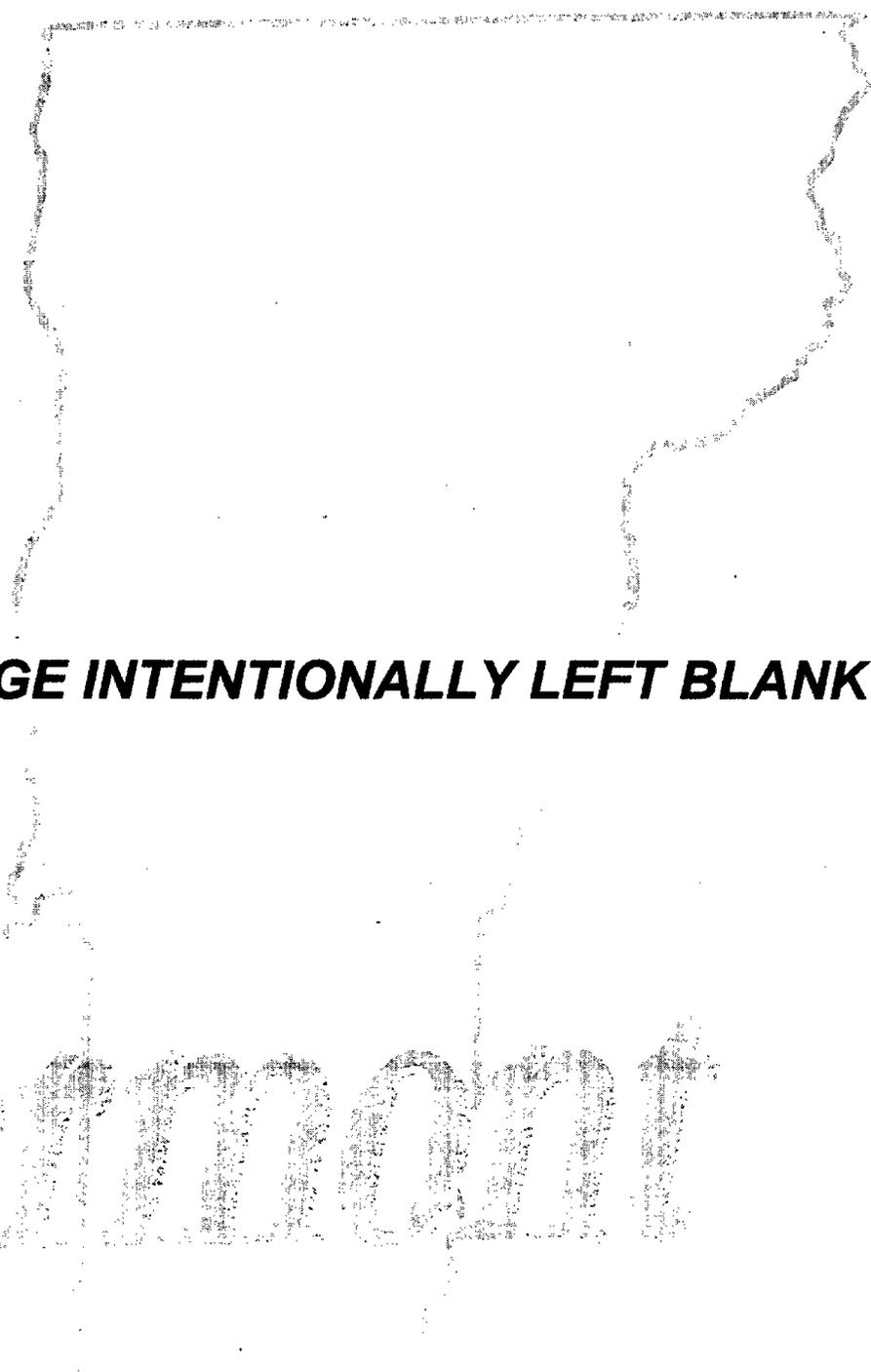
**STATE OF VERMONT  
COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Industrial Homework Office Fund</u>	<u>Federal Surplus Property Fund</u>
<b>Cash Flows from Operating Activities:</b>		
Cash received from customers.....	\$ 194,780	\$ 65,951
Cash paid to suppliers for goods and services.....	-	(67,659)
Loans received (made).....	-	-
Cash paid to employees for services.....	(184,052)	(48,494)
Other operating revenues (expenses).....	24	-
<b>Net cash provided (used) by operating activities.....</b>	<u>10,752</u>	<u>(50,202)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>		
Operating/equity transfers.....	-	50,202
<b>Net cash (used) by noncapital financing activities.....</b>	<u>0</u>	<u>50,202</u>
<b>Cash Flows from Investing Activities:</b>		
Interest earned on investments.....	-	-
<b>Net cash provided (used) by investing activities.....</b>	<u>0</u>	<u>0</u>
<b>Net Increase (Decrease) in cash and cash equivalents.....</b>	<b>10,752</b>	<b>0</b>
<b>Cash and cash equivalents at July 1.....</b>	<b>33,815</b>	<b>-</b>
<b>Cash and cash equivalents at June 30 (see note below).....</b>	<b>\$ <u>44,567</u></b>	<b>\$ <u>0</u></b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating income (loss).....	\$ 2,810	\$ (25,152)
<b>Adjustments to reconcile operating income to Net cash provided by operating activities:</b>		
Expense from non-operating investment and other activity.....	-	155,290
(Increase) decrease in accounts/taxes receivable.....	8,240	(34,364)
(Increase) decrease in loans receivable.....	-	-
(Increase) decrease in accrued interest receivable.....	-	-
(Increase) decrease in inventories.....	-	(155,289)
(Increase) decrease in prepaid expenses.....	-	-
Increase (decrease) in accounts payable.....	-	4,195
Increase (decrease) in accrued salaries and benefits.....	(298)	5,118
Increase (decrease) in deferred revenue.....	-	-
Increase (decrease) in due to other funds.....	-	-
Increase (decrease) in subscription reserves.....	-	-
<b>Total adjustments.....</b>	<u>7,942</u>	<u>(25,050)</u>
<b>Net cash provided (used) by operating activities.....</b>	<b>\$ <u>10,752</u></b>	<b>\$ <u>(50,202)</u></b>

NOTE: Cash/cash equivalents per cash flow statement at June 30 is equal to the cash/cash equivalents, cash subscription reserve fund, and Imprest cash, all on the Statement of Net Assets

Vermont Life Magazine Fund	Municipal Equipment Loan Fund	Adaptive Equipment Revolving Fund	Unemployment Compensation Contingency Fund	Total Nonmajor Enterprise Funds
\$ 1,982,452	\$ 1,073,653	\$ 243,617	\$ -	\$ 3,560,453
(1,600,159)	(1,670,262)	(405,213)	-	(3,743,293)
-	-	44,505	-	44,505
(652,311)	-	-	-	(884,857)
306,119	39,931	2,310	(47,662)	300,722
<u>36,101</u>	<u>(556,678)</u>	<u>(114,781)</u>	<u>(47,662)</u>	<u>(722,470)</u>
(41,466)	-	-	-	8,736
<u>(41,466)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>8,736</u>
3,047	7,105	-	4,186	14,338
<u>3,047</u>	<u>7,105</u>	<u>0</u>	<u>4,186</u>	<u>14,338</u>
(2,318)	(549,573)	(114,781)	(43,476)	(699,396)
693,492	936,024	240,692	195,224	2,099,247
<u>\$ 691,174</u>	<u>\$ 386,451</u>	<u>\$ 125,911</u>	<u>\$ 151,748</u>	<u>\$ 1,399,851</u>
\$ (1,451)	\$ 32,559	\$ 50,294	\$ (70,859)	\$ (11,799)
-	-	-	30,014	185,304
(88,535)	-	(9,020)	-	(123,679)
-	(596,609)	(140,522)	-	(737,131)
-	7,372	(1,633)	-	5,739
18,864	-	-	-	(136,425)
96,817	-	-	-	96,817
61,108	-	(13,900)	-	51,403
(1,934)	-	-	-	2,886
(46,450)	-	-	-	(46,450)
-	-	-	(6,817)	(6,817)
(2,318)	-	-	-	(2,318)
<u>37,552</u>	<u>(589,237)</u>	<u>(165,075)</u>	<u>23,197</u>	<u>(710,671)</u>
<u>\$ 36,101</u>	<u>\$ (556,678)</u>	<u>\$ (114,781)</u>	<u>\$ (47,662)</u>	<u>\$ (722,470)</u>





***THIS PAGE INTENTIONALLY LEFT BLANK***



**INTERNAL SERVICE FUNDS**

**STATE OF VERMONT  
COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS  
JUNE 30, 2002**

	<u>Highway Garage Fund</u>	<u>Offender Work Programs</u>	<u>Communi- cations &amp; Information Technology</u>	<u>Supply Center Fund</u>
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents.....	\$ -	\$ -	\$ -	\$ -
Accounts receivable.....	263,894	479,816	4,200,758	1,051,442
Due from other funds.....	-	-	-	-
Inventories, at cost.....	929,200	607,333	235,460	249,710
Prepaid expenses.....	6,711	1,709	249,112	-
<b>Total current assets.....</b>	<b><u>1,199,805</u></b>	<b><u>1,088,858</u></b>	<b><u>4,685,330</u></b>	<b><u>1,301,152</u></b>
Restricted and Other Assets:				
Imprest cash - advances from state treasurer.....	-	15,100	-	-
<b>Total restricted and other assets.....</b>	<b><u>0</u></b>	<b><u>15,100</u></b>	<b><u>0</u></b>	<b><u>0</u></b>
Capital Assets:				
Machinery, Equipment and Buildings.....	36,663,506	1,935,227	1,598,514	45,385
Accumulated Depreciation.....	(17,974,540)	(1,314,800)	(1,296,741)	(27,861)
Net Machinery, Equipment and Buildings.....	18,688,966	620,827	301,773	17,724
Land.....	26,156	-	-	-
<b>Total capital assets, net of depreciation.....</b>	<b><u>18,715,122</u></b>	<b><u>620,827</u></b>	<b><u>301,773</u></b>	<b><u>17,724</u></b>
<b>Total assets.....</b>	<b><u>19,914,927</u></b>	<b><u>1,724,585</u></b>	<b><u>4,987,103</u></b>	<b><u>1,318,876</u></b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable.....	95,060	139,742	216,035	204,540
Claims payable.....	-	-	-	-
Deferred income.....	-	-	171,060	-
Due to other funds.....	-	-	-	-
Interfund payable.....	173,193	572,980	3,970,867	667,509
Accrued salaries and benefits.....	187,671	111,324	227,352	18,868
<b>Total current liabilities.....</b>	<b><u>455,924</u></b>	<b><u>824,046</u></b>	<b><u>4,585,314</u></b>	<b><u>890,917</u></b>
Liabilities Payable From Restricted Assets:				
Due to state treasurer - imprest cash advances.....	-	15,100	-	-
<b>Total liabilities.....</b>	<b><u>455,924</u></b>	<b><u>839,146</u></b>	<b><u>4,585,314</u></b>	<b><u>890,917</u></b>
<b>NET ASSETS</b>				
Invested in capital assets.....	18,715,122	620,827	301,773	17,724
Restricted.....	-	-	-	-
Unrestricted (deficit).....	743,881	264,812	100,016	410,235
<b>Total net assets.....</b>	<b><u>\$ 19,459,003</u></b>	<b><u>\$ 885,439</u></b>	<b><u>\$ 401,789</u></b>	<b><u>\$ 427,959</u></b>

<u>Copy Center Fund</u>	<u>Single Audit Revolving Fund</u>	<u>Medical Insurance Fund</u>	<u>Dental Insurance Fund</u>	<u>Life Insurance Fund</u>	<u>Postage Fund</u>	<u>Workers' Compensation Fund</u>
\$ -	\$ 37,891	\$ 19,456,667	\$ 257,276	\$ 578,527	\$ -	\$ 7,663,613
1,072,168	669	2,002,726	197,768	51,572	230,165	74,965
-	-	-	-	2,694	-	7,004
21,006	-	-	-	-	436,268	-
24,637	-	-	-	-	49,834	-
<u>1,117,811</u>	<u>38,560</u>	<u>21,459,393</u>	<u>455,044</u>	<u>632,793</u>	<u>716,267</u>	<u>7,745,582</u>
-	-	-	-	-	-	-
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
4,036,960	-	-	-	-	433,854	-
(1,798,301)	-	-	-	-	(377,711)	-
2,238,659	0	0	0	0	56,143	0
-	-	-	-	-	-	-
<u>2,238,659</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>56,143</u>	<u>0</u>
<u>3,356,470</u>	<u>38,560</u>	<u>21,459,393</u>	<u>455,044</u>	<u>632,793</u>	<u>772,410</u>	<u>7,745,582</u>
363,805	-	2,784,253	454	156	24,641	98,425
-	-	8,326,868	348,290	-	-	12,953,161
-	-	-	-	1,390	-	-
-	-	774,344	-	-	-	103,426
2,507,642	-	-	-	-	834,372	-
53,788	-	60,973	6,213	2,019	21,325	53,921
<u>2,925,235</u>	<u>0</u>	<u>11,946,438</u>	<u>354,957</u>	<u>3,565</u>	<u>880,338</u>	<u>13,208,933</u>
-	-	-	-	-	-	-
<u>2,925,235</u>	<u>0</u>	<u>11,946,438</u>	<u>354,957</u>	<u>3,565</u>	<u>880,338</u>	<u>13,208,933</u>
2,238,659	-	-	-	-	56,143	-
(1,807,424)	38,560	9,512,955	100,087	629,228	(164,071)	(5,463,351)
<u>\$ 431,235</u>	<u>\$ 38,560</u>	<u>\$ 9,512,955</u>	<u>\$ 100,087</u>	<u>\$ 629,228</u>	<u>\$ (107,928)</u>	<u>\$ (5,463,351)</u>

Continued on next page—>

STATE OF VERMONT  
COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS  
JUNE 30, 2002

	State Liability Insurance Fund	Risk Management All-Other Fund	Property Management Fund
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents.....	\$ 7,708,891	\$ -	\$ -
Accounts receivable.....	138,719	592,337	152,087
Due from other funds.....	69,799	-	-
Inventories, at cost.....	-	-	-
Prepaid expenses.....	-	-	463,222
<b>Total current assets.....</b>	<b>7,917,409</b>	<b>592,337</b>	<b>615,309</b>
Restricted and Other Assets:			
Imprest cash - advances from state treasurer.....	-	-	-
<b>Total restricted and other assets.....</b>	<b>0</b>	<b>0</b>	<b>0</b>
Capital Assets:			
Machinery, Equipment and Buildings.....	-	-	25,599
Accumulated Depreciation.....	-	-	(13,531)
Net Machinery, Equipment and Buildings.....	0	0	12,068
Land.....	-	-	-
<b>Total capital assets, net of depreciation.....</b>	<b>0</b>	<b>0</b>	<b>12,068</b>
<b>Total assets.....</b>	<b>7,917,409</b>	<b>592,337</b>	<b>627,377</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable.....	5,520	9,958	504,807
Claims payable.....	6,379,617	-	-
Deferred income.....	-	-	-
Due to other funds.....	4,018	2,985	-
Interfund payable.....	-	510,776	2,822,474
Accrued salaries and benefits.....	-	-	45,096
<b>Total current liabilities.....</b>	<b>6,389,155</b>	<b>523,719</b>	<b>3,372,377</b>
Liabilities Payable From Restricted Assets:			
Due to state treasurer - imprest cash advances.....	-	-	-
<b>Total liabilities.....</b>	<b>6,389,155</b>	<b>523,719</b>	<b>3,372,377</b>
<b>NET ASSETS</b>			
Invested in capital assets.....	-	-	12,068
Restricted.....	-	-	-
Unrestricted (deficit).....	1,528,254	68,618	(2,757,068)
<b>Total net assets.....</b>	<b>\$ 1,528,254</b>	<b>\$ 68,618</b>	<b>\$ (2,745,000)</b>

<u>Equipment Revolving Fund</u>	<u>State Surplus Property Fund</u>	<u>Employee Assistance Plan</u>	<u>Long-Term Disability Plan</u>	<u>Facilities Operations</u>	<u>GOVNET Fund</u>	<u>Totals Internal Service Funds</u>
\$ -	\$ 406,623	\$ 121,260	\$ 39,661	\$ -	\$ -	\$ 38,270,409
1,250,782	3,187	12,278	7,436	28,401	4,594	11,815,764
-	-	-	-	-	-	79,497
-	17,316	-	-	-	-	2,496,293
-	-	-	-	-	-	795,225
<u>1,250,782</u>	<u>427,126</u>	<u>133,538</u>	<u>47,097</u>	<u>28,401</u>	<u>4,594</u>	<u>51,457,188</u>
-	-	-	-	-	-	15,100
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>15,100</u>
-	8,800	-	-	1,228,207	1,028,470	47,004,522
-	-	-	-	(860,864)	(918,790)	(24,582,739)
<u>0</u>	<u>8,800</u>	<u>0</u>	<u>0</u>	<u>367,343</u>	<u>109,680</u>	<u>22,421,783</u>
-	-	-	-	-	-	26,156
<u>0</u>	<u>8,800</u>	<u>0</u>	<u>0</u>	<u>367,343</u>	<u>109,680</u>	<u>22,447,939</u>
<u>1,250,782</u>	<u>435,926</u>	<u>133,538</u>	<u>47,097</u>	<u>395,744</u>	<u>114,274</u>	<u>73,920,227</u>
9,455	288,951	23,581	2,210	923,805	22,479	5,717,877
-	-	-	-	-	-	28,007,936
-	-	-	-	-	-	172,450
1,822	-	-	-	-	-	886,595
1,239,505	-	-	-	4,216,180	261,716	17,777,214
-	5,082	-	-	840,703	47,362	1,681,697
<u>1,250,782</u>	<u>294,033</u>	<u>23,581</u>	<u>2,210</u>	<u>5,980,688</u>	<u>331,557</u>	<u>54,243,769</u>
-	-	-	-	-	-	15,100
<u>1,250,782</u>	<u>294,033</u>	<u>23,581</u>	<u>2,210</u>	<u>5,980,688</u>	<u>331,557</u>	<u>54,258,869</u>
-	8,800	-	-	367,343	109,680	22,447,939
-	17,316	-	-	-	-	17,316
-	115,777	109,957	44,887	(5,952,287)	(326,963)	(2,803,897)
<u>\$ 0</u>	<u>\$ 141,893</u>	<u>\$ 109,957</u>	<u>\$ 44,887</u>	<u>\$ (5,584,944)</u>	<u>\$ (217,283)</u>	<u>\$ 19,661,358</u>

**STATE OF VERMONT  
COMBINING STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN NET ASSETS  
INTERNAL SERVICE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Highway Garage Fund</u>	<u>Offender Work Programs</u>	<u>Communi- cations &amp; Information Technology</u>	<u>Supply Center Fund</u>
<b>Operating Revenues:</b>				
Charges for sales and services.....	\$ 8,141,085	\$ 3,008,082	\$ 9,722,665	\$ 3,268,812
Rental income.....	189,027	-	-	-
Other operating revenues.....	20,517	3,246	-	-
<b>Total operating revenues.....</b>	<b><u>8,350,629</u></b>	<b><u>3,011,328</u></b>	<b><u>9,722,665</u></b>	<b><u>3,268,812</u></b>
<b>Operating Expenses:</b>				
Cost of sales and services.....	4,183,345	1,272,707	4,706,809	2,926,522
Claims expense.....	-	-	-	-
Salaries and benefits.....	465,246	1,079,445	2,576,464	258,774
Supplies and parts.....	-	92,262	98,263	14,731
Data processing charges.....	-	-	100,000	-
Transportation.....	-	-	627	2,469
Telephone/telegraph.....	-	-	143,399	3,352
Postage.....	-	-	1,711	1,549
Printing and duplicating.....	-	-	38,546	1,644
Rental of data processing equipment.....	-	-	605,705	-
Other equipment rentals.....	-	-	1,336	-
Equipment purchased for agencies.....	-	-	146,394	8,666
Repairs and maintenance.....	1,054,983	-	571,177	7,716
Administrative services costs.....	574,118	-	123,564	61,832
Operating overhead.....	-	-	-	-
Office rent.....	-	-	114,788	58,958
Depreciation.....	2,731,058	51,398	87,696	9,493
Contractual fees.....	-	-	-	-
Insurance premium expense.....	-	-	44,167	4,361
Loss on bad debts.....	-	(146)	-	-
Other operating expenses.....	26,247	307,125	35,823	1,088
<b>Total operating expenses.....</b>	<b><u>9,034,997</u></b>	<b><u>2,802,791</u></b>	<b><u>9,396,469</u></b>	<b><u>3,361,155</u></b>
<b>Operating income (loss).....</b>	<b><u>(684,368)</u></b>	<b><u>208,537</u></b>	<b><u>326,196</u></b>	<b><u>(92,343)</u></b>
<b>Non-Operating Revenues (Expenses):</b>				
Gain (loss) on disposal of fixed assets.....	(129,947)	-	-	-
Interest expense.....	-	-	-	-
Interest income.....	-	-	-	-
Other.....	-	-	-	-
<b>Total non-operating revenues (expenses).....</b>	<b><u>(129,947)</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>
<b>Income (loss) before contributions and transfers.....</b>	<b><u>(814,315)</u></b>	<b><u>208,537</u></b>	<b><u>326,196</u></b>	<b><u>(92,343)</u></b>
Capital contributions from other funds.....	114,385	7,000	-	-
Transfers in.....	1,978,078	-	-	-
Transfers (out).....	(336,447)	-	-	-
<b>Change in net assets.....</b>	<b><u>941,701</u></b>	<b><u>215,537</u></b>	<b><u>326,196</u></b>	<b><u>(92,343)</u></b>
<b>Total net assets - beginning, as restated.....</b>	<b><u>18,517,302</u></b>	<b><u>669,902</u></b>	<b><u>75,593</u></b>	<b><u>520,302</u></b>
<b>Total net assets - ending.....</b>	<b><u>\$ 19,459,003</u></b>	<b><u>\$ 885,439</u></b>	<b><u>\$ 401,789</u></b>	<b><u>\$ 427,959</u></b>

Copy Center Fund	Single Audit Revolving Fund	Medical Insurance Fund	Dental Insurance Fund	Life Insurance Fund	Postage Fund	Workers' Compensation Fund
\$ 2,530,921	\$ 978,800	\$ 64,988,780	\$ 4,479,144	\$ 1,321,665	\$ 2,948,016	\$ 5,861,475
-	-	15,950	-	-	-	-
<u>2,530,921</u>	<u>978,800</u>	<u>65,004,730</u>	<u>4,479,144</u>	<u>1,321,665</u>	<u>2,948,016</u>	<u>5,861,475</u>
314,610	940,240	-	-	-	2,488,778	145,641
-	-	38,189,077	4,363,223	-	-	6,258,621
616,914	-	738,616	71,501	23,769	321,860	785,001
22,232	-	52,524	467	96	17,708	7,490
-	-	9,517	985	328	-	-
339	-	14,578	-	-	8	233
3,984	-	17,396	2,784	947	3,603	6,755
1,066	-	46,903	934	311	5,078	1,695
6,740	-	36,721	392	131	1,584	7,030
-	-	-	-	-	-	-
-	-	-	-	-	-	-
14,155	-	-	-	-	4,236	6,104
442,719	-	1,054	90	39	77,701	10,607
61,832	-	4,121,809	216,390	-	61,832	57,440
-	-	3,218	-	-	-	-
26,784	-	33,217	6,228	2,076	13,507	9,844
757,168	-	-	-	-	45,916	-
-	-	726,247	37,398	-	-	690,620
4,361	-	12,269,067	135	1,775,621	5,094	568
-	-	-	-	-	-	-
3,499	-	4,633	(129)	3	6,824	13,310
<u>2,276,403</u>	<u>940,240</u>	<u>56,264,577</u>	<u>4,700,398</u>	<u>1,803,321</u>	<u>3,053,729</u>	<u>8,000,959</u>
<u>254,518</u>	<u>38,580</u>	<u>8,740,153</u>	<u>(221,254)</u>	<u>(481,656)</u>	<u>(107,713)</u>	<u>(2,139,484)</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	(18,253)
-	-	233,240	4,464	37,130	-	-
-	-	-	-	-	-	-
<u>0</u>	<u>0</u>	<u>233,240</u>	<u>4,464</u>	<u>37,130</u>	<u>0</u>	<u>(18,253)</u>
<u>254,518</u>	<u>38,580</u>	<u>8,973,393</u>	<u>(216,790)</u>	<u>(444,526)</u>	<u>(107,713)</u>	<u>(2,157,737)</u>
-	-	-	-	-	-	-
(1,085,000)	-	-	-	-	(165,000)	-
<u>(830,482)</u>	<u>38,580</u>	<u>8,973,393</u>	<u>(216,790)</u>	<u>(444,526)</u>	<u>(272,713)</u>	<u>(2,157,737)</u>
<u>1,281,717</u>	<u>-</u>	<u>539,562</u>	<u>316,877</u>	<u>1,073,754</u>	<u>164,785</u>	<u>(3,305,614)</u>
\$ <u>431,235</u>	\$ <u>38,580</u>	\$ <u>9,512,955</u>	\$ <u>100,087</u>	\$ <u>629,228</u>	\$ <u>(107,928)</u>	\$ <u>(5,463,351)</u>

Continued on next page-->



**STATE OF VERMONT  
COMBINING STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN NET ASSETS  
INTERNAL SERVICE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	State Liability Insurance Fund	Risk Management All-Other Fund	Property Management Fund
<b>Operating Revenues:</b>			
Charges for sales and services.....	\$ 3,088,035	\$ 1,257,510	\$ -
Rental income.....	-	-	9,631,843
Other operating revenues.....	-	-	-
<b>Total operating revenues.....</b>	<b><u>3,088,035</u></b>	<b><u>1,257,510</u></b>	<b><u>9,631,843</u></b>
<b>Operating Expenses:</b>			
Cost of sales and services.....	250,000	1,201,473	6,608,763
Claims expense.....	607,876	-	-
Salaries and benefits.....	182,296	19,022	756,197
Supplies and parts.....	2,101	625	92,354
Data processing charges.....	-	-	-
Transportation.....	57	210	174
Telephone/telegraph.....	1,796	1,595	3,319
Postage.....	452	113	401
Printing and duplicating.....	2,083	404	732
Rental of data processing equipment.....	-	-	-
Other equipment rentals.....	-	-	-
Equipment purchased for agencies.....	1,591	466	1,556
Repairs and maintenance.....	8,765	18	81,184
Administrative services costs.....	57,440	8,833	57,440
Operating overhead.....	-	-	-
Office rent.....	2,626	656	300,167
Depreciation.....	-	-	877
Contractual fees.....	-	-	-
Insurance premium expense.....	768	153	4,587
Loss on bad debts.....	-	-	-
Other operating expenses.....	388,669	341	14,628
<b>Total operating expenses.....</b>	<b><u>1,506,520</u></b>	<b><u>1,233,909</u></b>	<b><u>7,922,379</u></b>
<b>Operating income (loss).....</b>	<b><u>1,581,515</u></b>	<b><u>23,601</u></b>	<b><u>1,709,464</u></b>
<b>Non-Operating Revenues (Expenses):</b>			
Gain (loss) on disposal of fixed assets.....	-	-	-
Interest expense.....	-	-	-
Interest income.....	138,631	-	-
Other.....	-	-	-
<b>Total non-operating revenues (expenses).....</b>	<b><u>138,631</u></b>	<b><u>0</u></b>	<b><u>0</u></b>
<b>Income (loss) before contributions and transfers.....</b>	<b><u>1,720,146</u></b>	<b><u>23,601</u></b>	<b><u>1,709,464</u></b>
Capital contributions from other funds.....	-	-	-
Transfers in.....	-	-	-
Transfers (out).....	-	-	(2,389,385)
<b>Change in net assets.....</b>	<b><u>1,720,146</u></b>	<b><u>23,601</u></b>	<b><u>(679,921)</u></b>
<b>Total net assets - beginning, as restated.....</b>	<b><u>(191,892)</u></b>	<b><u>45,017</u></b>	<b><u>(2,065,079)</u></b>
<b>Total net assets - ending.....</b>	<b><u>\$ 1,528,254</u></b>	<b><u>\$ 68,618</u></b>	<b><u>\$ (2,745,000)</u></b>

Equipment Revolving Fund	State Surplus Property Fund	Employee Assistance Program	Long-Term Disability Plan	Facilities Operations	GOVNET Fund	Total Internal Service Funds
\$ 609,072	\$ 472,206	\$ 317,636	\$ 194,940	\$ 12,104,430	\$ 1,642,781	\$ 126,934,055
-	-	-	-	-	-	9,820,870
-	-	-	-	-	-	39,713
<u>609,072</u>	<u>472,206</u>	<u>317,636</u>	<u>194,940</u>	<u>12,104,430</u>	<u>1,642,781</u>	<u>136,794,638</u>
-	287,573	-	1,381	-	1,069,422	26,397,264
-	-	-	-	-	-	49,418,797
-	59,086	-	-	8,068,333	464,046	16,486,570
145	5,723	-	-	1,084,171	1,618	1,492,510
-	-	-	-	-	-	110,830
-	-	-	-	1,539	182	20,416
-	1,712	-	-	59,118	-	249,760
-	24	-	-	992	40	61,269
-	321	-	-	4,254	141	100,723
-	-	-	-	-	-	605,705
-	-	-	-	-	-	1,336
607,250	-	-	-	187,591	8,077	986,086
-	936	-	-	984,542	39,413	3,280,944
1,677	4,442	278,590	-	-	-	5,687,239
-	-	-	-	-	-	3,218
-	218	-	-	32,709	10,874	812,652
-	-	-	-	136,794	46,069	3,866,469
-	-	-	8,710	-	-	1,462,975
-	-	-	163,044	550,908	-	14,822,834
-	-	-	-	-	-	(146)
-	3,374	-	437	4,635,753	11,648	5,453,273
<u>609,072</u>	<u>363,409</u>	<u>278,590</u>	<u>173,572</u>	<u>15,746,704</u>	<u>1,651,530</u>	<u>131,120,724</u>
<u>0</u>	<u>108,797</u>	<u>39,046</u>	<u>21,368</u>	<u>(3,642,274)</u>	<u>(8,749)</u>	<u>5,673,914</u>
-	-	-	-	-	-	(129,947)
-	-	-	-	-	-	(18,253)
-	-	-	-	-	-	413,465
-	-	-	-	(1,942,670)	-	(1,942,670)
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,942,670)</u>	<u>0</u>	<u>(1,677,405)</u>
0	108,797	39,046	21,368	(5,584,944)	(8,749)	3,996,509
-	-	-	-	-	-	121,385
-	-	-	23,519	-	-	2,001,597
-	(93,293)	-	-	-	-	(4,069,125)
0	15,504	39,046	44,887	(5,584,944)	(8,749)	2,050,366
-	126,389	70,911	-	-	(208,534)	17,610,992
<u>\$ 0</u>	<u>\$ 141,893</u>	<u>\$ 109,957</u>	<u>\$ 44,887</u>	<u>\$ (5,584,944)</u>	<u>\$ (217,283)</u>	<u>\$ 19,661,358</u>

**STATE OF VERMONT**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Highway Garage Fund	Offender Work Programs	Communication and Information Technology	Supply Center Fund
<b>Cash Flows From Operating Activities:</b>				
Cash received from customers.....	\$ 8,295,280	\$ 3,251,654	\$ 6,594,597	\$ 2,784,219
Cash paid to suppliers for goods and services.....	(3,950,708)	(934,168)	(6,890,792)	(3,073,887)
Cash paid to employees for services.....	(2,535,280)	(1,426,493)	(2,211,978)	(242,286)
Cash paid to claimants.....	-	-	-	-
Other operating revenues.....	65,659	3,246	-	-
Other operating expenses.....	-	(277,942)	-	-
<b>Net cash provided (used) by operating activities.....</b>	<b><u>1,874,951</u></b>	<b><u>616,297</u></b>	<b><u>(2,508,173)</u></b>	<b><u>(531,954)</u></b>
<b>Cash Flows From Noncapital Financing Activities:</b>				
Interfund loans.....	173,193	(523,997)	2,687,750	531,954
Other.....	-	-	-	-
Operating transfers.....	1,645,616	-	-	-
<b>Net cash provided (used) by noncapital financing activities.....</b>	<b><u>1,818,809</u></b>	<b><u>(523,997)</u></b>	<b><u>2,687,750</u></b>	<b><u>531,954</u></b>
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Proceeds from sale of fixed assets.....	10,256	-	-	-
Acquisition and construction of fixed assets.....	(4,746,352)	(92,300)	(179,577)	-
<b>Net cash provided (used) by capital and related financing activities.....</b>	<b><u>(4,736,096)</u></b>	<b><u>(92,300)</u></b>	<b><u>(179,577)</u></b>	<b><u>0</u></b>
<b>Cash Flows From Investing Activities:</b>				
Interest earned on investments.....	-	-	-	-
<b>Net cash provided by investing activities.....</b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>
<b>Net increase (decrease) in cash and cash equivalents.....</b>	<b>(1,042,336)</b>	<b>0</b>	<b>0</b>	<b>0</b>
Cash and cash equivalents at July 1.....	1,042,336	-	-	-
<b>Cash and cash equivalents at June 30.....</b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>				
Operating income (loss).....	\$ (684,368)	\$ 208,537	\$ 326,196	\$ (92,343)
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>				
Depreciation.....	2,731,058	51,398	87,696	9,493
(Increase) decrease in accounts receivable.....	(223,684)	243,572	(2,180,477)	(484,592)
(Increase) decrease in due from other funds.....	-	-	-	-
(Increase) decrease in prepaid expenses.....	28,475	-	(31,219)	3,560
(Increase) decrease in inventory.....	(64,552)	57,728	(127,906)	(47,321)
Increase (decrease) in accounts payable.....	86,828	66,729	(665,782)	76,562
Increase (decrease) in claims payable.....	-	-	-	-
Increase (decrease) in due to other funds.....	-	-	-	-
Increase (decrease) in accrued salaries and benefits.....	1,194	(11,667)	18,519	2,687
Increase (decrease) in deferred income.....	-	-	64,800	-
<b>Total adjustments.....</b>	<b><u>2,559,319</u></b>	<b><u>407,760</u></b>	<b><u>(2,834,369)</u></b>	<b><u>(439,611)</u></b>
<b>Net cash provided (used) by operating activities.....</b>	<b><u>\$ 1,874,951</u></b>	<b><u>\$ 616,297</u></b>	<b><u>\$ (2,508,173)</u></b>	<b><u>\$ (531,954)</u></b>

Copy Center Fund	Single Audit Revolving Fund	Medical Insurance Fund	Dental Insurance Fund	Life Insurance Fund	Postage Fund	Workers' Compensation Fund
\$ 2,051,347	\$ 1,004,994	\$ 65,637,693	\$ 4,451,431	\$ 1,331,604	\$ 2,936,927	\$ 5,811,169
(627,175)	(940,240)	(14,667,766)	(285,506)	(1,779,507)	(2,628,016)	(431,559)
(598,469)	-	(726,732)	(89,636)	(23,199)	(326,435)	(1,358,924)
-	-	(36,322,720)	(4,340,822)	-	-	(5,298,445)
-	-	(13,933)	(596)	(407)	-	-
<u>825,703</u>	<u>64,754</u>	<u>13,906,542</u>	<u>(245,129)</u>	<u>(471,509)</u>	<u>(17,524)</u>	<u>(1,277,759)</u>
1,400,390	(26,863)	-	-	-	182,524	-
-	-	-	-	-	-	-
(1,085,000)	-	-	-	-	(185,000)	-
<u>315,390</u>	<u>(26,863)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>17,524</u>	<u>0</u>
-	-	-	-	-	-	-
(1,141,093)	-	-	-	-	-	-
<u>(1,141,093)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
-	-	233,240	4,464	37,130	-	85,172
<u>0</u>	<u>0</u>	<u>233,240</u>	<u>4,464</u>	<u>37,130</u>	<u>0</u>	<u>85,172</u>
0	37,891	14,139,782	(240,665)	(434,379)	0	(1,192,587)
-	-	5,316,885	497,941	1,012,906	-	8,856,200
<u>\$ 0</u>	<u>\$ 37,891</u>	<u>\$ 19,456,667</u>	<u>\$ 257,276</u>	<u>\$ 578,527</u>	<u>\$ 0</u>	<u>\$ 7,663,613</u>
\$ 254,518	\$ 38,560	\$ 8,740,153	\$ (221,254)	\$ (481,656)	\$ (107,713)	\$ (2,139,484)
757,168	-	-	-	-	45,916	-
(479,575)	26,194	(141,381)	(27,713)	11,243	(9,090)	(50,706)
-	-	-	-	(2,694)	-	3,050
7,072	-	-	-	-	3,266	-
17,234	-	-	-	-	48,768	-
263,191	-	2,655,185	(20,428)	(362)	23,111	(68,403)
-	-	1,866,357	22,401	-	-	962,263
-	-	774,344	-	-	-	-
6,095	-	11,884	1,865	570	(21,782)	15,521
-	-	-	-	1,390	-	-
<u>571,185</u>	<u>26,194</u>	<u>5,166,389</u>	<u>(23,875)</u>	<u>10,147</u>	<u>90,189</u>	<u>861,725</u>
<u>\$ 825,703</u>	<u>\$ 64,754</u>	<u>\$ 13,906,542</u>	<u>\$ (245,129)</u>	<u>\$ (471,509)</u>	<u>\$ (17,524)</u>	<u>\$ (1,277,759)</u>

Continued on next page →

**STATE OF VERMONT  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	State Liability Insurance Fund	Risk Management All-Other Fund	Property Management Fund
<b>Cash Flows From Operating Activities:</b>			
Cash received from customers.....	\$ 2,964,284	\$ 1,067,314	\$ 9,645,335
Cash paid to suppliers for goods and services.....	(995,959)	(1,120,589)	(7,307,906)
Cash paid to employees for services.....	(136,764)	(38,763)	(670,854)
Cash paid to claimants.....	(960,545)	-	-
Other operating revenues.....	-	-	-
Other operating expenses.....	-	-	-
<b>Net cash provided (used) by operating activities.....</b>	<b><u>871,016</u></b>	<b><u>(92,038)</u></b>	<b><u>1,666,575</u></b>
<b>Cash Flows From Noncapital Financing Activities:</b>			
Interfund loans.....	-	92,038	734,509
Other.....	-	-	-
Operating transfers.....	-	-	(2,389,385)
<b>Net cash provided (used) by noncapital financing activities.....</b>	<b><u>0</u></b>	<b><u>92,038</u></b>	<b><u>(1,654,876)</u></b>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Proceeds from sale of fixed assets.....	-	-	-
Acquisition and construction of fixed assets.....	-	-	(11,699)
<b>Net cash provided (used) by capital and related financing activities.....</b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>(11,699)</u></b>
<b>Cash Flows From Investing Activities:</b>			
Interest earned on investments.....	68,832	-	-
<b>Net cash provided by investing activities.....</b>	<b><u>68,832</u></b>	<b><u>0</u></b>	<b><u>0</u></b>
<b>Net increase (decrease) in cash and cash equivalents.....</b>	<b>939,848</b>	<b>0</b>	<b>0</b>
Cash and cash equivalents at July 1.....	6,769,043	-	-
<b>Cash and cash equivalents at June 30.....</b>	<b><u>\$ 7,708,891</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>			
Operating income (loss).....	\$ 1,581,515	\$ 23,601	\$ 1,709,464
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>			
Depreciation.....	-	-	877
(Increase) decrease in accounts receivable.....	(123,751)	(191,842)	13,479
(Increase) decrease in due from other funds.....	-	-	-
(Increase) decrease in prepaid expenses.....	-	-	(463,222)
(Increase) decrease in inventory.....	-	63,400	-
Increase (decrease) in accounts payable.....	(222,870)	9,818	433,048
Increase (decrease) in claims payable.....	(352,669)	-	-
Increase (decrease) in due to other funds.....	(6,035)	2,985	-
Increase (decrease) in accrued salaries and benefits.....	(5,174)	-	(27,071)
Increase (decrease) in deferred income.....	-	-	-
<b>Total adjustments.....</b>	<b><u>(710,499)</u></b>	<b><u>(115,639)</u></b>	<b><u>(42,889)</u></b>
<b>Net cash provided (used) by operating activities.....</b>	<b><u>\$ 871,016</u></b>	<b><u>\$ (92,038)</u></b>	<b><u>\$ 1,666,575</u></b>

Equipment Revolving Fund	State Surplus Property Fund	Employees Assistance Fund	Long-Term Disability Plan	Facilities Operations Fund	GOVNET Fund	Totals Internal Service Funds
\$ 1,080,424	\$ 471,998	\$ 317,400	\$ 187,504	\$ 12,076,031	\$ 1,544,383	\$ 133,505,588
(625,657)	(48,567)	(255,009)	(171,362)	(7,096,579)	(1,284,280)	(55,115,232)
-	(47,115)	-	-	(6,748,824)	(361,542)	(17,523,294)
-	-	-	-	-	-	(46,922,532)
-	-	-	-	-	-	68,905
-	-	-	-	-	-	(292,878)
<u>454,767</u>	<u>376,316</u>	<u>62,391</u>	<u>16,142</u>	<u>(1,769,372)</u>	<u>(101,439)</u>	<u>13,720,557</u>
(454,767)	(93,293)	-	-	4,216,180	207,911	9,127,529
-	-	-	-	(1,942,670)	-	(1,942,670)
-	-	-	23,519	-	-	(1,970,250)
<u>(454,767)</u>	<u>(93,293)</u>	<u>0</u>	<u>23,519</u>	<u>2,273,510</u>	<u>207,911</u>	<u>5,214,609</u>
-	-	-	-	-	-	10,256
-	(8,799)	-	-	(504,138)	(106,472)	(6,790,430)
<u>0</u>	<u>(8,799)</u>	<u>0</u>	<u>0</u>	<u>(504,138)</u>	<u>(106,472)</u>	<u>(6,780,174)</u>
-	-	-	-	-	-	428,838
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>428,838</u>
0	274,224	62,391	39,681	0	0	12,583,830
-	132,399	58,869	-	-	-	23,686,579
<u>\$ 0</u>	<u>\$ 406,623</u>	<u>\$ 121,260</u>	<u>\$ 39,661</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 36,270,408</u>
\$ 0	\$ 108,797	\$ 39,046	\$ 21,368	\$ (3,642,274)	\$ (8,749)	\$ 5,673,914
-	-	-	-	136,794	46,069	3,866,469
447,301	(209)	(236)	(7,436)	(28,401)	(4,594)	(3,211,898)
-	-	-	-	-	-	356
-	-	-	-	-	-	(452,068)
-	(883)	-	-	-	-	(53,532)
9,455	268,869	23,581	2,210	923,806	(147,010)	3,717,538
-	-	-	-	-	-	2,498,352
(1,989)	-	-	-	-	-	769,305
-	(258)	-	-	840,703	12,845	845,931
-	-	-	-	-	-	66,190
<u>454,767</u>	<u>267,519</u>	<u>23,345</u>	<u>(5,226)</u>	<u>1,872,902</u>	<u>(92,690)</u>	<u>8,048,843</u>
<u>\$ 454,767</u>	<u>\$ 376,316</u>	<u>\$ 62,391</u>	<u>\$ 16,142</u>	<u>\$ (1,769,372)</u>	<u>\$ (101,439)</u>	<u>\$ 13,720,557</u>

***THIS PAGE INTENTIONALLY LEFT BLANK***



**PENSION TRUST FUNDS**



**STATE OF VERMONT  
PENSION TRUST FUNDS  
COMBINING STATEMENTS OF PLAN NET ASSETS  
June 30, 2002**

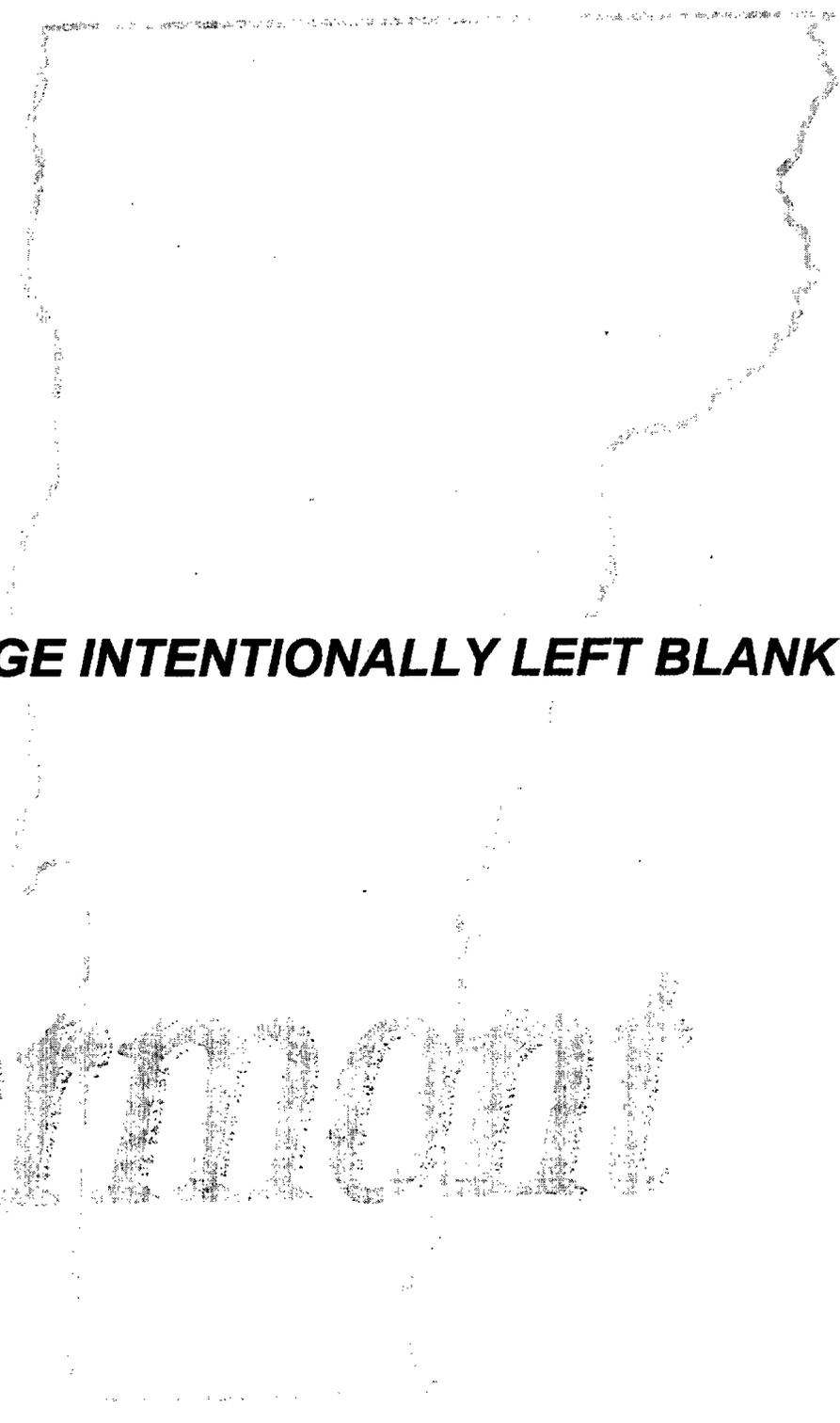
<b>Assets:</b>	<b>Vermont State Retirement System</b>	<b>Vermont State Defined Contribution Plan</b>	<b>State Teachers' Retirement Fund</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Cash and short term receivables.....	\$ 23,696,177	\$ 182,166	\$ 13,772,641
Receivables:			
Contributions.....	1,409,018	75,993	1,931,993
Investment.....	5,868,857	-	6,297,631
Other.....	88,520,605	-	22,372,908
Due from other funds.....	<u>762,157</u>	<u>4,910</u>	<u>4,582</u>
<b>Total receivables.....</b>	<b><u>96,560,637</u></b>	<b><u>80,903</u></b>	<b><u>30,607,114</u></b>
Investments at Fair value:			
Fixed income.....	247,470,052	-	313,368,456
Common and preferred stock.....	503,676,880	-	612,299,654
Mortgages.....	34,115	-	15,526
Real estate and venture capital.....	93,329,181	-	120,807,446
Mutual funds.....	<u>11,190,635</u>	<u>25,733,766</u>	<u>-</u>
<b>Total investments.....</b>	<b><u>855,700,863</u></b>	<b><u>25,733,766</u></b>	<b><u>1,046,491,082</u></b>
Prepaid expenses.....	<u>753,070</u>	<u>5,220</u>	<u>525,560</u>
<b>Total assets.....</b>	<b><u>976,710,747</u></b>	<b><u>26,002,055</u></b>	<b><u>1,091,396,397</u></b>
<b>Liabilities:</b>			
Accounts payable - investment.....	81,879,452	-	23,335,939
Accounts payable - other.....	1,066,872	44	1,524,170
Accrued liabilities.....	16,741	-	19,132
Due to other funds.....	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total liabilities.....</b>	<b><u>82,963,065</u></b>	<b><u>44</u></b>	<b><u>24,879,241</u></b>
<b>Net assets (at fair value) held in trust for pension benefits.....</b>	<b><u>\$ 893,747,682</u></b>	<b><u>\$ 26,002,011</u></b>	<b><u>\$ 1,066,517,156</u></b>

<b>Single Deposit Investment Account</b>	<b>Vermont Municipal Employees' Retirement Fund</b>	<b>Vermont Municipal Employees' Defined Contribution Fund</b>	<b>Total Pension Trust Funds</b>
\$ 7,199,159	\$ 8,742,483	\$ 44,607	\$ 53,637,233
-	1,029,072	-	4,446,076
1,367,986	520,643	-	14,055,117
-	11,970,782	-	122,864,295
-	183	-	771,832
<b>1,367,986</b>	<b>13,520,680</b>	<b>0</b>	<b>142,137,320</b>
102,160,381	68,261,886	-	731,260,775
-	26,916,525	-	1,142,893,059
-	-	-	49,641
-	13,593,518	-	227,730,145
-	69,844,964	4,688,998	111,458,363
<b>102,160,381</b>	<b>178,616,893</b>	<b>4,688,998</b>	<b>2,213,391,983</b>
-	-	-	1,283,850
<b>110,727,526</b>	<b>200,880,056</b>	<b>4,733,605</b>	<b>2,410,450,386</b>
7,229,663	28,086,522	-	140,531,576
-	254,725	67	2,845,878
-	3,986	-	39,859
-	-	183	183
<b>7,229,663</b>	<b>28,345,233</b>	<b>250</b>	<b>143,417,496</b>
<b>\$ 103,497,863</b>	<b>\$ 172,534,823</b>	<b>\$ 4,733,355</b>	<b>\$ 2,267,032,890</b>

**STATE OF VERMONT  
PENSION TRUST FUNDS  
COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS  
For the Fiscal Year Ended June 30, 2002**

	<u>Vermont State Retirement System</u>	<u>Vermont State Defined Contribution Plan</u>	<u>State Teachers' Retirement System</u>
<b>Additions :</b>			
<b>Contributions</b>			
Employer.....	\$ 23,788,281	\$ 1,411,414	\$ 20,446,282
Plan member.....	11,723,858	567,086	18,075,514
Transfers from other pension trust funds.....	511,630	93,321	121,238
Other contributions.....	-	10,152	-
<b>Total contributions.....</b>	<b><u>36,023,769</u></b>	<b><u>2,081,973</u></b>	<b><u>38,643,034</u></b>
<b>Investment Income:</b>			
Net appreciation (depreciation) in fair value of investments.....	(77,338,270)	(4,077,766)	(87,549,969)
Dividends.....	8,548,956	917,521	10,434,734
Interest income.....	16,866,151	7,304	23,600,460
Securities lending income.....	2,454,991	-	2,270,229
Other income.....	437,213	-	475,159
<b>Total investment income.....</b>	<b><u>(49,030,959)</u></b>	<b><u>(3,152,941)</u></b>	<b><u>(50,769,387)</u></b>
<b>Less Investment Expenses</b>			
Investment managers and consultants.....	4,270,368	-	4,265,580
Securities lending expenses.....	2,061,270	-	1,902,570
<b>Total investment expenses.....</b>	<b><u>6,331,638</u></b>	<b><u>0</u></b>	<b><u>6,168,150</u></b>
<b>Net investment income.....</b>	<b><u>(55,362,597)</u></b>	<b><u>(3,152,941)</u></b>	<b><u>(56,937,537)</u></b>
<b>Total additions.....</b>	<b><u>(19,338,828)</u></b>	<b><u>(1,070,968)</u></b>	<b><u>(18,294,503)</u></b>
<b>Deductions:</b>			
Retirement allowances.....	39,392,620	858,953	46,624,879
Refunds of contributions.....	697,452	-	704,425
Death claims.....	191,543	-	163,290
Transfers to other pension trust funds.....	214,781	-	280,609
Operating expenses.....	9,361,543	5,111	5,963,145
<b>Total deductions.....</b>	<b><u>49,857,939</u></b>	<b><u>864,064</u></b>	<b><u>53,736,348</u></b>
<b>Net increase (decrease).....</b>	<b><u>(69,196,767)</u></b>	<b><u>(1,935,032)</u></b>	<b><u>(72,030,851)</u></b>
<b>Net assets held in trust for</b>			
<b>Pension benefits:</b>			
<b>Beginning of year .....</b>	<b><u>962,944,449</u></b>	<b><u>27,937,043</u></b>	<b><u>1,138,548,007</u></b>
<b>End of year.....</b>	<b><u>\$ 893,747,682</u></b>	<b><u>\$ 26,002,011</u></b>	<b><u>\$ 1,066,517,156</u></b>

Single Investment Deposit Account	Vermont Municipal Employees' Retirement System	Vermont Municipal Employees' Defined Contribution Fund	Total Pension Funds
\$ -	\$ 4,941,465	\$ 373,657	\$ 50,961,099
-	4,412,699	373,657	35,152,814
-	120,034	618,356	1,464,579
-	-	6,125	16,277
<u>0</u>	<u>9,474,198</u>	<u>1,371,795</u>	<u>87,594,769</u>
1,111,229	(8,790,825)	(539,137)	(177,184,738)
-	3,523,572	140,951	23,565,734
6,591,859	2,931,239	2,603	49,999,616
-	145,203	-	4,870,423
24,000	136,910	-	1,073,282
<u>7,727,088</u>	<u>(2,053,901)</u>	<u>(395,583)</u>	<u>(97,675,683)</u>
319,495	709,175	-	9,564,618
-	121,546	-	4,085,386
<u>319,495</u>	<u>830,721</u>	<u>0</u>	<u>13,650,004</u>
<u>7,407,593</u>	<u>(2,884,622)</u>	<u>(395,583)</u>	<u>(111,325,687)</u>
<u>7,407,593</u>	<u>6,589,576</u>	<u>976,212</u>	<u>(23,730,918)</u>
6,624,183	4,116,994	215,218	97,832,847
-	588,372	263	1,990,512
-	86,191	-	441,024
-	881,106	88,083	1,464,579
-	204,802	1,439	15,536,040
<u>6,624,183</u>	<u>5,877,465</u>	<u>305,003</u>	<u>117,265,002</u>
783,410	712,111	671,209	(140,995,920)
<u>102,714,453</u>	<u>171,822,712</u>	<u>4,062,146</u>	<u>2,408,028,810</u>
<u>\$ 103,497,863</u>	<u>\$ 172,534,823</u>	<u>\$ 4,733,355</u>	<u>\$ 2,267,032,890</u>



***THIS PAGE INTENTIONALLY LEFT BLANK***

Vermont



**AGENCY FUNDS**

**STATE OF VERMONT**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**ALL AGENCY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Balance July 1, 2001	Additions	Deductions	Balance June 30, 2002
<b>RETIREMENT SYSTEM CONTRIBUTIONS AND WITHHOLDINGS FUND</b>				
<b>ASSETS</b>				
Cash.....	\$ 0	\$ 36,694,774	\$ 36,694,774	\$ 0
Accounts receivable.....	9,690	-	4,200	5,490
Total assets.....	<u>\$ 9,690</u>	<u>\$ 36,694,774</u>	<u>\$ 36,698,974</u>	<u>\$ 5,490</u>
<b>LIABILITIES</b>				
Due to depositories.....	\$ 0	\$ 36,693,981	\$ 36,694,774	\$ (793)
Due to other funds.....	0	793	-	793
Interfund payable.....	9,690	-	4,200	5,490
Total liabilities.....	<u>\$ 9,690</u>	<u>\$ 36,694,774</u>	<u>\$ 36,698,974</u>	<u>\$ 5,490</u>
<b>FEDERAL INCOME TAX WITHHOLDINGS FUND</b>				
<b>ASSETS</b>				
Cash.....	\$ 0	\$ 40,849,290	\$ 40,849,290	\$ 0
Accounts receivable.....	51,806	-	17,900	33,906
Total assets.....	<u>\$ 51,806</u>	<u>\$ 40,849,290</u>	<u>\$ 40,867,190</u>	<u>\$ 33,906</u>
<b>LIABILITIES</b>				
Due to depositories.....	\$ 0	\$ 40,847,296	\$ 40,849,290	\$ (1,994)
Due to other funds.....	0	1,994	-	1,994
Interfund payable.....	51,806	-	17,900	33,906
Total liabilities.....	<u>\$ 51,806</u>	<u>\$ 40,849,290</u>	<u>\$ 40,867,190</u>	<u>\$ 33,906</u>
<b>STATE INCOME TAX WITHHOLDINGS FUND</b>				
<b>ASSETS</b>				
Cash.....	\$ 6,986	\$ 10,613,296	\$ 10,615,996	\$ 4,286
Total assets.....	<u>\$ 6,986</u>	<u>\$ 10,613,296</u>	<u>\$ 10,615,996</u>	<u>\$ 4,286</u>
<b>LIABILITIES</b>				
Due to depositories.....	\$ 6,986	\$ 10,612,790	\$ 10,615,996	\$ 3,780
Due to other funds.....	0	506	-	506
Total liabilities.....	<u>\$ 6,986</u>	<u>\$ 10,613,296</u>	<u>\$ 10,615,996</u>	<u>\$ 4,286</u>
<b>SOCIAL SECURITY TAX CONTRIBUTIONS AND WITHHOLDINGS FUND</b>				
<b>ASSETS</b>				
Cash.....	\$ 0	\$ 50,163,419	\$ 50,163,419	\$ 0
Accounts receivable.....	80,263	8,032	-	88,295
Total assets.....	<u>\$ 80,263</u>	<u>\$ 50,171,451</u>	<u>\$ 50,163,419</u>	<u>\$ 88,295</u>
<b>LIABILITIES</b>				
Due to depositories.....	\$ 0	\$ 50,161,600	\$ 50,163,419	\$ (1,819)
Due to other funds.....	0	1,819	-	1,819
Interfund payable.....	80,263	8,032	-	88,295
Total liabilities.....	<u>\$ 80,263</u>	<u>\$ 50,171,451</u>	<u>\$ 50,163,419</u>	<u>\$ 88,295</u>
<b>EMPLOYEES CREDIT UNION WITHHOLDING FUND</b>				
<b>ASSETS</b>				
Cash.....	\$ 554	\$ 39,051,608	\$ 39,051,113	\$ 1,049
<b>LIABILITIES</b>				
Due to depositories.....	\$ 554	\$ 39,051,608	\$ 39,051,113	\$ 1,049

**STATE OF VERMONT**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**ALL AGENCY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Balance July 1, 2001	Additions	Deductions	Balance June 30, 2002
<b>EMPLOYEES INSURANCE CONTRIBUTIONS AND WITHHOLDINGS FUND</b>				
<b>ASSETS</b>				
Cash.....	\$ 0	\$ 59,009,568	\$ 58,990,930	\$ 18,638
Accounts receivable.....	13,725	21,858	13,725	21,858
Due from other funds.....	0	192,352	-	192,352
<b>Total assets.....</b>	<b>\$ 13,725</b>	<b>\$ 59,223,778</b>	<b>\$ 59,004,655</b>	<b>\$ 232,848</b>
<b>LIABILITIES</b>				
Due to depositories.....	\$ 0	\$ 59,221,105	\$ 58,990,930	\$ 230,175
Due to other funds.....	0	2,673	-	2,673
Interfund payable.....	13,725	-	13,725	0
<b>Total liabilities.....</b>	<b>\$ 13,725</b>	<b>\$ 59,223,778</b>	<b>\$ 59,004,655</b>	<b>\$ 232,848</b>
<b>EMPLOYEES DEFERRED INCOME WITHHOLDINGS FUND</b>				
<b>ASSETS</b>				
Cash.....	\$ 0	\$ 11,398,998	\$ 11,398,998	\$ 0
Accounts receivable.....	1,264	917	-	2,181
<b>Total assets.....</b>	<b>\$ 1,264</b>	<b>\$ 11,399,915</b>	<b>\$ 11,398,998</b>	<b>\$ 2,181</b>
<b>LIABILITIES</b>				
Due to depositories.....	\$ 0	\$ 11,398,998	\$ 11,398,998	\$ 0
Interfund payable.....	1,264	917	-	2,181
<b>Total liabilities.....</b>	<b>\$ 1,264</b>	<b>\$ 11,399,915</b>	<b>\$ 11,398,998</b>	<b>\$ 2,181</b>
<b>OTHER EMPLOYEE CONTRIBUTIONS AND WITHHOLDINGS FUND</b>				
<b>ASSETS</b>				
Cash.....	\$ 0	\$ 10,689,450	\$ 10,689,450	\$ 0
Accounts receivable.....	81,340	-	31,009	50,331
<b>Total assets.....</b>	<b>\$ 81,340</b>	<b>\$ 10,689,450</b>	<b>\$ 10,720,459</b>	<b>\$ 50,331</b>
<b>LIABILITIES</b>				
Due to depositories.....	\$ 0	\$ 10,689,450	\$ 10,689,450	\$ 0
Interfund payable.....	81,340	-	31,009	50,331
<b>Total liabilities.....</b>	<b>\$ 81,340</b>	<b>\$ 10,689,450</b>	<b>\$ 10,720,459</b>	<b>\$ 50,331</b>
<b>UNIDENTIFIED RECEIPTS FUND</b>				
<b>ASSETS</b>				
Cash.....	\$ 4,671,804	\$ 127,360,425	\$ 132,063,524	\$ (31,295)
Accounts receivable.....	0	366,800	-	366,800
Due from other funds.....	0	107	-	107
<b>Total assets.....</b>	<b>\$ 4,671,804</b>	<b>\$ 127,727,332</b>	<b>\$ 132,063,524</b>	<b>\$ 335,612</b>
<b>LIABILITIES</b>				
Due to other funds.....	\$ 4,671,804	\$ 127,391,720	\$ 132,063,524	\$ 0
Interfund payable.....	0	335,612	-	335,612
<b>Total liabilities.....</b>	<b>\$ 4,671,804</b>	<b>\$ 127,727,332</b>	<b>\$ 132,063,524</b>	<b>\$ 335,612</b>



**STATE OF VERMONT**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**ALL AGENCY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Balance</u> <u>July 1, 2001</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2002</u>
<b>VENDOR AND OTHER DEPOSITS FUND</b>				
<b>ASSETS</b>				
Cash.....	\$ 4,692,633	\$ 19,963,292	\$ 20,308,944	\$ 4,346,981
Taxes receivable.....	212,425	524,823	-	737,248
<b>Total assets.....</b>	<b>\$ 4,905,058</b>	<b>\$ 20,488,115</b>	<b>\$ 20,308,944</b>	<b>\$ 5,084,229</b>
<b>LIABILITIES</b>				
Amounts held in custody for others.....	\$ 1,801,940	\$ 5,861,193	\$ 6,133,674	\$ 1,529,459
Due to other funds.....	0	8,495	-	8,495
Intergovernmental payable				
other governments.....	657,736	13,172,149	12,539,306	1,290,579
other liabilities.....	2,445,382	1,446,278	1,635,964	2,255,696
<b>Total liabilities.....</b>	<b>\$ 4,905,058</b>	<b>\$ 20,488,115</b>	<b>\$ 20,308,944</b>	<b>\$ 5,084,229</b>
<b>CHILD SUPPORT COLLECTIONS FUND</b>				
<b>ASSETS</b>				
Cash.....	\$ 5,286,881	\$ 61,598,000	\$ 54,940,739	\$ 11,944,142
<b>LIABILITIES</b>				
Due to other funds.....	\$ 0	\$ 4,658,902	\$ -	\$ 4,658,902
Amount Held in Custody for Others.....	5,286,881	56,939,098	54,940,739	7,285,240
<b>Total liabilities.....</b>	<b>\$ 5,286,881</b>	<b>\$ 61,598,000</b>	<b>\$ 54,940,739</b>	<b>\$ 11,944,142</b>
<b>TOTALS - ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash.....	\$ 14,658,858	\$ 467,392,120	\$ 465,767,177	\$ 16,283,801
Accounts receivable.....	238,088	397,607	66,834	568,861
Taxes receivable.....	212,425	524,823	-	737,248
Due from other funds.....	0	192,459	-	192,459
<b>Total assets.....</b>	<b>\$ 15,109,371</b>	<b>\$ 468,507,009</b>	<b>\$ 465,834,011</b>	<b>\$ 17,782,369</b>
<b>LIABILITIES</b>				
Due to depositories.....	\$ 7,540	\$ 258,676,828	\$ 258,453,970	\$ 230,398
Due to other funds.....	4,671,804	132,066,902	132,063,524	4,675,182
Amounts held in custody for others.....	7,088,821	62,800,291	61,074,413	8,814,699
Intergovernmental payable				
other governments.....	657,736	13,172,149	12,539,306	1,290,579
other liabilities.....	2,445,382	1,446,278	1,635,964	2,255,696
Interfund payable.....	238,088	344,561	66,834	515,815
<b>Total liabilities.....</b>	<b>\$ 15,109,371</b>	<b>\$ 468,507,009</b>	<b>\$ 465,834,011</b>	<b>\$ 17,782,369</b>



**NONMAJOR  
COMPONENT UNITS**

STATE OF VERMONT  
STATEMENT OF NET ASSETS  
NONMAJOR COMPONENT UNITS  
June 30, 2002

ASSETS	Vermont Economic Development Authority 06/30/02	Vermont Housing & Conservation Board 06/30/02	Vermont Sustainable Jobs Fund 06/30/02	Vermont Municipal Bond Bank 12/31/2001
<b>Current Assets:</b>				
Cash and cash equivalents.....	\$ 9,408,490	\$ 12,790,073	\$ 314,473	\$ 5,640,813
Investments.....	8,787,588	23,548,465	-	5,223,084
Accounts receivable.....	-	-	-	5,907
Accrued interest receivable - loans.....	232,223	4,118,719	-	2,318,088
Accrued interest receivable - investments.....	-	356,558	-	-
Loans and notes receivable - current portion.....	6,367,108	49,893	-	28,692,443
Other receivables.....	-	41,651	-	-
Due from federal government.....	-	11,194,851	-	-
Due from primary government.....	-	-	-	-
Inventories (at cost).....	-	-	-	-
Prepaid expenses.....	-	-	1,475	-
Other current assets.....	94,589	-	-	-
<b>Total current assets.....</b>	<b>24,889,978</b>	<b>52,100,210</b>	<b>315,948</b>	<b>41,880,335</b>
<b>Restricted and Non-Current Assets:</b>				
Cash.....	-	-	-	2,124,272
Investments.....	21,584,933	-	-	38,613,563
Deferred bond issue costs.....	83,507	-	-	5,045,067
Loans and notes receivable (net).....	47,037,209	52,986,755	-	337,082,826
Other assets.....	75,400	-	-	-
<b>Total restricted &amp; noncurrent assets.....</b>	<b>68,781,049</b>	<b>52,986,755</b>	<b>0</b>	<b>382,865,728</b>
<b>Capital Assets:</b>				
Land.....	-	-	-	-
Construction in process.....	-	-	-	-
Building and leasehold improvements.....	-	-	-	-
Equipment, furniture and fixtures.....	442,861	135,652	6,056	-
Accumulated depreciation.....	(366,152)	(122,110)	(4,901)	-
<b>Total capital assets, net of depreciation.....</b>	<b>78,709</b>	<b>13,542</b>	<b>1,155</b>	<b>0</b>
<b>Total assets.....</b>	<b>93,747,736</b>	<b>105,100,507</b>	<b>317,103</b>	<b>424,746,083</b>
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts payable.....	160,360	50,982	13,893	23,751
Accrued salaries and benefits.....	-	97,514	-	-
Accrued interest payable.....	422,958	620,701	-	-
Bond interest payable.....	-	-	-	1,755,413
Deferred revenue.....	-	1,476	164,045	-
Accrued arbitrage rebate.....	-	-	-	557,686
Current portion - bonds and notes payable.....	30,328,926	10,000,000	-	31,455,000
Due to primary government.....	4,556,110	1,239,332	-	-
Escrowed cash deposits.....	137,150	-	-	-
Other current liabilities.....	-	9,867,909	-	-
<b>Total current liabilities.....</b>	<b>35,605,502</b>	<b>21,877,914</b>	<b>177,938</b>	<b>33,791,850</b>
<b>Restricted and Non-Current Liabilities:</b>				
Bonds and notes payable.....	25,513,545	13,839,020	-	375,105,243
Accrued arbitrage rebate.....	-	-	-	604,506
Other liabilities.....	-	-	-	26,100
Advances from primary government.....	1,914,486	-	-	-
<b>Total liabilities payable from restricted assets.....</b>	<b>27,428,031</b>	<b>13,839,020</b>	<b>0</b>	<b>375,735,849</b>
<b>Total liabilities.....</b>	<b>63,033,533</b>	<b>35,516,934</b>	<b>177,938</b>	<b>409,527,699</b>
<b>NET ASSETS</b>				
Invested in capital assets, (net of related debt).....	-	13,542	-	-
Restricted.....	-	69,069,508	-	6,686,363
Unrestricted - designated.....	-	-	-	-
Unrestricted.....	30,714,203	500,523	139,165	8,532,001
<b>Total net assets.....</b>	<b>\$ 30,714,203</b>	<b>\$ 69,583,573</b>	<b>\$ 139,165</b>	<b>\$ 15,218,364</b>

Vermont Educational and Health Buildings Financing Agency 12/31/2001	Vermont Center For Geographic Information 06/30/02	Vermont Transportation Authority 06/30/02	Vermont Veteran's Home 06/30/02	Total Nonmajor Component Units
\$ 388,984	\$ 93,483	\$ 5,525	\$ 402,245	\$ 29,044,046
823,553	-	-	-	38,382,690
-	25,004	-	192,841	223,752
-	-	-	-	6,689,030
-	-	-	-	356,558
-	-	-	-	35,109,444
-	-	-	-	41,651
-	-	45,189	725,505	11,985,545
-	-	10,627	-	10,627
-	-	-	115,988	115,988
-	6,690	288,006	-	306,171
-	-	-	-	94,569
<u>1,212,517</u>	<u>125,157</u>	<u>359,347</u>	<u>1,436,579</u>	<u>122,320,071</u>
-	-	-	80,545	2,204,817
-	-	-	-	60,198,496
-	-	-	-	5,128,574
-	-	-	-	437,106,790
-	-	-	4,638	80,038
<u>0</u>	<u>0</u>	<u>0</u>	<u>85,183</u>	<u>504,718,715</u>
-	-	-	169,846	169,846
-	-	-	12,157	12,157
-	-	1,500,000	11,910,790	13,410,790
-	166,503	1,030,861	1,792,507	3,574,440
-	(136,172)	(116,365)	(9,063,070)	(9,808,770)
<u>0</u>	<u>30,331</u>	<u>2,414,496</u>	<u>4,822,230</u>	<u>7,358,463</u>
<u>1,212,517</u>	<u>155,485</u>	<u>2,773,843</u>	<u>6,343,992</u>	<u>634,397,249</u>
6,065	3,917	48,849	350,658	658,475
-	33,025	6,966	783,673	921,378
-	-	-	-	1,043,657
-	-	-	-	1,755,413
-	28,602	-	73,277	267,400
-	-	-	-	557,686
-	-	-	-	71,783,926
-	-	-	-	5,795,442
-	-	-	-	137,150
-	-	-	4,648	9,672,557
<u>6,065</u>	<u>65,544</u>	<u>55,815</u>	<u>1,212,456</u>	<u>92,593,084</u>
-	-	-	-	414,457,808
-	-	-	-	604,506
-	-	-	84,730	110,830
-	-	-	-	1,914,486
<u>0</u>	<u>0</u>	<u>0</u>	<u>84,730</u>	<u>417,087,630</u>
<u>6,065</u>	<u>65,544</u>	<u>55,815</u>	<u>1,297,186</u>	<u>509,680,714</u>
-	-	2,414,496	4,822,230	7,250,268
-	-	-	-	75,755,871
-	30,000	-	-	30,000
1,206,452	59,944	303,532	224,576	41,680,396
<u>\$ 1,206,452</u>	<u>\$ 89,944</u>	<u>\$ 2,718,028</u>	<u>\$ 5,048,806</u>	<u>\$ 124,716,635</u>

**STATE OF VERMONT  
STATEMENT OF ACTIVITIES  
NONMAJOR COMPONENT UNITS  
FOR THE YEAR ENDED JUNE 30, 2002**

<u>Function/Program</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Vermont Economic Development Authority.....	\$ 4,330,663	\$ 3,099,598	\$ 57,852	\$ 0	\$ (1,173,213)
Vermont Housing & Conservation Trust.....	16,576,310	0	11,645,709	0	(4,930,601)
Vermont Sustainable Jobs Fund.....	404,171	0	419,996	0	15,825
Vermont Municipal Bond Bank.....	22,305,343	20,833,080	0	0	(1,472,263)
Vermont Education and Health Building Finance Agency.....	101,151	66,779	0	0	(34,372)
Vermont Center for Geographic Information.....	498,606	184,853	314,492	0	739
Vermont Transportation Authority.....	2,760,516	59,635	2,578,960	0	(121,921)
Vermont Veterans' Home.....	<u>12,035,869</u>	<u>8,481,216</u>	<u>2,240,058</u>	<u>0</u>	<u>(1,314,595)</u>
<b>Total nonmajor component units.....</b>	<b>\$ <u>59,012,629</u></b>	<b>\$ <u>32,725,161</u></b>	<b>\$ <u>17,257,067</u></b>	<b>\$ <u>0</u></b>	<b><u>(9,030,401)</u></b>

General Revenues:

Property transfer tax.....	11,088,000
Investment income.....	<u>6,571,237</u>
<b>Total general revenues.....</b>	<b><u>17,659,237</u></b>

Changes in net assets.....	8,628,836
Net assets - beginning.....	<u>116,087,699</u>
<b>Net assets - ending.....</b>	<b>\$ <u>124,716,535</u></b>



**STATISTICAL INFORMATION  
(UNAUDITED)**

**STATE OF VERMONT  
REVENUES BY SOURCE  
MAJOR GOVERNMENTAL FUNDS  
FOR THE LAST TEN FISCAL YEARS  
(Expressed in Thousands)  
FOR THE YEAR ENDED JUNE 30**

<u>SOURCE</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Taxes.....	\$ 1,599,103	\$ 1,590,023	1,529,513	\$ 1,092,581
Licenses, Fees and Fines.....	109,914	115,679	112,416	105,770
Interest on Investments.....	6,273	12,814	11,549	9,410
Federal.....	960,321	849,191	847,345	752,470
Departmental Services.....	15,528	10,862	17,276	15,821
Other.....	99,858	56,032	48,706	51,179
<b>Total General and Special Revenue Fund Revenues.....</b>	<b>\$ 2,790,997</b>	<b>\$ 2,634,601</b>	<b>2,566,805</b>	<b>\$ 2,027,231</b>

**STATE OF VERMONT  
EXPENDITURES BY FUNCTION  
MAJOR GOVERNMENTAL FUNDS  
FOR THE LAST TEN FISCAL YEARS  
(Expressed in Thousands)  
FOR THE YEAR ENDED JUNE 30**

<u>FUNCTION</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
General Government.....	\$ 71,395	\$ 80,716	\$ 65,444	\$ 57,953
Protection.....	174,438	137,703	128,521	125,349
Human Services.....	1,064,296	909,237	909,481	822,652
Employment and Training.....	26,285	25,999	27,631	25,998
General Education.(1).....	1,020,679	883,908	884,919	486,572
Natural Resources.....	73,883	79,497	81,006	71,088
Development.....	34,095	33,747	30,167	40,296
Transportation.....	311,109	294,286	286,797	245,902
Debt Service.....	69,215	73,896	74,855	72,067
Other .....	2,002	13,390	6,063	2,823
<b>Total General and Special Revenue Fund Expenditures.....</b>	<b>\$ 2,847,397</b>	<b>\$ 2,532,359</b>	<b>2,474,884</b>	<b>\$ 1,950,700</b>

- (1) Beginning in Fiscal Year 1995, payments for higher education have been reclassified from expenditures to transfers to component units.
- (2) Beginning with Fiscal Year 1996, all figures are reported on the modified accrual basis as compared to the cash basis for fiscal years 1990 through 1995.
- (3) Beginning in 1999, the new Education Fund is included in the above schedules.
- (4) Beginning with FY2002, the Fish & Wildlife fund is not included as it is not reported as a major governmental fund

	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
\$	981,170	\$ 867,845	\$ 794,815	\$ 741,639	\$ 764,862	\$ 735,753
	99,334	94,709	93,207	88,076	81,896	76,303
	7,217	9,524	8,105	7,066	2,984	4,781
	690,679	599,699	551,037	536,122	522,770	475,602
	18,156	17,899	23,829	42,510	53,225	57,168
	66,979	63,293	63,426	79,119	95,287	80,303
\$	<u>1,863,535</u>	<u>1,652,969</u>	<u>1,534,419</u>	<u>1,494,533</u>	<u>1,521,024</u>	<u>1,429,910</u>

	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
\$	111,280	\$ 74,550	\$ 72,068	\$ 68,552	\$ 81,628	\$ 77,469
	113,118	101,857	99,908	93,235	86,578	85,303
	770,663	717,400	670,388	655,767	613,161	567,640
	23,927	19,193	21,530	21,893	21,264	21,727
	304,217	289,016	272,189	271,502	330,736	324,941
	57,898	48,842	48,163	50,072	44,103	47,297
	32,366	24,274	22,518	20,316	30,650	24,853
	228,550	189,366	192,241	180,768	192,251	187,830
	69,952	68,335	66,519	58,672	51,505	54,623
	7,135	15,609	11,535	29,997	33,092	35,801
\$	<u>1,719,106</u>	<u>1,548,242</u>	<u>1,477,059</u>	<u>1,450,774</u>	<u>1,484,968</u>	<u>1,427,483</u>



## STATE INDEBTEDNESS

### State Indebtedness and Procedure for Authorization

The State has no constitutional or other limit on its power to issue obligations or incur indebtedness besides borrowing only for public purposes. In 1989, the Institution Committees of the House and Senate recommended the creation of a Capital Debt Affordability Advisory Committee responsible for overseeing long-term capital planning for the State. The Committee was created by the 1990 General Assembly. Bonds authorized for a given fiscal year may, at the discretion of the State Treasurer with the approval of the Governor, be issued in the fiscal year, or in the months of May and June preceding such fiscal year, or in subsequent fiscal years.

The State Constitution does not contain provisions requiring submission of the question of incurring indebtedness to a public referendum. The authorization and issuance of State debt, including the purpose, amount, and nature thereof, the method and the manner of the incurrence of such debt, the maturity and terms of repayment thereof, and other related matters are statutory. The State's Public Improvement bonds and the State's Transportation and Highway bonds are paid respectively from the State's General Fund and Transportation Fund.

Pursuant to various appropriation acts, the State has authorized and issued general obligation bonds for a variety of projects or purposes. Each appropriation act usually specifies projects or purposes and the amount of General Fund or Transportation Fund bonds to be issued, and provides that General Fund or Transportation Fund bonds shall be issued in accordance with the Debts and Claims provisions of the General Obligation Bond Law.

Pursuant to the Refunding Bond Act, the State has authorized the issuance of general obligation bonds to refund or to advance refund all or any portion of one or more issues of outstanding general obligation bonds. Most provisions of the General Obligation Bond Law apply to the issuance of such refunding bonds.

In general, the State has borrowed money by issuing general obligation bonds and notes for the payment of which the full faith and credit of the State are pledged. The State, however, also has established certain statewide authorities which have the power to issue revenue bonds and to incur, under certain circumstances, indebtedness for which the State has contingent or limited liability.

There are no State constitutional provisions limiting the power of the General Assembly to impose any taxes on property or income in order to pay debt service on general obligation indebtedness. There are also no constitutional provisions limiting the power of the General Assembly to enact liens on or pledges of State revenues or taxes or the establishment of priorities, for payment of such debt service. There are no express statutory provisions establishing any priorities in favor of holders of general obligation indebtedness over other valid claims against the State.

The General Assembly has established by statute various general requirements for the issuance of general notes or bonds. The State Treasurer, with notification to the Governor, may issue notes or other similar obligations including commercial paper in order to raise funds to pay the expenses of government for which appropriations have been made but for which anticipated revenues have not been received, to defray accumulated State deficits and in anticipation of bonds. The State Treasurer, with the approval of the Governor, is authorized to issue and sell bonds that mature not later than twenty years after the date of such bonds and, except for capital appreciation bonds, such bonds must be payable in substantially equal or diminishing amounts annually. Under the General Obligation Bond Law, except with respect to refunding bonds, the first of such annual payments is to be made not later than five years after the date of the bonds. All terms of the bonds shall be determined by the State Treasurer with the approval of the Governor as he or she may deem for the best interests of the State.

In 2001, the General Assembly added statutory provisions that require any entity that pays a majority of its operating expense in any fiscal year with money appropriated by the State to notify and obtain the approval of the State Treasurer and Governor prior to incurring any debt including but not limited to, debt incurred through the issuance of bonds, notes, bank loans, mortgages, lease-purchase contracts and capital leases. In 2002, the General Assembly amended this provision to exclude municipalities from the approval requirement, to establish a borrowing threshold of one million dollars before approval is required and to clarify that the amounts deemed appropriated do not include non-discretionary federal funds.

The State Treasurer is directed by General Obligation Bond Law to pay the interest or investment return on and principal or maturity value of bonds when due "without further order or authority" and to pay the interest on and principal of notes, and expenses of preparing, issuing and marketing of such notes when due "without further order or authority" to the extent not already provided, the amount necessary each year to pay the maturing principal or maturity value of and interest or investment return on bonds is required by statute to be included in and made a part of the annual appropriations bill for the expense of State government, and such principal or maturity value of and interest or investment return on bonds as may come due before appropriations for the payment thereof have been made is to be paid from the General Fund or from the Transportation Fund.

The doctrine of sovereign immunity ( the sovereign right of the State not to be sued) applies to the State. The provisions of the General Obligations Bond Law above recited do not constitute, in the opinion of bond counsel express consent by the State to be sued by a bondholder or a note holder, although such consent might be so construed by force of necessary implication. The provision referred to above contained in the General Obligation Bond Law appears, however, to impose a legal duty on the State Treasurer to pay principal of and interest on the bonds and on other bonds and notes when due, either from the General Fund or from the Transportation Fund or from amounts appropriated therefore by the General Assembly.

Under the General Obligation Bond Law, the State Treasurer has the explicit statutory duty to pay principal or maturity value of and interest or investment return on the Bonds and to seek appropriations therefore if amounts in the General Fund or Transportation Fund are insufficient. In the event of failure by the State to make such payments when due, it would appear that a bondholder may sue the State Treasurer to compel such payment from any moneys available. Under this principle, sovereign immunity would not bar a suit to compel the disbursement of State monies when a State law imposes a duty to pay.

The State has never defaulted on the punctual payment of principal or interest on any general obligation indebtedness and has never attempted to prevent or delay such required payments.

#### **Debt Statement**

The following table sets forth as of the dates indicated the outstanding general obligation bonded indebtedness, Contingent Liabilities and Lease Purchase Obligations of the State. For the first time, the net tax supported debt includes the Vermont Education and Health Buildings Finance Agency Revenue Bonds (Vermont Council of Development and Mental Health Services Acquisition Program) Series 1999A and Series 1999B that were sold during fiscal year 1999. The Series 1999A bonds are tax-exempt obligations issued in the initial par amount of \$7,125,000 and the Series 1999B are taxable obligations in the initial par amount of \$385,000. The State provides approximately 80% financial support for the Program.

**DEBT STATEMENT**  
**As Of June 30, 2002**  
(In Thousands Of Dollars)

<u>General Obligation Bonds*:</u>	
General Fund	\$ 426,896
Transportation Fund	15,214
Special Fund	18,385
<u>Contingent Liabilities</u>	
VEDA Family Farm Loans	720
VEDA Mortgage Insurance Program	4,097
VEDA Financial Access Program	848
<u>Reserve Fund Commitments</u>	
Vermont Municipal Bond Bank	411,650
Vermont Housing Finance Agency	79,245
VEDA Commitment	<u>25,000</u>
Gross Direct and Contingent Debt	 \$ 982,055
<u>Less:</u>	
Contingent Liabilities	(5,665)
Reserve Fund Commitments	<u>(515,895)</u>
Net Tax Supported Debt	 <u>\$ 460,495</u>

\*Excludes general obligation bonds which were refunded in advance of their scheduled maturities in October 1991, September 1992, September 1993, and April 1998 with the issuance of general obligation refunding bonds.

RATIO OF GENERAL OBLIGATION BONDED DEBT TO ASSESSED TAXABLE PROPERTY  
VALUE AND GENERAL OBLIGATION BONDED DEBT PER CAPITA  
LAST TEN FISCAL YEARS

Year	Population (1000's) (1)	Assessed Value (Billions) (2)	Bonded Debt (1000's) (3)	Bonded Debt	
				Ratio To Assessed Value	Per Capita
2002	617	37.41	486,465	1.30%	788
2001	613	37.41	480,443	1.28%	784
2000	610	36.27	527,300	1.45%	864
1999	594	35.5	537,791	1.51%	905
1998	592	35.99	581,990	1.62%	983
1997	589	34.80	555,905	1.60%	944
1996	586	34.30	543,800	1.59%	928
1995	585	34.23	536,625	1.57%	917
1994	582	33.52	432,764	1.29%	746
1993	576	31.28	369,547	1.18%	642
1992	570	28.58	426,299	1.49%	748

(1) U.S. Department of Commerce - Bureau of Economic Analysis

(2) Vermont Tax Department, Division of Property Valuation and Review, Annual Report

(3) Annual Report of Commissioner of Finance and Management

NOTE: Since 1987, the State's property values have been equalized annually as of January 1 for property values as of April 1 of the previous year for purposes of distributions to and assessments upon municipalities.

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

Fiscal Year	Total Principal and Interest Paid	Total General Fund Expenditures	Percent of Debt Service to General Fund Expenditures
2002	\$ 63,899,370	\$ 650,765,001	9.8%
2001	68,376,276	554,819,262	12.3%
2000	68,617,331	531,022,437	12.9%
1999	66,056,281	483,976,505	13.6%
1998	66,073,612	674,868,655	9.8%
1997	64,049,337	632,767,461	10.1%
1996	61,494,937	624,733,701	9.8%
1995	53,018,022	614,895,686	8.6%
1994	44,190,968	638,872,825	6.9%
1993	47,165,489	622,227,550	7.6%
1992	50,970,777	630,676,158	8.1%

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

Fiscal Year	Total Principal and Interest Paid	Total Transportation Fund Expenditures	Percent of Debt Service to Transportation Fund Expenditures
2002	\$ 2,910,054	\$ 370,338,943	0.8%
2001	3,131,320	345,005,330	0.9%
2000	3,789,207	318,156,255	1.2%
1999	3,844,747	273,670,237	1.4%
1998	3,903,053	257,410,313	1.5%
1997	4,422,889	227,054,831	2.3%
1996	5,109,202	221,500,451	2.7%
1995	5,653,983	212,260,877	2.5%
1994	5,428,320	220,123,872	3.4%
1993	7,457,054	218,499,157	3.5%

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

PROPERTY VALUES AND TAXES IN VERMONT  
Last Ten Fiscal Years

Property Valuation

From 1987 to 1992, the State's property values were equalized annually on January 1 for property values as of April 1 of the previous calendar year by the Vermont Tax Department, Division of Property Valuation and Review, for purposes of distributions to and assessments upon, municipalities. Prior to 1987 and during the years 1992 through 1996, values were equalized on an annual basis. With the passage of Act 60 of the 1997 Legislative session, the values will continue to be equalized on an annual basis which will make available more current data for the calculations of municipalities' school tax liabilities and school aid.

The following table sets forth an abbreviated history of property values and taxes in Vermont for the period April, 1992 to the present (in millions of dollars.)

Years	Equalized Grand List (1)	Grand List (2)	Total Taxes (3)	School Taxes (4)	Total Effective Tax Rate (5)	School Effective Tax Rate (6)
2002	\$ 457.7	\$ 397.9	\$ 945.9	\$ 687.2	\$ 2.08	\$ 1.54
2001	429.3	386.5	869.6	621.3	2.05	1.50
2000	404.9	375.4	816.0	580.4	2.06	1.50
1999	381.7	359.9	712.3	493.2	1.93	1.37
1998	376.3	348.0	704.1	499.9	1.85	1.33
1997	376.3	343.0	678.7	483.4	1.85	1.33
1996	-	342.0	661.1	460.2	1.76	1.22
1995	376.0	335.0	634.3	435.5	1.76	1.22
1994	-	313.0	599.8	412.1	1.64	1.13
1993	366.0	301.0	569.2	382.8	1.64	1.13

(1) Equalized Grand List: 1% of equalized values.

(2) Grand List: 1% of listed value.

(3) Total Taxes: Total taxes assessed.

(4) School Taxes: portion of total taxes assessed raised for schools.

(5) Total Effective Tax Rate: estimate of what total tax rate per \$100 of equalized value would be if all property was assessed at 100% of value.

(6) School Effective Tax Rate: estimate of what school tax rate per \$100 of equalized value would be if all property was assessed at 100% of value.

SOURCE: Vermont Tax Department, Division of Property Valuation and Review, Annual Report.

Demographic Statistics  
Last Ten Years  
Employment Statistics

Year	Population (000) (2)	Per Capita Income (a) Year Ended 12/31 (1)	Average Labor Force (000) (3)	Employment (000) (3)	Average Annual Unemployment Rate (3)
2002	617	29,567	346	333	3.8%
2001	613	28,594	344	329	4.3%
2000	610	27,376	335	323	3.6%
1999	594	25,705	332	322	3.0%
1998	591	24,547	330	319	3.4%
1997	589	23,026	327	313	4.4%
1996	586	22,019	324	309	4.6%
1995	585	21,135	319	305	4.2%
1994	580	20,379	315	300	4.7%
1993	576	19,657	316	299	5.5%

Sources:

- (1) U.S. Department of Commerce - Bureau of Economic Analysis
- (2) U.S. Department of Commerce - Bureau of Labor Statistics
- (3) Vermont Department of Employment and Training

The following table sets forth the State's non-agricultural wage and salary employment by industry for calander years 2000 through 2002.

**Vermont Non-Agricultural Wage and Salary Employment by Industry (1)**

	2000 Employment	Percent Of Total	2001 Employment	Percent Of Total	2002 Employment	Percent Of Total
<b>GOODS PRODUCING:</b>						
Manufacturing Durable Goods	33,850	11.3%	33,450	11.1%	29,300	9.8%
Manufacturing Non-Durable Goods	12,550	4.2%	12,100	4.0%	11,300	3.8%
Construction	14,900	5.0%	15,200	5.0%	14,850	5.0%
Natural Resouces & Mining	1,050	0.4%	1,100	0.4%	1,000	0.3%
<b>SERVICE PROVIDING:</b>						
Wholesale	9,800	3.3%	10,050	3.3%	10,050	3.4%
Retail	39,650	13.3%	39,900	13.2%	40,100	13.4%
Utilities	1,600	0.5%	1,650	0.5%	1,700	0.6%
Transporation & Warehousing	7,050	2.4%	7,000	2.3%	6,950	2.3%
Information	6,800	2.3%	6,800	2.3%	6,700	2.2%
Financial Activities	12,300	4.1%	13,150	4.4%	13,200	4.4%
Services	20,800	7.0%	20,700	6.9%	20,400	6.8%
Educational Services	11,950	4.0%	12,050	4.0%	12,350	4.1%
Healthcare & Social Assistance	34,100	11.4%	35,850	11.9%	37,950	12.7%
Leisure & Hospitality	32,950	11.0%	32,900	10.9%	33,100	11.0%
Other Services	9,700	3.2%	9,950	3.3%	10,100	3.4%
Government	49,450	16.6%	50,150	16.6%	50,850	17.0%
<b>TOTAL NONFARM</b>	<b>298,500</b>	<b>100.0%</b>	<b>302,000</b>	<b>100.0%</b>	<b>299,900</b>	<b>100.0%</b>

SOURCE: U.S. Bureau of Labor Statistics, Vermont Department of Employment & Training, Current Employment Statistics Series.

(1) This data is compiled using the North American Industry Classification System (NAICS) which has replaced the U.S. Standard Industrial Classification System.

According to the latest data from the U.S. Bureau of the Census (March 2002) Vermont's population has a higher level of educational attainment than the U.S. population as a whole. The table below shows that a total of 87% of Vermont's residents aged 25 years and over have completed a high school education, a level which ranks Vermont above the 84% that have done so nationally. In addition, this data indicates that 31% of Vermont residents in that same age category have received a four-year college degree. That percentage compares favorably to the 27% of residents aged 25 years and older who have received such a 4-year degree nationally.

**Educational Attainment Vermont and U.S.  
Persons Aged 25 Years and Over  
As of March 2002**

Level of Education	Percent of Vermont Population	Rank in U.S.	Percent of U.S. Population
<b>HIGH SCHOOL:</b>			
High School Graduate or More.....	87%	21	84%
<b>COLLEGE:</b>			
Bachelor's Degree or More.....	31%	7	27%

SOURCE: Bureau of the Census, Educational Attainment in the U.S., Current Population Report, March 2002.

Data from the 2000 Census indicate that Vermont's population is primarily rural. A total of 72.2% of the State's population lived outside of the state's single metropolitan area - the highest percentage among the 50 states. Vermont's percentage was nearly 3 1/2 times the national average percentage of persons living outside a metropolitan areas (19.7%), and was almost seven times the average for the northeast U.S.



**INCOME AND SALES TAX RATES\***  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30	Individual Income Tax (1)	Corporate Income Tax (2)	Retail Sales Tax	Meals & Rooms Tax (3)
2002	3.6% - 9.5%	7.0% - 9.75%	5%	9%
2001	3.6% - 9.5%	7.0% - 9.75%	5%	9%
2000	24%	7.0% - 9.75%	5%	9%
1999	25%	7.0% - 9.75%	5%	9%
1998	25%	7.0% - 9.75%	5%	9%
1997	25%	7.0% - 9.75%	5%	9%
1996	25%	5.5% - 8.25%	5%	7%
1995	25%	5.5% - 8.25%	5%	7%
1994	25%	5.5% - 8.25%	5%	7%
1993	28% - 34%	5.5% - 8.25%	5%	8%

\* Source: Vermont Department of Taxes

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

### Largest Employers

The following table sets forth, as of March 2002, the ten largest employers in Vermont and the nature of their business, exclusive of the State itself and the University of Vermont.

Ranking of Vermont's Ten Largest Private Sector Employers  
As of March 2002\*

<u>Firm</u>	<u>Nature of Business</u>	<u>Size Code (Number of Employees)**</u>
International Business Machines	Semiconductors and Related Devices	3
Fletcher-Allen Health Care	Health Care	3
Price Chopper Stores	Retail Food	1
Ethan Allen, Inc.	Furniture Mfg	1
Killington, Ltd.	Lodging and Recreation	1
Hannaford Bros.	Retail Food	1
General Electric Company	Jet Engine Blades	1
Chittenden Trust Company	Financial Services	1
Middlebury College	Post-Secondary Education	1
Shaw's Supermarkets Inc.	Retail Food	1

SOURCE: Vermont Department of Employment and Training.

\* Data is for employees covered under Vermont's unemployment law. As such, contract employees are not included.

** <u>Size Code</u>	<u># of Employees</u>
0	500-999
1	1000-2999
2	3000-4999
3	5000+