FINANCIAL SECTION

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Independent Auditors' Report

To the Speaker of the House of Representatives,
President Pro-Tempore of the Senate
and the Governor of the State of 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 (the "State"), as of and for the year ended June 30, 2008, 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's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component units identified in Note 1A. We also did not audit the financial statements of the Vermont Lottery Commission, the Special Environmental Revolving Fund, the Vermont Energy Efficiency Utility Fund, the Vermont Universal Service Fund, or the Tri-State Lotto Commission. The discretely presented component units identified in Note 1A represent 72% of the total assets and 43% of the total revenues of the aggregate discretely presented component units. The Vermont Lottery Commission represents 100% of the total assets and revenues of the Vermont Lottery Commission Fund and 3% of the total assets and 45% of the total revenues of the business-type activities. The Special Environmental Revolving Fund represents 76% of total assets and 2% of total revenues of the Federal Revenue Fund, the Vermont Energy Efficiency Utility Fund and the Vermont Universal Service Fund represent 9% of total assets and 8% of total revenues of the Special Fund and collectively represent 9% of total assets and 1% of total revenues of the governmental activities. The Tri-State Lotto Commission represents 100% of the information disclosed in Note 13. Those financial statements were audited by other auditors whose reports thereon have been furnished to us and, our opinions, insofar as they relate to the amounts and disclosures included for those discretely presented component units, the Vermont Lottery Commission, the Special Environmental Revolving Fund, the Vermont Energy Efficiency Utility Fund, the Vermont Universal Service Fund, or the Tri-State Lotto Commission, are based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over financial reporting. Accordingly, we express no opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

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In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Vermont as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As disclosed in note 1 and note 5, the State adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and GASB Statement No. 50 *Pension Disclosures* as of July 1, 2007.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 23, 2008 on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and other Required Supplementary Information, listed in the accompanying table of contents, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Management's Discussion and Analysis and other 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 introductory section, supplementary information, and statistical section, listed in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section 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.

KPMG LLP

December 23, 2008

INTRODUCTION

We are pleased to present this analysis and discussion of Vermont's financial performance for the fiscal year ending June 30, 2008. This Management, Discussion & Analysis (MD&A) section is intended to serve as an introduction to the State's basic financial statements, which have the following components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The MD&A is designed to assist the reader in focusing on significant financial matters, provide an easily readable overview of the State's financial activities, identify any material changes from the original budget, and highlight financial matters that occurred during fiscal year 2008. The following presentation is by necessity highly summarized, and in order to gain a thorough understanding of the State's financial condition, the following financial statements, notes and required supplementary information should be reviewed in their entirety.

FINANCIAL HIGHLIGHTS

Vermont reported net assets of $1.424 billion, comprised of $2.613 billion in total assets offset by $1.190 billion in total liabilities at June 30, 2008 (Table 1).

The primary government's net assets have decreased by $52.4 million as a result of this year's operations. The net assets for governmental activities decreased $26.6 million and net assets for business activities decreased by $25.9 million (Table 2).

The State's governmental funds reported combined ending fund balances of $420.6 million. Of this amount, $244.2 million is available for spending at the State's discretion (unreserved fund balance).

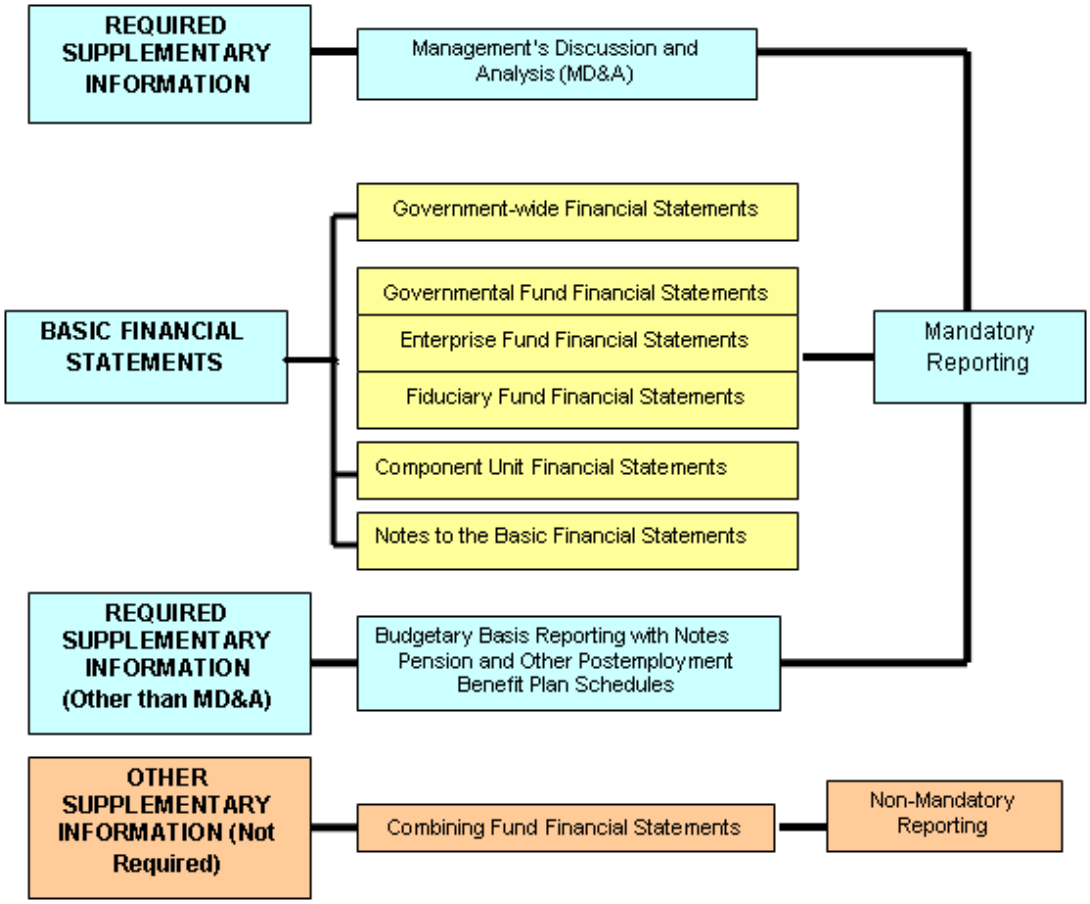
The State's General Fund reported an operating deficit this year of $7.3 million which decreased the accumulated fund balance to $155.7 million, of which $101.1 million is reserved for specific purposes.

The State's debt outstanding for General Obligation Bonds decreased $2.8 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The layout and relationship of the financial statements and supplementary information is visually illustrated as follows.



Basic Financial Statements

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

1) Government-Wide Financial Statements

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

The government-wide statements contain both short-term and long-term information about the State's financial position and assist in assessing the State's economic condition at the end of each fiscal year. The State

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

> The *Statement of Net Assets* presents both the primary governments' and its component units' assets and liabilities, with the difference between the assets and liabilities reported as "net assets". Over time, increases or decreases in the primary government's net assets may serve as an indicator as to whether the financial position of the State is improving or deteriorating.
>
> The *Statement of Activities* presents the reported year's financial activity and hence, the reason(s) for the changes in net assets included on the Statement of Net Assets. All changes in financial activities are recognized as soon as the underlying event(s) giving rise to the changes occur, regardless of the timing of related cash flows. Thus, some revenues and expenses reported in this statement will not result in cash flows until future fiscal periods. This statement also presents the relationship between the State's major expenditure functions and the associated sources of program revenues associated with each expenditure function.

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

Primary Government Activities

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

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

Component Units' Activities

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

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

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

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

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

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

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

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

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

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

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

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

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

Fiduciary Funds
The fiduciary funds are used to account for resources held by the State for the benefit of parties outside of State government. Fiduciary funds are excluded from the government-wide financial statements because the State cannot use these assets to finance its operations. The fiduciary funds use the accrual basis of accounting.

The State's fiduciary funds are divided into the following four basic categories: Pension and Other Postemployment Benefit Trust Funds (includes three separate defined benefit pension plans, three separate defined contribution pension plans, one defined benefit other postemployment benefit plan, and one defined contribution other postemployment benefit plan); Investment Trust Fund (which reports only the external portion of the Vermont Pension Investment Committee investment pool); Private Purpose Trust Fund (which reports only the Unclaimed Property Fund); and Agency Funds (eleven agency funds which account for the assets held for distribution by the State as an agent for other governmental units, organizations or individuals). These funds financial reports include a *Statement of Fiduciary Net Assets;* and a *Statement of Changes in Fiduciary Net Assets*.

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

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

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

Required Supplementary Information Other Than MD&A
The basic financial statements are followed by a section of required supplementary information. This section includes:

The Schedule of Funding Progress for the three defined benefit pension trust funds and the Schedule of Employer Contributions for the past six years are included in the required supplementary information section. Also, this section includes the Schedule of Funding Progress for the other postemployment benefit plans.

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets
The State's (governmental and business-type activities) combined net assets total $1.424 billion at the end of 2008, as shown in Table 1. Approximately 87.6 percent of these combined net assets consist of the State's investment in capital assets such as land, buildings, equipment, and infrastructure (roads, bridges, and other immovable assets) less any related debt still outstanding that was used to acquire those assets. This $1.247 billion in capital assets represent resources used to provide services to citizens, and therefore are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the primary government's net assets (20.1 percent) represents resources that are subject to external restrictions on how they may be used. Internally imposed designations of resources are not presented as restricted net assets. The remaining balance of unrestricted net assets is a deficit of $109.1

million. This deficit balance increased by $85.4 million from the previous year's unrestricted net asset deficit.

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

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

At the end of fiscal year 2008, the State reported positive total net asset balances in its governmental activities, business-type activities, and discretely presented component units.

The following primary government condensed financial statement information is derived from the State's June 30, 2008 and 2007 government-wide Statement of Net Assets. Although the government-wide statements include discretely presented component unit activity, the component unit activity has not been included in these condensed statements.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Current assets	$ 808.1	$ 779.0	$ 183.3	$ 209.5	$ 991.5	$ 988.5
Other assets	213.4	212.1	5.0	4.9	218.4	217.0
Capital assets	1,402.8	1,327.6	0.6	0.4	1,403.4	1,328.0
Total assets	**2,424.3**	**2,318.7**	**189.0**	**214.9**	**2,613.3**	**2,533.5**
Long-term liabilities	762.4	668.0	4.9	4.6	767.2	672.6
Other liabilities	411.4	373.6	11.0	11.3	422.4	384.8
Total liabilities	**1,173.8**	**1,041.5**	**15.9**	**15.9**	**1,189.6**	**1,057.4**
Net assets:						
Invested in capital assets, net of related debt	1,245.9	1,161.2	0.6	0.4	1,246.5	1,161.6
Restricted	117.1	143.4	169.2	194.8	286.3	338.2
Unrestricted (deficit)	(112.4)	(27.4)	3.3	3.7	(109.1)	(23.7)
Total net assets	**$ 1,250.6**	**$ 1,277.1**	**$ 173.1**	**$ 199.0**	**$ 1,423.7**	**$ 1,476.1**

Totals may not add due to rounding.

In 2008, governmental activities' revenues performed short of expenses by $50.5 million and received transfers of $23.9 million from business activities, resulting in the 2.08 percent decrease in net assets. The decrease in statewide education tax was the result of a decrease in the tax rate and a $4.5 increase in income sensitivity adjustments to the assessed taxes. Business-type activities had an overall decrease in net assets of 13.02 percent, resulting from an operating shortfall of $2.0 million and by transfers out of $23.9 million to governmental activities, primarily from the Lottery ($22.6 million) to support education.

The following condensed table presents a comparison of activity for the fiscal years ended June 30, 2008 and 2007, and contains primary government data only.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007[1]	2008	2007	2008	2007
Revenues						
Program revenues:						
Charges for services	$ 273.5	$ 299.6	$ 216.3	$ 222.0	$ 489.8	$ 521.6
Operating grants and contributions	1,182.6	1,083.8	-	-	1,182.6	1,083.8
Capital grants and contributions	151.7	167.2	-	-	151.7	167.2
General revenues:						
Income taxes	698.3	679.9	-	-	698.3	679.9
Sales and use taxes	336.2	332.3	-	-	336.2	332.3
Statewide education tax:						
Gross tax assessed	916.9	992.2	-	-	916.9	992.2
Income sensitivity adjustment	(118.0)	(113.5)	-	-	(118.0)	(113.5)
Meals and rooms tax	119.8	116.9	-	-	119.8	116.9
Other taxes	461.6	477.0	-	-	461.6	477.0
Miscellaneous	50.5	39.7	8.8	9.3	59.3	49.0
Total revenues	**4,073.1**	**4,075.2**	**225.0**	**231.3**	**4,298.1**	**4,192.9**
Expenses						
General government	101.5	114.7	-	-	101.5	114.7
Protection to persons and property	259.7	255.6	-	-	259.7	255.6
Human services	1,652.7	1,519.0	-	-	1,652.7	1,519.0
Labor	28.0	24.7	-	-	28.0	24.7
General education	1,614.4	1,622.4	-	-	1,614.4	1,508.9
Natural resources	95.7	85.9	-	-	95.7	85.9
Commerce and community development	37.0	31.9	-	-	37.0	31.9
Transportation	310.7	307.9	-	-	310.7	307.9
Public service enterprises	4.5	1.9	-	-	4.5	1.9
Interest on long-term debt	19.4	20.1	-	-	19.4	20.1
Unemployment compensation	-	-	99.0	94.4	99.0	94.4
Lottery commission	-	-	79.6	81.2	79.6	81.2
Liquor control	-	-	45.3	43.2	45.3	43.2
Other business-type expenses	-	-	3.1	2.9	3.1	2.9
Total expenses	**4,123.6**	**3,984.2**	**227.0**	**221.7**	**4,350.6**	**4,092.3**
Increase (decrease) in net assets before transfers	(50.5)	91.0	(2.0)	9.5	(52.4)	100.5
Transfers net in (out)	23.9	24.2	(23.9)	(24.2)	-	-
Change in net assets	**(26.6)**	**115.2**	**(25.9)**	**(14.7)**	**(52.4)**	**100.5**
Net assets, beginning of year	1,277.1	1,161.9	199.0	213.7	1,476.1	1,375.6
Net assets, end of year	**$ 1,250.6**	**$ 1,277.1**	**$ 173.1**	**$ 199.0**	**$ 1,423.7**	**$ 1,476.1**

[1]The $113.5 million in homestead property tax assistance paid to taxpayers in fiscal year 2007 has been reclassified from general education expenses to a reduction in statewide education tax revenue. Beginning with fiscal year 2008, this is an income sensitivity adjustment to the taxpayers' statewide property tax assessment rather than a grant payment to taxpayers.

Totals may not add due to rounding.

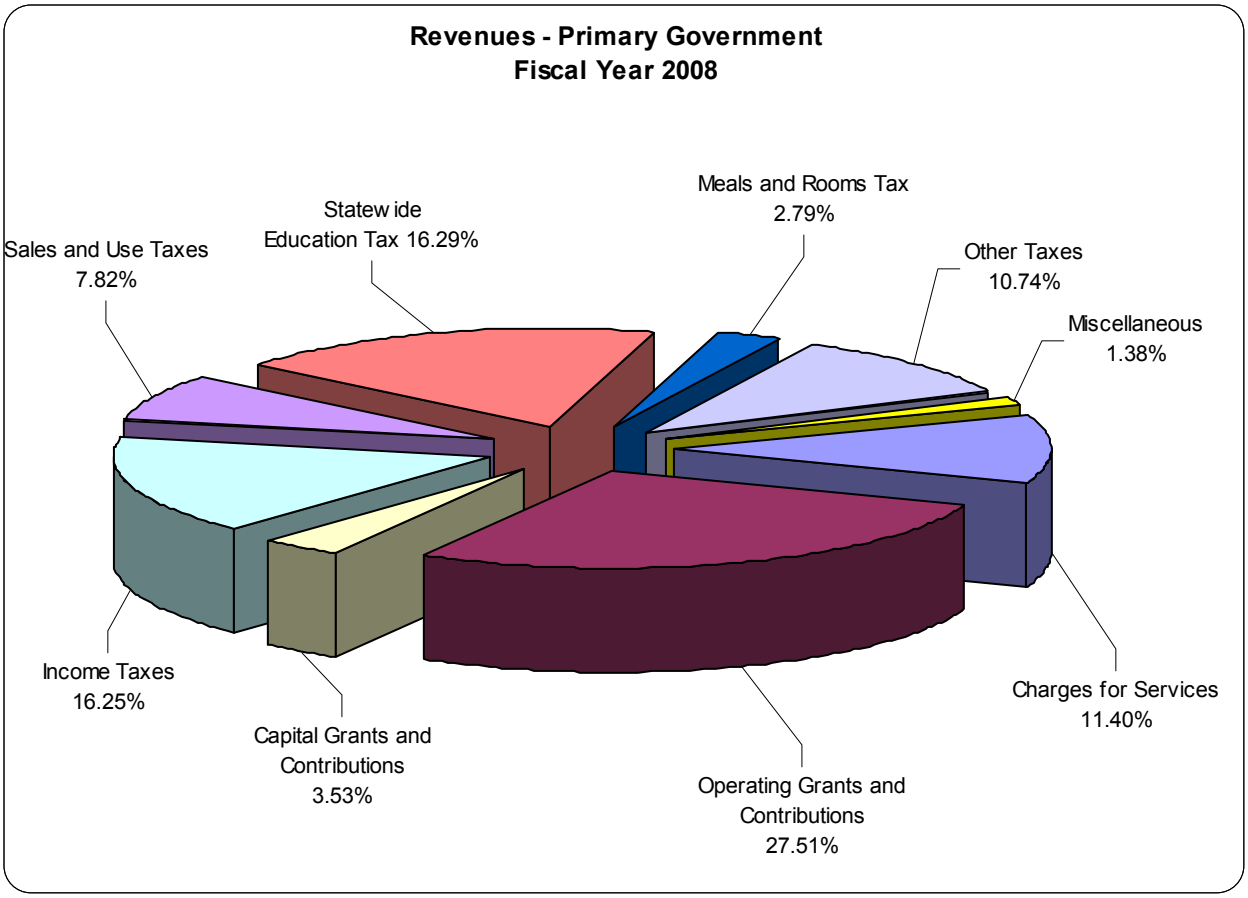
The State implemented GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" (GASB No. 45) in fiscal year 2008. GASB No. 45 establishes standards for the measurement, recognition and display of Other Postemployment Benefits (OPEB) expense/ expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. Postemployment benefits are part of an exchange of current salaries and benefits for employee services rendered. Prior to GASB No. 45, most OPEB Plans were reported on a pay-as-you-go basis and a government's financial statements did not report the financial effects of these postemployment benefits until paid.

GASB No. 45 requires the financial reports of governments to provide a systematic, accrual-basis measurement of an annual OPEB cost. The following schedule displays the effect of the GASB No. 45 expenses as they appear in the Statement of Activities for fiscal year 2008 and a comparison to fiscal year 2007.

(In thousands)

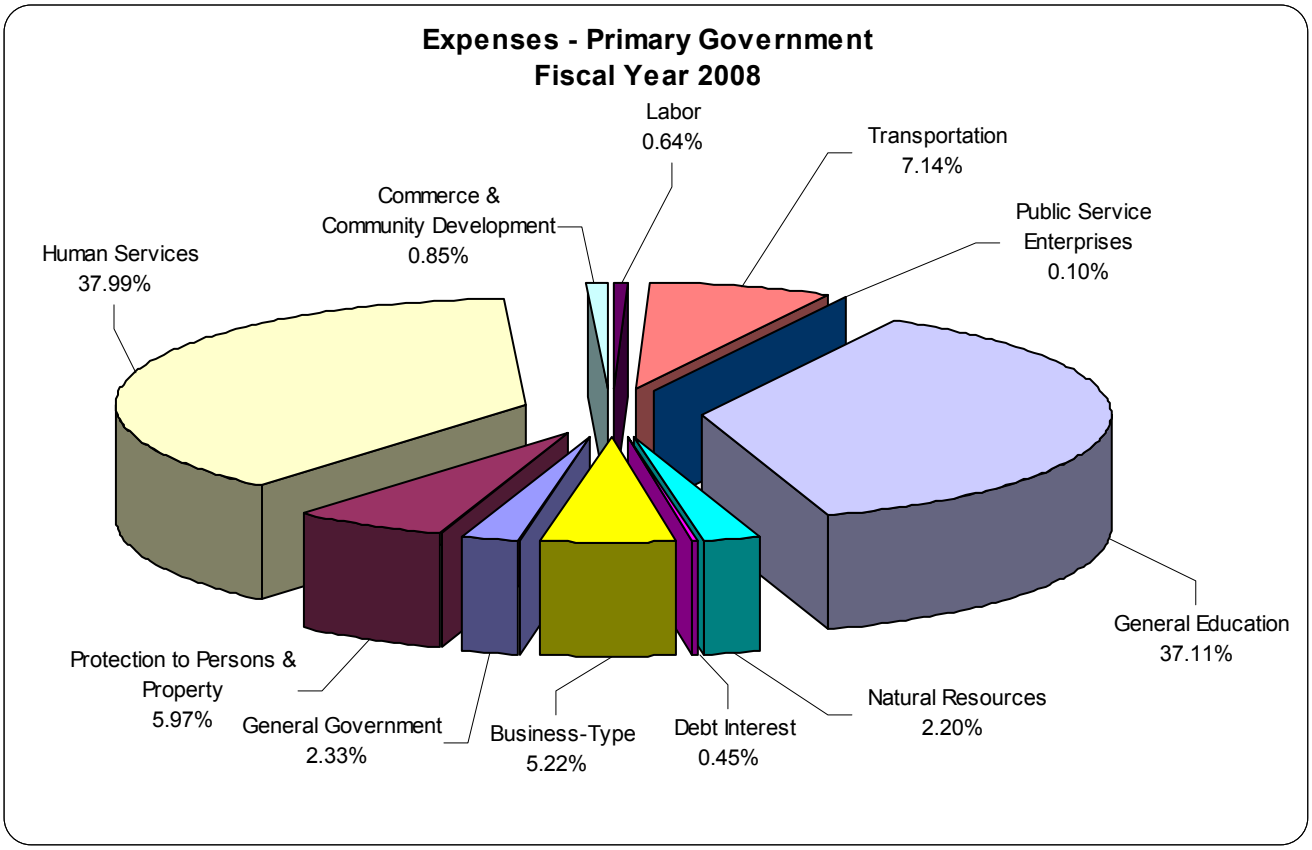
	2008			2007
	Expenses per Statement of Activities	GASB 45 Expenses	Expenses excluding GASB 45	Expenses per Statement of Activities
Expenses				
General government	$ 101,536.0	$ 3,051.1	$ 98,484.9	$ 114,687.7
Protection to persons and property	259,691.4	6,729.0	252,962.4	255,620.5
Human services	1,652,680.3	11,472.3	1,641,208.0	1,518,969.5
Labor	28,020.2	898.5	27,121.7	24,739.7
General education	1,614,446.8	60,932.8	1,553,514.0	1,622,441.4
Natural resources	95,657.2	2,303.3	93,353.9	85,900.7
Commerce and community development	36,953.8	385.0	36,568.8	31,946.8
Transportation	310,701.5	3,956.6	306,744.9	307,899.3
Public service enterprises	4,502.6	0.8	4,501.8	1,890.0
Total expenses	**$ 4,123,550.3**	**$ 89,729.4**	**$ 4,014,460.4**	**$ 3,984,167.8**

The following graph illustrates the revenues of Vermont's primary government for fiscal year 2008. Approximately 31.92 percent comes from other entities and governments in the form of operating and capital grants and contributions (primarily federal grant revenues). An additional 32.99 percent of total revenues are generated by the statewide education and income taxes.



Percentages may not equal 100%, due to rounding.

The following graph illustrates the percentages of total primary government expenses. The largest portion of expenses is for human services (39.05 percent of total expenses) which provides for Vermont's low-income, elderly care services and persons in state custody in the form of grants for selected services such as food stamps, health care, housing and child protective services. The second most significant expense is for general education (35.36 percent of total expenses), which provides for Vermont's support to secondary and higher education.



Percentages may not equal 100%, due to rounding.

FINANCIAL ANALYSIS OF THE STATE'S INDIVIDUAL FUNDS

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

Governmental Funds

The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the State's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending. At the end of fiscal year 2008, the unreserved fund balance is 58.06 percent of the total fund balance of governmental funds, which is available for spending on governmental programs at the State's discretion in the coming year. The remainder of this fund balance has been reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders, for debt service, for the human services caseload reserve, for budget stabilization purposes, and for a variety of other purposes.

At the end of fiscal year 2008, the State's governmental funds reported combined fund balances of $420.6 million, a decrease of $11.1 million in comparison with the prior fiscal year. This decrease is primarily attributable to declines in statewide education tax and other tax revenues offset by declines in expenses for general education.

The General Fund is the chief operating fund of the State. At the end of fiscal year 2008, the General Fund's total fund balance was $155.7 million and the unreserved portion of this fund balance was $54.5 million. Its remaining fund balance was made up of reservations totaling $101.1 million. The most significant reservations are: $57.8 million for budget stabilization, $17.2 million for the human services caseload reserve and $18.98 million for fiscal year 2008 general fund surplus. During 2008, total expenditures and other financing uses surpassed revenues and other financing sources by $7.3 million.

The Special Fund's total fund balance at the end of fiscal year 2008 was $116.6 million, an increase of 1.16 percent in comparison with 2007. The Special Fund's total fund balance is comprised of $106.7 million as unreserved, and $9.9 million in reserved for encumbrances. Special Fund revenues increased $26.4 million and expenditures increased $49.6 million compared to 2007 resulting in a decrease in "excess of revenues over expenditures" of $23.2 million from last fiscal year. Fiscal year 2008 transfers out to other funds exceed transfers in from other funds by $129.5 million. The Special Fund transferred $184.3 million to the Global Commitment Fund for a portion of the State's payment for Medicaid coverage under the Global Commitment to Health Medicaid waiver.

The Federal Revenue Fund accounts for the federal share of all federal grants except those federal grants that are awarded to the Agency of Transportation (which are included in the Transportation Fund) and the Department of Fish and Wildlife (which are included in the Fish and Wildlife Fund, a non-major governmental fund). The Federal Revenue Fund's federal grant revenues for fiscal year 2008 were $1.1 billion, a 6.99 percent increase over fiscal year 2007's federal grant revenues. The Agency of Human Services' received 81.31 percent of the total federal grants revenue and transferred $498.7 million to the Global Commitment Fund for the payment of the Federal share of Medicaid expenditures under the Global Commitment to Health Medicaid waiver. The Federal Revenue Fund's total fund balance at the end of fiscal year 2008 ($69.8 million) was an increased of $8.8 million over the total fund balance at the end of fiscal year 2007.

The fiscal year 2008 ending total fund balance for the Global Commitment Fund was a deficit balance $36.1 million. Expenditures of $783.5 million exceed net transfers in by $5 million, resulting in a $5 million increase in the deficit balance from the fiscal year 2007 ending total fund balance. This deficit is the mostly the result of Medicaid costs incurred under a previous Medicaid waiver agreement being paid with the resources transferred to the fund under the current agreement. The State plans to eliminate this deficit thorough amendment to the current Medicaid waiver agreement's Terms and Conditions to allow these costs to be incorporated into future capitation rates which determine the amount to be transferred to the fund.

The Education Fund at June 30, 2008, had a total fund balance of $40.3 million, which represents a $7.7 million decrease over fiscal year 2007's ending balance. Prior to fiscal year 2008, the State appropriated for expenditures to provide property tax relief to taxpayers based on taxpayer income levels and property taxes. Beginning with fiscal year 2008, the State paid income sensitivity adjustments to the municipalities, and the municipalities adjust the taxpayers' statewide education property tax assessments. The Education Fund's statewide education tax revenue was reduced from the gross assessment of $798.9 million for the $118 million that was paid to municipalities for income sensitivity adjustments. The Education Fund's reserve for budget stabilization increased $1.1 million to $29.4 million, the maximum allowed by statute.

The Transportation Fund's total fund balance was $13.6 million at June 30, 2008, a decrease of $6.7 million from the fiscal year 2007 ending total fund balance. This decrease was the result of expenditures exceeding revenues by $4.5 million and transfer out exceeding transfers in by $2.2 million. The Transportation Fund's reservation for budget stabilization increased from $10.7 million to $11.2 million, the maximum allowed by statute.

See Note 1, Section E for more information regarding these funds.

Proprietary Funds
The State's *enterprise funds* provide the same type of information presented in the business-type activities in the government-wide financial statements, but in more detail. The Unemployment Compensation Trust Fund is the largest of the enterprise funds accounting for 97.75 percent of the $173.1 million total net assets reported by the enterprise funds. However, the Unemployment Compensation Trust Fund's total net assets decreased by $25.6 million from $194.8 million at June 30, 2007, to $169.2 million at June 30, 2008. This decrease was the result of unemployment benefit distributions exceeding unemployment tax assessments and other income.

The State's *internal service funds'* total net assets at June 30, 2008 were $12.2 million, a $5.1 million decrease from June 30, 2007. This decrease is primarily due to operating losses totaling $5.8 million partially offset by net transfers in from other funds of $0.7 million. It should be remembered that the internal service funds' activity has been combined with the governmental funds' activity in the government-wide financial statements.

Fiduciary Funds
The State's fiduciary funds account for resources held for the benefit of parties outside the government. The *pension and other postemployment benefit trust funds'* net assets decreased by 7.73 percent to $3.26 billion at June 30, 2008. For more information regarding the State's retirement and other postemployment benefit plans, see Note 5 to the financial statements. The Unclaimed Property Fund's total assets balance at June 30, 2008 is $6.9 million, and total liabilities balance is $5.5 million, including the escheat property claims liability estimated at $5.5 million, resulting in ending net assets of $1.416 million. The State's Vermont Pension Investment Committee (VPIC) accepted the City of Burlington into the VPIC investment pool effective November 1, 2007. This changed the investment pool from an internal investment pool to an external investment pool, and which required the State to add the reporting of an Investment Trust Fund in the Fiduciary Funds financial statements. The Investment Trust Fund's total net assets at June 30, 2008, were $117.7 million. Net assets of all fiduciary funds are reported as held in trust for particular purposes.

GENERAL FUND BUDGET HIGHLIGHTS

The General Fund ended fiscal year 2008 with a surplus of revenues over expenditures on a budget basis. In July 2007, the State adopted its original revenue estimate of $1,170.2 million and the original expenditure budget was $889.3 million. The revenue estimate was increased by $15.8 million in January 2008, and an additional $3.7 million in April 2008. This 2008 legislative session anticipated a general fund surplus and in Act 192 section 5.803 of the 2008 legislative session, stipulated that the surplus be used for certain additional appropriations, transfers and reserves. This included the transfer of $2.6 million to the budget stabilization reserve bringing the reserve to the statutory maximum of $57.8 million, $18.98 million to be added to the general fund surplus reserve, and an additional $2.3 million to be added to the final fiscal year appropriations for economic recovery and opportunity initiatives. During the year, actual budgetary-based revenues exceeded the final budgetary estimates by $10.1 million, with actual tax revenue exceeding the final tax revenue estimate by $9.6 million. Expenditures were $21 million less than the final budgeted amount.

PRIMARY GOVERNMENT'S CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets
The State investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities as of June 30, 2008, was $1.403 billion, a total increase of 5.68 percent (Table 3). This investment in capital assets includes land, buildings, improvements, equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the State, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items.

Many component unit, municipal and non-profit capital construction projects and acquisitions are financed by the State, but the assets are actually owned by these other organizations. Therefore, these capital assets are recorded on the financial statements of these owning organizations and are not listed on the books of the State. But the general obligation bonds issued by the State to finance these capital assets are reported as a liability of the State's governmental activities. At June 30, 2008, the State had $226.3 million of general obligation bonds outstanding related to capital assets of these other organizations.

TABLE 3
Capital Assets at Fiscal Year End
(Net of depreciation, amounts in thousands)

	Governmental Activities		Business Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Land and Land Improvements…	$ 72,940	$ 71,236	$ -	$ -	$ 72,940	$ 71,236
Construction in Progress……	304,866	294,136	-	-	304,866	294,136
Works of Art……	136	136	-	-	136	136
Buildings and Improvements…..	205,690	205,957	31	37	205,721	205,994
Machinery and Equipment……	48,213	48,964	553	375	48,766	49,339
Infrastructure……	771,002	707,202	-	-	771,002	707,202
Totals……	**$ 1,402,848**	**$ 1,327,631**	**$ 584**	**$ 412**	**$ 1,403,432**	**$1,328,043**

Totals may not add due to rounding.

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

During fiscal year 2008, the State of Vermont's outstanding general obligation bond debt decreased by approximately $2.8 million. This decrease can be accounted for by the issuance of $75.2 million of general obligation bonds and accretion of $1.8 million in principal on the State's capital appreciation bonds offset by the redemption of $51.4 million. There was $28.4 million in defeasance in outstanding debt. Additional information on the State's long-term indebtedness is contained in Note 8 of the notes to the financial statements.

The State's general obligation bond ratings are as follows: Aaa by Moody's Investor Service (since February 2007), AA+ by Standard & Poor's Ratings Services (since September 2000), and AA+ by Fitch Ratings (since October 1999).

ECONOMIC FACTORS AFFECTING THE STATE

Capital Debt Affordability
Annually the Capital Debt Affordability Advisory Committee (CDAAC) completes a review of the size and affordability of the State tax-supported general obligation debt. By October 1, the CDAAC submits to the Governor and to the General Assembly an estimate of the maximum amount of new long-term general obligation

debt that prudently may be authorized for the next fiscal year. In September 2008, the CDAAC issued its recommendation proposing that the maximum amount of long-term general obligation debt authorized for the State in fiscal year 2009 be adjusted to $64.65 million and the maximum amount of long-term general obligation debt authorization for the State in fiscal year 2010 be $69.96 million.

Budgetary General Fund Fiscal Year 2009 and Economic Conditions
Budgetary General Fund revenues for the first five months of fiscal year 2009 were $455.85 million, $939 thousand higher than during the same period for fiscal year 2008. Personal income tax receipts are up $9.378 million (4.17%) compared to fiscal year 2008. Corporate income tax and sales & use tax receipts have both declined over the same five month period compared to fiscal year 2008. Corporate income tax receipts declined by $10.22 million (43.53%) and sales & use tax receipts declined by $5.367 million (5.64%), both due to the unfavorable economic conditions. Vermont's General Fund budget is based on a Consensus Revenue Forecast as adopted by the Emergency Board (32 V.S.A. 305a). Normally the State's Consensus Revenue Forecast is updated two times per year in January and July. However, with the downturn in the national and regional economy, the Emergency Board scheduled interim reviews of the Consensus Revenue Forecast for April and November. The original fiscal year 2009 General Fund revenue forecast adopted in January 2008 ($1,184.8 million) was reduced in April, and July, and most recently in November ($1,114.4 million, -5.9%). Fiscal year 2009 General Fund appropriations were reduced following both the April and July revenue reductions. An additional General Fund appropriation reduction plan based on the November revenue downgrade is planned for implementation in December 2008.

The "Rainy Day Fund"
At June 30, 2008, the General Fund Budget Stabilization Reserve, sometimes called the *rainy day fund*, was fully funded at $57.84 million, in accordance with 32 V.S.A. 308. At this point, the General Assembly has not chosen to draw on the Budget Stabilization Reserve to cover an anticipated fiscal year 2009 budgetary General Fund deficit.

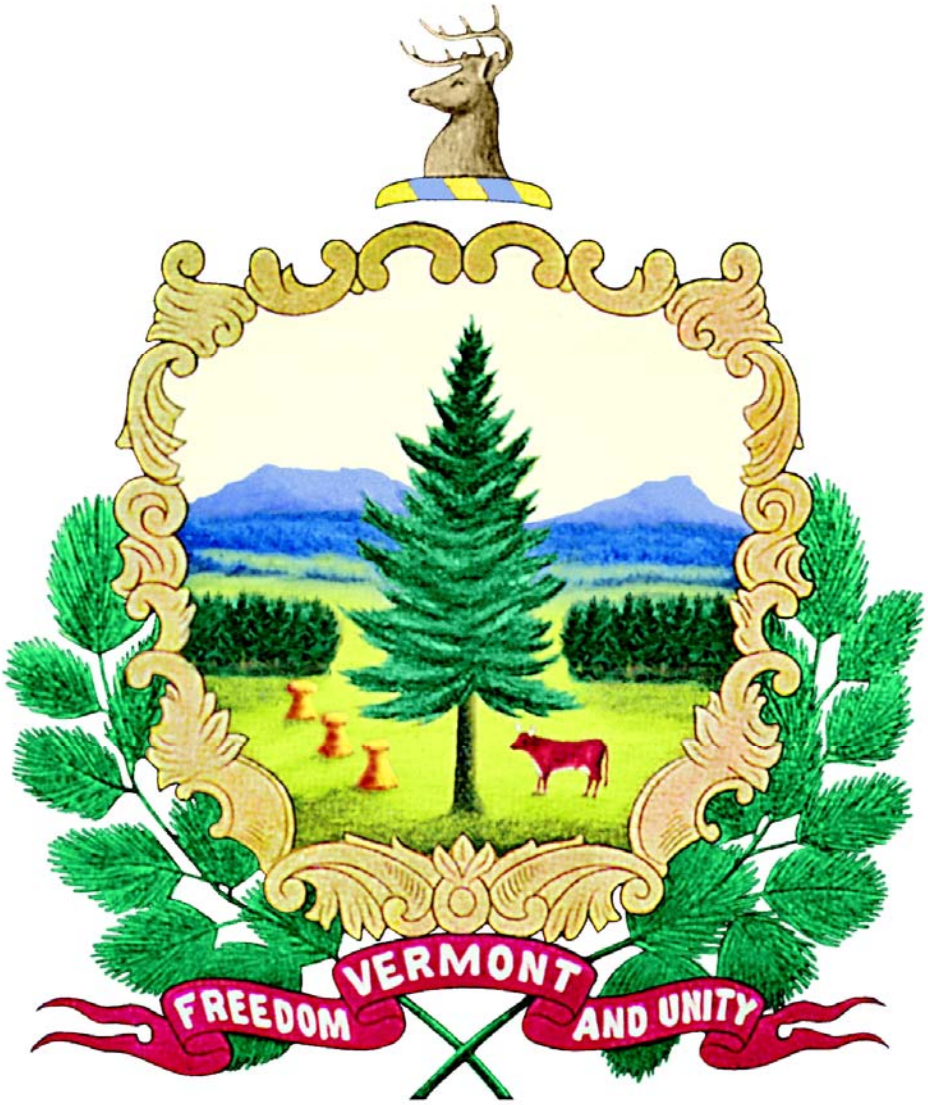
These factors will likely have an impact on the State's financial position and budget in future fiscal years.

REQUESTS FOR INFORMATION

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

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

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



BASIC FINANCIAL STATEMENTS

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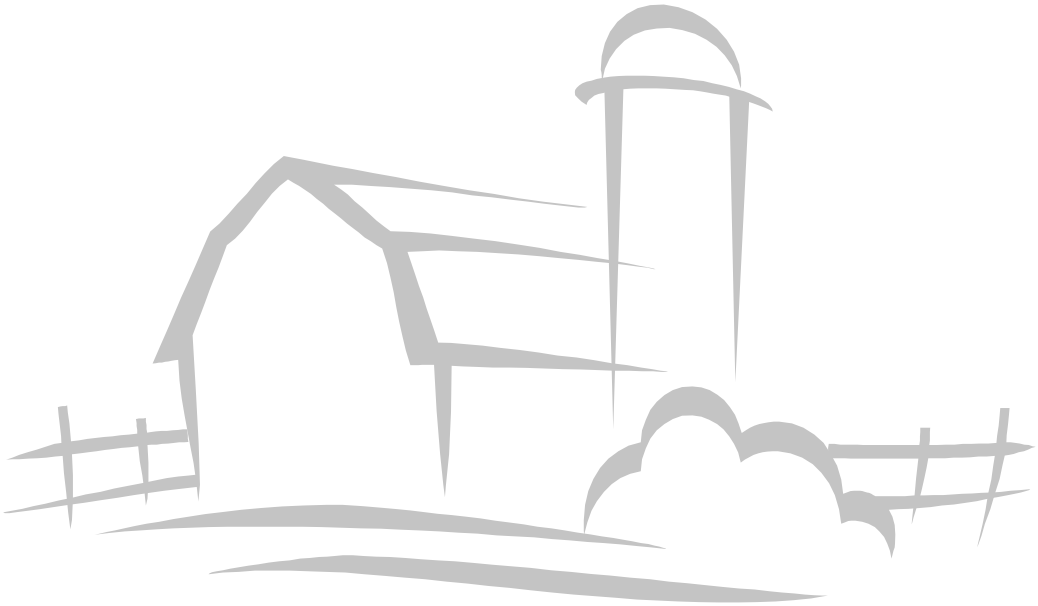

Vermont

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATE OF VERMONT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	$ 398,550,861	$ 165,273,601	$ 563,824,462	$ 122,246,318
Taxes receivable (net)	92,127,526	11,365,480	103,493,006	-
Loans and notes receivable (net)	169,625,607	1,009,470	170,635,077	193,538,855
Federal grants receivable	88,794,218	66,756	88,860,974	18,029,553
Other receivables (net)	13,011,131	2,508,314	15,519,445	131,644,354
Investments	37,401,064	-	37,401,064	142,727,728
Inventories	2,672,771	4,993,652	7,666,423	235,025
Internal balances	2,009,880	(2,009,880)	-	-
Receivable from primary government	-	-	-	368,354
Receivable from component units	2,707,271	-	2,707,271	-
Other current assets	1,235,525	133,266	1,368,791	14,379,342
Total current assets	808,135,854	183,340,659	991,476,513	623,169,529
Noncurrent assets:				
Cash and cash equivalents	-	917,189	917,189	78,416,671
Taxes receivable	127,487,543	-	127,487,543	-
Other receivables	36,903,476	38,040	36,941,516	-
Loans and notes receivable	806,499	1,748,600	2,555,099	2,537,747,917
Investments	39,669,664	2,345,849	42,015,513	455,947,771
Other noncurrent assets	8,492,156	-	8,492,156	22,005,426
Capital assets:				
Land	72,939,991	-	72,939,991	29,500,456
Construction in progress	304,865,733	-	304,865,733	12,345,576
Works of art	136,003	-	136,003	-
Capital assets being depreciated:				
Infrastructure	1,356,179,525	-	1,356,179,525	21,093,971
Property, plant and equipment	501,606,367	1,451,876	503,058,243	933,144,243
Less accumulated depreciation	(832,880,080)	(868,147)	(833,748,227)	(368,098,099)
Total capital assets, net of depreciation	1,402,847,539	583,729	1,403,431,268	627,986,147
Total noncurrent assets	1,616,206,877	5,633,407	1,621,840,284	3,722,103,932
Total assets	2,424,342,731	188,974,066	2,613,316,797	4,345,273,461

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Current liabilities:				
Accounts payable and other current liabilities	226,625,251	9,266,931	235,892,182	91,576,223
Income tax refunds payable	70,541,287	-	70,541,287	-
Payable to primary government	-	-	-	2,707,271
Payable to component units	368,354	-	368,354	-
Intergovernmental payable - due to federal government	8,124,107		8,124,107	-
Accrued interest payable	7,866,086	-	7,866,086	4,443,832
Current portion of long-term liabilities	88,229,346	704,708	88,934,054	130,223,796
Deferred revenue	9,630,537	1,018,034	10,648,571	30,834,906
Total current liabilities	411,384,968	10,989,673	422,374,641	259,786,028
Long-term liabilities:				
Lottery prize awards payable	-	4,727,679	4,727,679	-
Bonds, notes and leases payable	401,270,486	-	401,270,486	3,045,003,632
Compensated absences	11,213,793	139,371	11,353,164	-
Claims and judgments	24,398,753	-	24,398,753	-
Other long-term liabilities	325,490,261	-	325,490,261	82,481,932
Total long-term liabilities	762,373,293	4,867,050	767,240,343	3,127,485,564
Total liabilities	1,173,758,261	15,856,723	1,189,614,984	3,387,271,592
NET ASSETS				
Invested in capital assets, net of related debt	1,245,907,690	583,729	1,246,491,419	171,918,414
Restricted for:				
Unemployment compensation	-	169,205,810	169,205,810	-
Component unit net assets	-	-	-	605,213,884
Funds held in permanent investments:				
Expendable	11,269,155	-	11,269,155	-
Nonexpendable	7,416,453	-	7,416,453	-
Budget stabilization	98,430,952	-	98,430,952	-
Unrestricted	(112,439,780)	3,327,804	(109,111,976)	180,869,571
Total net assets	$ 1,250,584,470	$ 173,117,343	$ 1,423,701,813	$ 958,001,869

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

STATE OF VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary Government:				
Governmental activities:				
General government	$ 101,536,003	$ 20,973,026	$ 3,042,940	$ -
Protection to persons & property	259,691,386	112,100,404	44,538,513	-
Human services	1,652,680,329	15,682,861	936,480,352	-
Labor	28,020,157	7,215,385	20,875,096	-
General education	1,614,446,803	1,891,730	110,156,924	-
Natural resources	95,657,166	25,513,793	22,204,932	8,582,528
Commerce & community development	36,953,754	509,618	10,875,195	-
Transportation	310,701,544	86,370,146	34,430,598	143,152,685
Public service enterprises	4,502,606	3,240,411	-	-
Interest on long-term debt	19,360,558	-	-	-
Total governmental activities	4,123,550,306	273,497,374	1,182,604,550	151,735,213
Business-type activities:				
Vermont Lottery Commission	79,595,887	102,000,627	-	-
Liquor Control	45,311,653	45,926,628	-	-
Unemployment Compensation	98,955,469	65,327,271	-	-
Other	3,139,932	3,027,266	-	-
Total business-type activities	227,002,941	216,281,792	-	-
Total primary government	$ 4,350,553,247	$ 489,779,166	$ 1,182,604,550	151,735,213
Total component units	$ 979,578,671	$ 537,193,654	$ 344,597,739	$ 14,506,269

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

Changes in net assets

Net Assets - Beginning, restated (Note 17)

Net Assets - Ending

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Discretely Presented Component Units
Governmental Activities	Business-type Activites	Total	
$ (77,520,037)	$ -	$ (77,520,037)	$ -
(103,052,469)	-	(103,052,469)	-
(700,517,116)	-	(700,517,116)	-
70,324	-	70,324	-
(1,502,398,149)	-	(1,502,398,149)	-
(39,355,913)	-	(39,355,913)	-
(25,568,941)	-	(25,568,941)	-
(46,748,115)	-	(46,748,115)	-
(1,262,195)	-	(1,262,195)	-
(19,360,558)	-	(19,360,558)	-
(2,515,713,169)	-	(2,515,713,169)	-
-	22,404,740	22,404,740	-
-	614,975	614,975	-
-	(33,628,198)	(33,628,198)	-
-	(112,666)	(112,666)	-
-	(10,721,149)	(10,721,149)	-
(2,515,713,169)	(10,721,149)	(2,526,434,318)	-
-	-	-	(83,281,009)
698,304,586	-	698,304,586	-
336,164,340	-	336,164,340	-
119,758,150	-	119,758,150	-
79,084,039	-	79,084,039	-
65,080,036	-	65,080,036	-
798,904,652	-	798,904,652	-
317,438,225	-	317,438,225	15,483,258
2,414,734,028	-	2,414,734,028	15,483,258
8,731,712	8,740,362	17,472,074	19,392,520
38,236,100	-	38,236,100	-
-	-	-	879,118
3,555,121	10,529	3,565,650	1,169,140
23,899,609	(23,899,609)	-	-
2,489,156,570	(15,148,718)	2,474,007,852	36,924,036
(26,556,599)	(25,869,867)	(52,426,466)	(46,356,973)
1,277,141,069	198,987,210	1,476,128,279	1,004,358,842
$ 1,250,584,470	$ 173,117,343	$ 1,423,701,813	$ 958,001,869

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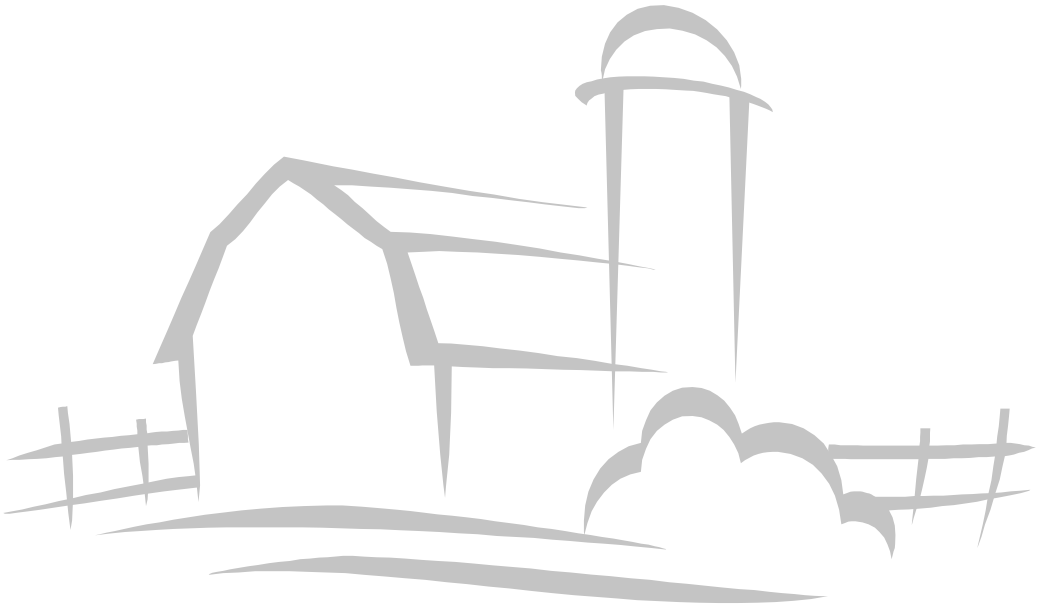
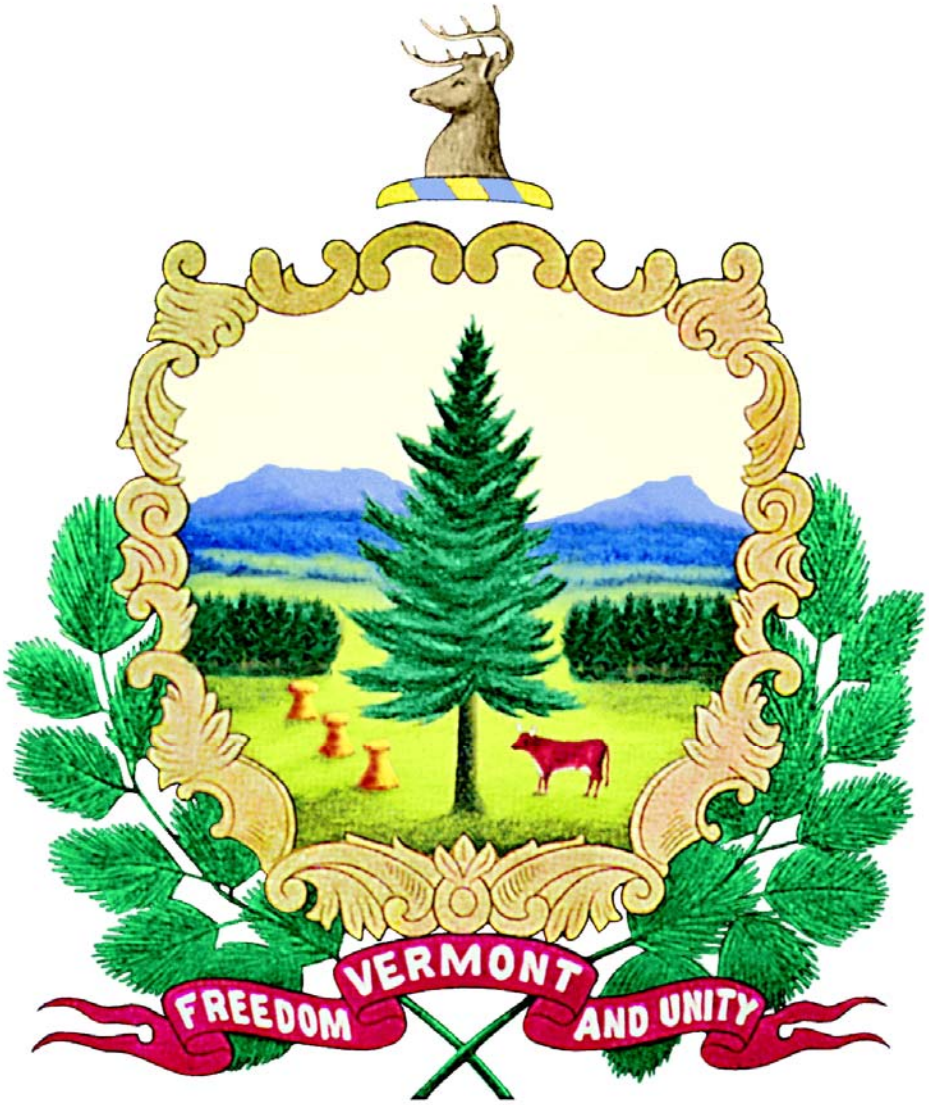


Vermont



GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

STATE OF VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General Fund	Transportation Fund	Education Fund	Special Fund
ASSETS:				
Cash and cash equivalents	$ 81,643,676	$ 11,697,916	$ 41,738,039	$ 82,136,958
Investments	-	-	-	44,001,504
Receivables:				
Taxes receivable (net)	194,304,667	7,994,826	13,756,575	3,479,572
Accrued interest receivable	72,211	1,190	-	18,776
Notes and loans receivable	1,475,174	433,779	-	190,000
Other receivables (net)	5,113,031	9,833,928	-	12,791,311
Intergovernmental receivable - federal government (net)	152,269	22,967,974	-	-
Due from other funds	3,639,580	544,994	-	758,337
Due from component units	2,675,808	-	-	31,463
Interfund receivable	37,470,933	-	-	-
Advances to other funds	324,300	-	-	-
Total assets	**$ 326,871,649**	**$ 53,474,607**	**$ 55,494,614**	**$ 143,407,921**
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	$ 22,180,763	$ 21,743,670	$ 12,711,059	$ 14,691,511
Accrued liabilities	16,144,128	7,218,899	-	4,054,645
Retainage payable	25,324	406,540	-	1,023,013
Due to other funds	230,593	19,181	73,845	256,996
Due to component units	-	-	-	368,354
Intergovernmental payable - federal government	-	-	-	-
Tax refunds payable	3,175,148	-	-	106,755
Deferred revenue	129,392,769	10,472,889	2,407,220	6,324,591
Total liabilities	**171,148,725**	**39,861,179**	**15,192,124**	**26,825,865**
FUND BALANCES (DEFICITS):				
Reserved for:				
Encumbrances	4,454,203	436,469	-	9,864,245
Budget stabilization	57,839,077	11,199,306	29,392,569	-
Debt service	803,498	-	-	-
Advances and notes receivable	1,799,474	-	-	-
General and transportation fund surplus	18,975,000	624,787	-	-
Human caseload management	17,243,422	-	-	-
Endowments	-	-	-	-
Downtown housing tax credit	150,000	-	-	-
Unreserved:				
General Fund	54,458,250	-	-	-
Special revenue funds (deficit)	-	1,352,866	10,909,921	106,717,811
Capital projects funds	-	-	-	-
Permanent funds	-	-	-	-
Total fund balances (deficit)	**155,722,924**	**13,613,428**	**40,302,490**	**116,582,056**
Total liabilities and fund balances	**$ 326,871,649**	**$ 53,474,607**	**$ 55,494,614**	**$ 143,407,921**

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

Federal Revenue Fund	Global Commitment Fund	Non-major Governmental Funds	Eliminations	Total Governmental Funds
$ 48,324,741	$ 42,280,614	$ 42,039,429	$ -	$ 349,861,373
11,400,000	-	21,669,224	-	77,070,728
-	-	79,429	-	219,615,069
22,414	-	4,583	-	119,174
168,333,153	-	-	-	170,432,106
2,136,479	16,723,693	455,276	-	47,053,718
65,400,686	-	273,289	-	88,794,218
462,012	118,370	7,037	(2,491,580)	3,038,750
-	-	-	-	2,707,271
-	-	-	-	37,470,933
-	-	-	-	324,300
$ 296,079,485	**$ 59,122,677**	**$ 64,528,267**	**$ (2,491,580)**	**$ 996,487,640**
$ 33,234,853	$ 80,090,082	$ 2,837,424	$ -	$ 187,489,362
6,574,139	2,919,987	650,329	-	37,562,127
43,762	808,404	345,680	-	2,652,723
1,834,685	264,977	10,250	(2,491,580)	198,947
-	-	-	-	368,354
8,124,107	-	-	-	8,124,107
-	-	-	-	3,281,903
176,511,860	11,130,282	5,090	-	336,244,701
226,323,406	**95,213,732**	**3,848,773**	**(2,491,580)**	**575,922,224**
11,683,460	807,354	3,651,368	-	30,897,099
-	-	-	-	98,430,952
-	-	-	-	803,498
-	-	-	-	1,799,474
-	-	-	-	19,599,787
-	-	-	-	17,243,422
-	-	7,416,453	-	7,416,453
-	-	-	-	150,000
-	-	-	-	54,458,250
58,072,619	(36,898,409)	5,725,977	-	145,880,785
-	-	32,616,541	-	32,616,541
-	-	11,269,155	-	11,269,155
69,756,079	**(36,091,055)**	**60,679,494**	**-**	**420,565,416**
$ 296,079,485	**$ 59,122,677**	**$ 64,528,267**	**$ (2,491,580)**	**$ 996,487,640**

State of Vermont
Reconciliation of Governmental Fund Balances
to the Statement of Net Assets - Governmental Activities
June 30, 2008

Total fund balances from previous page		**$**	**420,565,416**
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:			
Land	72,913,835		
Construction in progress	301,262,192		
Depreciable capital assets and infrastructure, net of $795,124,713 of accumulated depreciation	996,618,688		
Capital assets, net of accumulated depreciation			1,370,794,715
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to certain funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets			12,146,290
Amount presented in the statement of net assets relating to, but not in fund balances due to different basis of accounting include:			
Long-term assets are not available to pay for current-period expenditures and therefore are reported as deferred revenues in the governmental funds			326,755,858
Deferred charge for unamortized bond issuance costs			2,150,127
Deferred for unamortized loss on sale of refunding bonds			6,342,029
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not considered financial liabilities for fund perspective reporting, and therefore, are not reported in the funds. These liabilities include:			
Bonded and capital lease debt	(454,854,110)		
Accrued interest payable on bonds	(7,866,086)		
Compensated absences (net of internal service funds' liability)	(31,354,203)		
Tax refunds payable	(67,259,384)		
Other long-term liabilities	(326,836,182)		
Long-term liabilities			(888,169,965)
Net assets of governmental activities		**$**	**1,250,584,470**

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

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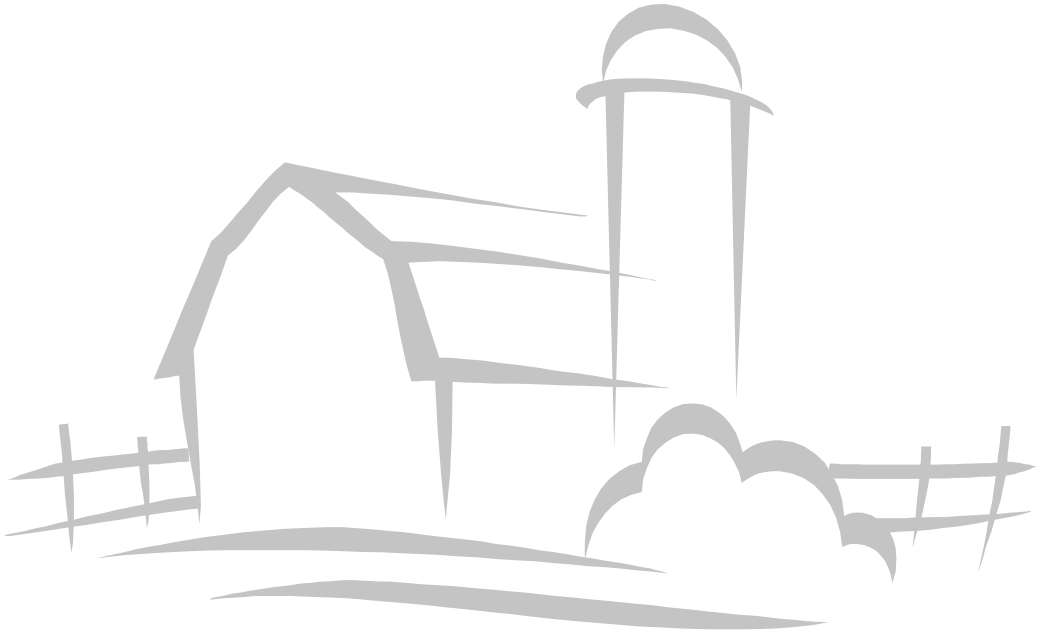


Vermont

STATE OF VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	General Fund	Transportation Fund	Education Fund	Special Fund
REVENUES:				
Taxes:				
Personal income tax	$ 620,824,418	$ -	$ -	$ 687,724
Corporate income tax	71,264,721	-	-	-
Sales and use tax	223,562,992	-	113,049,701	-
Meals and rooms	120,326,831	-	-	-
Motor fuel tax	-	62,206,145	-	1,902,747
Purchase and use tax	-	52,723,463	26,360,576	-
Statewide education tax	-	-	798,904,652	-
Other taxes	129,486,171	19,276,963	1,945,534	165,605,440
Earnings of departments:				
Fees	14,730,309	5,187,240	-	41,342,819
Rents and leases	-	999,617	-	2,812,842
Sales of services	1,870,659	143,665	-	11,823,072
Federal grants	-	179,017,617	-	-
Fines, forfeits and penalties	4,448,280	7,483,568	-	10,018,265
Investment income	4,967,506	409,012	92,929	3,724,928
Licenses:				
Business	2,756,280	758,246	-	12,108,664
Non-business	91,229	71,752,643	-	2,444,699
Special assessments	-	-	-	44,802,264
Other revenues	1,748,259	2,423,227	-	69,349,012
Total revenues	**1,196,077,655**	**402,381,406**	**940,353,392**	**366,622,476**
EXPENDITURES:				
General government	69,737,590	41,604	-	12,928,964
Protection to persons and property	86,273,025	36,034,452	-	83,236,322
Human services	402,109,683	-	-	69,219,718
Labor	3,064,262	-	-	6,026,462
General education	142,781,544	254,966	1,252,529,110	21,154,252
Natural resources	26,845,590	-	-	28,650,288
Commerce and community development	17,715,916	-	-	6,674,026
Transportation	170,221	368,582,974	-	1,061,638
Public service enterprises	-	-	-	4,501,715
Debt service	64,205,317	1,996,862	-	2,495,850
Total expenditures	**812,903,148**	**406,910,858**	**1,252,529,110**	**235,949,235**
Excess of revenues over (under) expenditures	**383,174,507**	**(4,529,452)**	**(312,175,718)**	**130,673,241**
Other Financing Sources (Uses):				
Proceeds from the sale of bonds	-	-	-	-
Premium on sale of bonds	798,046	-	-	-
Proceeds from the sale of refunding bonds	29,011,368	-	-	183,632
Payment to bond escrow agent	(29,375,437)			-
Transfers in	21,436,978	1,292,580	309,218,173	73,553,416
Transfers out	(412,352,330)	(3,510,512)	(4,700,000)	(203,068,936)
Total other financing sources (uses)	**(390,481,375)**	**(2,217,932)**	**304,518,173**	**(129,331,888)**
Net change in fund balances	**(7,306,868)**	**(6,747,384)**	**(7,657,545)**	**1,341,353**
Fund balances, July 1 (deficit)	**163,029,792**	**20,360,812**	**47,960,035**	**115,240,703**
Fund balances, June 30 (deficit)	**$ 155,722,924**	**$ 13,613,428**	**$ 40,302,490**	**$ 116,582,056**

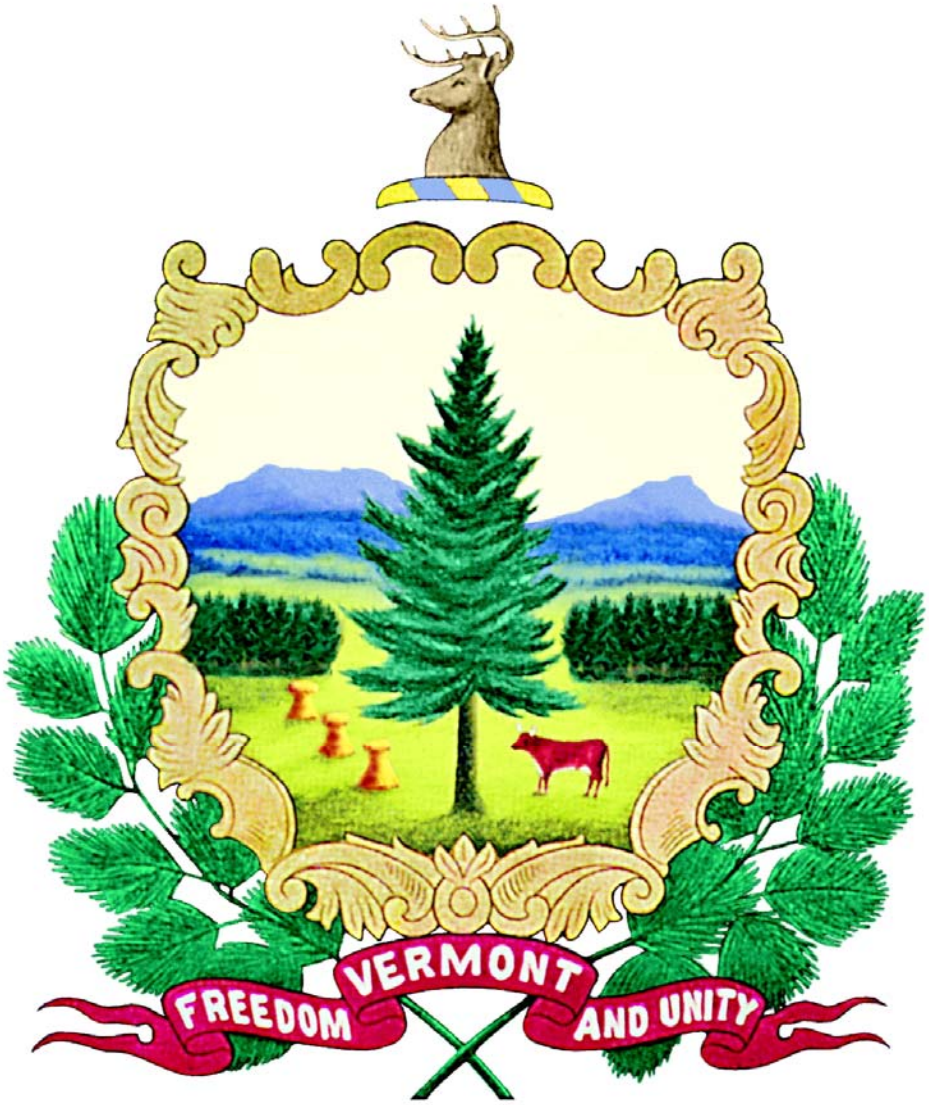
The accompanying notes are an integral part of these financial statements.

Federal Revenue Fund	Global Commitment Fund	Non-major Governmental Funds	Eliminations	Total Governmental Funds
$ -	$ -	$ -	$ -	$ 621,512,142
-	-	-	-	71,264,721
-	-	-	-	336,612,693
-	-	-	-	120,326,831
-	-	972,009	-	65,080,901
-	-	-	-	79,084,039
-	-	-	-	798,904,652
-	-	-	-	316,314,108
			-	
-	-	183,920	-	61,444,288
-	-	47,283	-	3,859,742
-	-	-	-	13,837,396
1,132,027,191	-	6,887,374	-	1,317,932,182
-	-	21,509	-	21,971,622
2,148,819	-	650,427	-	11,993,621
			-	
-	-	1,310	-	15,624,500
-	-	6,165,998	-	80,454,569
-	-	-	-	44,802,264
5,702,960	-	798,024	-	80,021,482
1,139,878,970	**-**	**15,727,854**	**-**	**4,061,041,753**
2,662,165	175,000	8,565,536	-	94,110,859
43,130,707	1,353,675	3,167,257	-	253,195,438
390,032,994	776,567,716	2,580,687	-	1,640,510,798
17,965,580	-	-	-	27,056,304
110,391,122	5,420,658	14,777,124	-	1,547,308,776
25,936,245	-	22,886,066	-	104,318,189
11,074,598	-	1,835,984	-	37,300,524
-	-	101,893	-	369,916,726
-	-	-	-	4,501,715
-	-	-	-	68,698,029
601,193,411	**783,517,049**	**53,914,547**	**-**	**4,146,917,358**
538,685,559	**(783,517,049)**	**(38,186,693)**	**-**	**(85,875,605)**
-	-	46,000,000	-	46,000,000
-	-	-	-	798,046
-	-	-	-	29,195,000
-	-	-	-	(29,375,437)
5,245,533	801,513,791	479,754	(1,181,533,543)	31,206,682
(535,143,302)	(23,042,508)	(2,785,955)	1,181,533,543	(3,070,000)
(529,897,769)	**778,471,283**	**43,693,799**	**-**	**74,754,291**
8,787,790	**(5,045,766)**	**5,507,106**	**-**	**(11,121,314)**
60,968,289	**(31,045,289)**	**55,172,388**	**-**	**431,686,730**
$ 69,756,079	**$ (36,091,055)**	**$ 60,679,494**	**$ -**	**$ 420,565,416**

State of Vermont
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities - Governmental Activities
For the Fiscal Year Ended June 30, 2008

Total net change in fund balances from the previous page	$ (11,121,314)
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period (net of internal service funds).	
Capital outlay/functional expenditures and expensed net book value of disposed capital assets	142,775,092
Depreciation expense	(66,995,782)
Repayment of bond principal is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Principal repayment	51,355,000
Payment to refunding bond escrow agent	29,375,437
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	(46,000,000)
Refunding bonds issued	(29,195,000)
Bond premium is amortized over the life of the bonds in the statement of activities	554,448
Refunding bonds gain amortized over the life of the refunded bonds	(1,189,971)
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	256,586
Receivables in the governmental funds that are not available to provide current financial resources are not reported as revenues in the governmental funds	10,635,293
Estimated personal income tax refunds that are not due and payable are not governmental fund liabilities	(3,772,420)
Some expenses reported in the statement of activities do not require the use of current financial resources and, thererfore, are not reported as expenditures in the governmental funds.	
Net decrease in accrued interest payable	(410,080)
Accreted interest on capital appreciation bonds	(1,769,972)
Increase in compensated absences	(1,174,787)
Increase in employer pension related costs	(8,861,739)
Increase in employer other postemployment benefits related costs	(89,729,537)
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	(5,056,025)
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	3,768,172
Total changes in net assets of governmental activities as reported on the statement of activities	$ (26,556,599)

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



PROPRIETARY FUNDS FINANCIAL STATEMENTS

STATE OF VERMONT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	Business-type Activities - Enterprise Funds		
	Unemployment Compensation Trust Fund	Liquor Control Fund	Vermont Lottery Commission
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 160,674,172	$ 1,940,790	$ 2,250,688
Receivables:			
Taxes receivable (net of allowance for uncollectibles)	11,365,480	-	-
Accrued interest receivable	-	-	-
Accounts receivable (net of allowance for uncollectibles)	406,817	160,586	1,629,558
Loans receivable	-	-	-
Due from other funds	-	15,981	26,682
Intergovernmental receivable - federal	66,756	-	-
Inventories, at cost	-	4,287,919	351,925
Prepaid expenses	-	-	-
Total current assets	**172,513,225**	**6,405,276**	**4,258,853**
Restricted and Noncurrent Assets:			
Cash-subscription reserve fund	-	-	-
Investments	-	-	2,345,849
Loans receivable	-	-	-
Accounts receivable - subscriptions	-	-	-
Imprest cash and change fund - advances	-	6,300	300,000
Capital Assets:			
Land	-	-	-
Construction in progress	-	-	-
Capital assets being depreciated:			
Machinery, equipment and buildings	-	1,152,494	277,742
Less accumulated depreciation	-	(637,376)	(210,540)
Total capital assets, net of depreciation	**-**	**515,118**	**67,202**
Total restricted & noncurrent assets	-	521,418	2,713,051
Total assets	**172,513,225**	**6,926,694**	**6,971,904**
LIABILITIES			
Current Liabilities:			
Accounts payable	1,601,462	4,686,830	524,556
Accrued salaries and benefits	-	469,499	159,079
Claims payable	-	-	-
Due to lottery winners	-	-	487,209
Due to agents	-	247,881	-
Due to other funds	41,504	334,456	-
Interfund payable	-	-	-
Future and unclaimed prizes payable	-	-	3,040,848
Deferred revenue	-	-	182,445
Other liabilities	1,664,449	-	-
Total current liabilities	**3,307,415**	**5,738,666**	**4,394,137**
Liabilities Payable From Restricted Assets:			
Unexpired subscriptions	-	-	-
Due to lottery winners	-	-	1,686,831
Advances from other funds	-	6,300	300,000
Total liabilities payable from restricted assets	**-**	**6,300**	**1,986,831**
Total liabilities	**3,307,415**	**5,744,966**	**6,380,968**
NET ASSETS			
Invested in capital assets	-	515,118	67,202
Restricted for unemployment compensation benefits	169,205,810	-	-
Unrestricted (deficit)	-	666,610	523,734
Total net assets	**$ 169,205,810**	**$ 1,181,728**	**$ 590,936**

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

Business-type Activities - Enterprise Funds			Governmental Activities
Non-major Enterprise Funds	Eliminations	Total Enterprise Funds	Total Internal Service Funds
$ 407,951	$ -	$ 165,273,601	$ 48,674,388
-	-	11,365,480	-
39,307	-	39,307	39,880
272,046	-	2,469,007	10,929,864
1,009,470	-	1,009,470	-
61,219	(41,504)	62,378	-
-	-	66,756	-
353,808	-	4,993,652	2,672,771
133,266	-	133,266	1,235,525
2,277,067	**(41,504)**	**185,412,917**	**63,552,428**
607,989	-	607,989	-
-	-	2,345,849	-
1,748,600	-	1,748,600	-
38,040	-	38,040	-
2,900	-	309,200	15,100
-	-	-	26,156
-	-	-	3,603,541
21,640	-	1,451,876	66,178,494
(20,231)	-	(868,147)	(37,755,367)
1,409	**-**	**583,729**	**32,052,824**
2,398,938	-	5,633,407	32,067,924
4,676,005	**(41,504)**	**191,046,324**	**95,620,352**
151,184	-	6,964,032	5,308,314
118,861	-	747,439	3,488,969
-	-	-	35,832,296
-	-	487,209	-
-	-	247,881	-
-	(41,504)	334,456	2,729,452
1,436,749	-	1,436,749	35,950,090
-	-	3,040,848	-
227,600	-	410,045	141,694
-	-	1,664,449	-
1,934,394	**(41,504)**	**15,333,108**	**83,450,815**
607,989	-	607,989	-
-	-	1,686,831	-
2,900	-	309,200	15,100
610,889	**-**	**2,604,020**	**15,100**
2,545,283	**(41,504)**	**17,937,128**	**83,465,915**
1,409	-	583,729	32,052,824
-	-	169,205,810	-
2,129,313	-	3,319,657	(19,898,387)
$ 2,130,722	**$ -**	**$ 173,109,196**	**$ 12,154,437**

Adjustment to reflect the consolidation of internal service activities related to enterprise funds	8,147
Net Assets - Business-type Activities.....	$ 173,117,343

STATE OF VERMONT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Business-type Activities - Enterprise Funds		
	Unemployment Compensation Trust Fund	Liquor Control Fund	Vermont Lottery Commission
Operating Revenues			
Charges for sales and services	$ 65,327,271	$ 42,746,145	$ -
Ticket sales	-	-	101,985,237
Rental income	-	-	-
License fees	-	1,085,565	-
Federal donated property	-	-	-
Advertising revenue	-	-	-
Other operating revenues	-	2,094,918	15,390
Total operating revenues	**65,327,271**	**45,926,628**	**102,000,627**
Operating Expenses			
Cost of sales and services	-	35,173,958	-
Claims expense	98,853,537	-	-
Lottery ticket prizes	-	-	64,759,920
Agents commissions and fees	-	-	5,969,099
Tri-State (megabucks) and MUSL (powerball) expenses	-	-	2,425,926
Lottery tickets	-	-	1,270,445
Salaries and benefits	-	-	1,285,947
Insurance premium expense	-	-	-
Transportation	-	-	233,816
Contractual services	-	-	-
Repairs and maintenance	-	-	-
Warehouse expense	-	1,138,911	-
Depreciation	-	165,856	23,812
Rental expense	-	-	57,487
Utilities and property management	-	-	-
Non-capital equipment purchased	-	-	-
Stores and agencies expense	-	5,359,323	-
Promotions and advertising	-	-	459,324
Administrative expenses	-	1,679,714	2,095,152
Inspection and enforcement expense	-	1,780,548	-
Supplies and parts	-	-	13,168
Distribution and postage	-	-	-
Travel	-	-	-
Loss on bad debts	101,932	-	-
Other operating expenses	-	3,490	1,004,046
Total operating expenses	**98,955,469**	**45,301,800**	**79,598,142**
Operating income (loss)	**(33,628,198)**	**624,828**	**22,402,485**
Non-Operating Revenues (Expenses)			
Gain (loss) on disposal of capital assets	-	10,529	-
Investment income (expense)	8,404,302	-	325,053
Total non-operating revenues (expenses)	**8,404,302**	**10,529**	**325,053**
Income (loss) before contributions and transfers	**(25,223,896)**	**635,357**	**22,727,538**
Capital contributions from (to) other funds	-	-	-
Transfer in	-	-	-
Transfer out	(402,382)	(836,519)	(22,717,382)
Changes in net assets	**(25,626,278)**	**(201,162)**	**10,156**
Total net assets, July 1	**194,832,088**	**1,382,890**	**580,780**
Total net assets, June 30	**$ 169,205,810**	**$ 1,181,728**	**$ 590,936**

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

Business-type Activities - Enterprise Funds			Governmental Activities
Non-major Enterprise Funds	Eliminations	Total Enterprise Funds	Total Internal Service Funds
$ 1,631,463	$ -	$ 109,704,879	$ 205,392,248
-	-	101,985,237	-
-	-	-	12,475,743
-	-	1,085,565	-
614,582	-	614,582	-
608,726	-	608,726	-
172,495	-	2,282,803	2,692,700
3,027,266	**-**	**216,281,792**	**220,560,691**
1,159,042	-	36,333,000	26,748,926
-	-	98,853,537	111,953,086
-	-	64,759,920	-
-	-	5,969,099	-
-	-	2,425,926	-
-	-	1,270,445	-
945,799	-	2,231,746	30,256,806
-	-	-	6,168,864
55,848	-	289,664	-
16	-	16	4,092,374
1,183	-	1,183	3,239,356
-	-	1,138,911	-
1,780	-	191,448	7,734,632
37,066	-	94,553	2,254,653
10,341	-	10,341	11,293,905
32	-	32	3,460,859
-	-	5,359,323	-
404,010	-	863,334	-
215,286	-	3,990,152	8,822,655
-	-	1,780,548	-
21,654	-	34,822	9,563,000
225,062	-	225,062	-
12,954	-	12,954	249,977
4,350	-	106,282	-
40,623	-	1,048,159	570,250
3,135,046	**-**	**226,990,457**	**226,409,343**
(107,780)	**-**	**(10,708,665)**	**(5,848,652)**
-	-	10,529	12,027
11,007	-	8,740,362	1,455,155
11,007	**-**	**8,750,891**	**1,467,182**
(96,773)	**-**	**(1,957,774)**	**(4,381,470)**
-	-	-	6,940
402,382	(402,382)	-	3,070,000
(345,708)	402,382	(23,899,609)	(3,763,979)
(40,099)	**-**	**(25,857,383)**	**(5,068,509)**
2,170,821	**-**	**198,966,579**	**17,222,946**
$ 2,130,722	**$ -**	**$ 173,109,196**	**$ 12,154,437**

Total change in net assets reported above.....	(25,857,383)
Consolidation adjustment of internal service activities related to enterprise funds.....	(12,484)
Change in net assets - business-type activities.....	$ (25,869,867)

STATE OF VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Business-type Activities - Enterprise Funds		
	Unemployment Compensation Trust Fund	Liquor Control Fund	Vermont Lottery Commission
Cash Flows from Operating Activities:			
Cash received from customers	$ 57,819,361	$ 58,449,332	$ 101,874,682
Cash paid to suppliers for goods and services	-	(41,497,175)	-
Cash paid to employees for services	-	(3,624,002)	(1,264,060)
Cash paid for prizes and commissions	-	-	(70,459,082)
Cash paid to claimants	(90,913,154)	-	-
Liquor taxes and licenses paid	-	(14,630,823)	-
Cash paid for fees, operations and other	-	-	(7,665,577)
Other operating revenues (expenses)	(8,941)	2,091,428	15,390
Net cash provided (used) by operating activities	**(33,102,734)**	**788,760**	**22,501,353**
Cash Flows from Noncapital Financing Activities:			
Operating transfers in (out)	(392,309)	(836,519)	(22,856,438)
Interfund loans and advances	-	-	-
Net cash provided (used) by noncapital financing activities	**(392,309)**	**(836,519)**	**(22,856,438)**
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	-	(363,350)	-
Proceeds from sale of capital assets	-	10,881	-
Net cash provided (used) by capital and related financing activities	**-**	**(352,469)**	**-**
Cash Flows From Investing Activities:			
Interest and dividends on investments	8,404,302	-	397,199
Proceeds from sales/maturities of investments	-	-	245,072
Interest & penalties received (paid)	-	-	-
Excess cash transferred	-	-	-
Net cash provided (used) by investing activities	**8,404,302**	**-**	**642,271**
Net increase (decrease) in cash and cash equivalents	**(25,090,741)**	**(400,228)**	**287,186**
Cash and cash equivalents at July 1	**185,764,913**	**2,347,318**	**2,263,502**
Cash and cash equivalents at June 30 (see note below)	**$ 160,674,172**	**$ 1,947,090**	**$ 2,550,688**
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	$ (33,628,198)	$ 624,828	$ 22,402,485
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	-	165,856	23,812
(Increase) decrease in accounts/taxes receivable	463,250	(20,885)	(136,701)
(Increase) decrease in loans receivable	-	-	-
(Increase) decrease in accrued interest receivable	-	-	-
(Increase) decrease in due from other funds	-	(15,981)	(3,169)
(Increase) decrease in inventory	-	64,271	37,568
(Increase) decrease in prepaid expenses	-	-	-
(Increase) decrease in intergovernmental receivable - federal	42,062	-	-
Increase (decrease) in accounts payable	-	(80,109)	(103,045)
Increase (decrease) in accrued salaries and benefits	-	82,873	21,887
Increase (decrease) in claims payable	197,070	-	-
Increase (decrease) in due to lottery winners	-	-	(388,756)
Increase (decrease) in due to agents	-	(91,509)	-
Increase (decrease) in future and unclaimed prizes payable	-	-	621,125
Increase (decrease) in due to other funds	-	59,416	-
Increase (decrease) in deferred revenue	-	-	26,147
Increase (decrease) in other liabilities	(176,918)	-	-
Increase (decrease) in subscription reserves	-	-	-
Total adjustments	**525,464**	**163,932**	**98,868**
Net cash provided (used) by operating activities	**$ (33,102,734)**	**$ 788,760**	**$ 22,501,353**

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

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

Business-type Activities - Enterprise Funds		Governmental Activities
Non-major Enterprise Funds	Total Enterprise Funds	Total Internal Service Funds
$ 3,358,451	$ 221,501,826	$ 221,510,317
(3,247,007)	(44,744,182)	(73,419,389)
(924,839)	(5,812,901)	(29,916,815)
-	(70,459,082)	-
-	(90,913,154)	(109,830,080)
-	(14,630,823)	-
-	(7,665,577)	-
56,113	2,153,990	2,122,450
(757,282)	**(10,569,903)**	**10,466,483**
(1,290)	(24,086,556)	(693,979)
233,356	233,356	1,037,420
232,066	**(23,853,200)**	**343,441**
-	(363,350)	(8,041,572)
-	10,881	671,684
-	**(352,469)**	**(7,369,888)**
11,008	8,812,509	1,581,534
-	245,072	-
392,309	392,309	-
(344,418)	(344,418)	-
58,899	**9,105,472**	**1,581,534**
(466,317)	**(25,670,100)**	**5,021,570**
1,485,157	**191,860,890**	**43,667,918**
$ 1,018,840	**$ 166,190,790**	**$ 48,689,488**
$ (107,780)	$ (10,708,665)	$ (5,848,652)
1,780	191,448	7,734,632
11,895	317,559	3,998,935
(522,006)	(522,006)	-
(24,632)	(24,632)	-
(18,000)	(37,150)	(356,609)
45,732	147,571	183,585
(25,967)	(25,967)	(270,916)
-	42,062	-
(7,387)	(190,541)	(330,096)
20,960	125,720	339,992
-	197,070	2,123,006
-	(388,756)	-
-	(91,509)	-
-	621,125	-
-	59,416	2,939,930
(112,039)	(85,892)	(47,324)
-	(176,918)	-
(19,838)	(19,838)	-
(649,502)	**138,762**	**16,315,135**
$ (757,282)	**$ (10,569,903)**	**$ 10,466,483**

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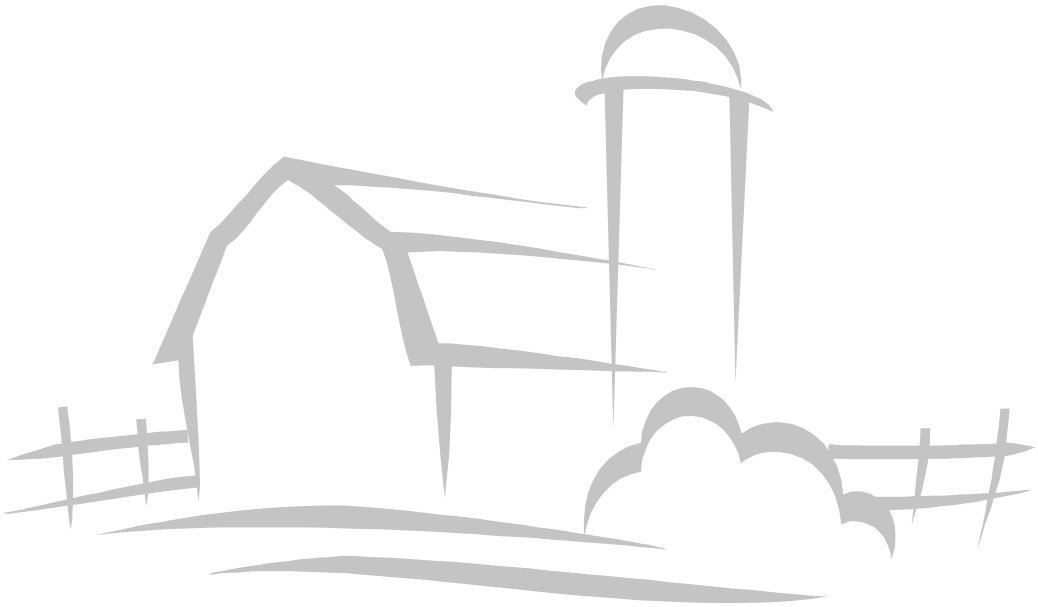

Vermont

FIDUCIARY FUNDS FINANCIAL STATEMENTS

STATE OF VERMONT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	Pension and Other Postemployment Benefits Trust Funds	Investment Trust Fund	Private Purpose Trust Fund: Unclaimed Property Fund	Agency Funds
ASSETS				
Cash and cash equivalents	$ 15,141,694	$ -	$ 4,317,256	$ 4,904,565
Investments at fair value	3,228,223,497	117,750,454	1,773,103	-
Receivables:				
Taxes	-	-	-	2,189,808
Contributions - current	8,687,492	-	-	-
Contributions - non-current	11,051,031	-	-	-
Interest and dividends	1,172,565	-	-	-
Investments sold	4,112,227	-	-	-
Other	264,169	-	-	422,431
Due from other funds	152,269	-	263	23,165
Prepaid expenses	2,744,451	-	-	-
Other assets	-	22,211	837,540	-
Capital assets:				
Construction in progress	2,407,498	-	-	-
Capital assets being depreciated:				
Equipment	183,814	-	-	-
Less accumulated depreciation	(71,994)	-	-	-
Total capital assets, net of depreciation	2,519,318	-	-	-
Total assets	**3,274,068,713**	**117,772,665**	**6,928,162**	**7,539,969**
LIABILITIES				
Liabilities:				
Accounts payable	2,624,933	104,235	25,562	-
Accrued liabilities	-	-	15,160	-
Claims payable	-	-	5,457,396	-
Due to other funds	-	-	13,970	-
Retainage	220,533	-	-	-
Interfund loans payable	-	-	-	84,094
Due to depositories	-	-	-	49,418
Intergovernmental payable - other governments	-	-	-	3,094,799
Amounts held in custody for others	-	-	-	3,094,795
Payable for investments purchased	11,027,296	-	-	-
Other liabilities	-	-	-	1,216,863
Total liabilities	**13,872,762**	**104,235**	**5,512,088**	**$ 7,539,969**
NET ASSETS HELD IN TRUST FOR:				
Employees' pension benefits	$ 3,247,885,108	$ -	$ -	
Employees' other postemployment benefits	12,310,843	-	-	
Pool participants	-	117,668,430	-	
Individuals, organizations and other governments	-	-	1,416,074	
Net assets held in trust for benefits & other purposes	**$ 3,260,195,951**	**$ 117,668,430**	**$ 1,416,074**	

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

STATE OF VERMONT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Pension and Other Postemployment Benefits Trust Funds	Investment Trust Fund	Private Purpose Trust Fund Unclaimed Property Fund
ADDITIONS			
Contributions:			
Employer - pension benefit	$ 49,695,432	$ -	$ -
Employer - healthcare benefit	42,313,769	-	-
Plan member	52,757,383	-	-
Transfers from non-state systems	248,120	-	-
Medicare part D drug subsidy	1,406,469	-	-
Total contributions	146,421,173	-	-
Investment Income:			
Net appreciation (depreciation) in fair value of investments	74,679,550	-	-
Loss from investment pool	(325,315,187)	(12,429,447)	-
Dividends	14,696,449	-	-
Interest income	29,455,616	-	154,539
Securities lending income	5,470,999	22,211	-
Other income	1,157,229	-	-
Less Investment Expenses:			
Investment managers and consultants	(12,080,451)	(98,674)	-
Securities lending expenses	(1,367,169)	(5,561)	-
Net investment income (loss)	(213,302,964)	(12,511,471)	154,539
Pool participant deposits	-	130,179,901	
Escheat property remittances	-	-	4,746,138
Total additions	**(213,302,964)**	**117,668,430**	**4,900,677**
DEDUCTIONS			
Retirement benefits	166,690,118	-	-
Other post employment benefits	32,114,682	-	-
Refunds of contributions	3,838,256	-	-
Death claims	941,658	-	-
Depreciation	71,994	-	
Operating expenses	2,750,764	-	595,443
Transfers out	-	-	3,543,094
Total deductions	**206,407,472**	**-**	**4,138,537**
Change in net assets held in trust for:			
Employees' pension benefits	(283,389,232)	-	-
Employees' other postemployment benefits	10,099,969	-	-
Pool participants	-	117,668,430	-
Individual, organizations and other governments	-	-	762,140
Net Assets, July 1	**3,533,485,214**	**-**	**653,934**
Net Assets, June 30	**$ 3,260,195,951**	**$ 117,668,430**	**$ 1,416,074**

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

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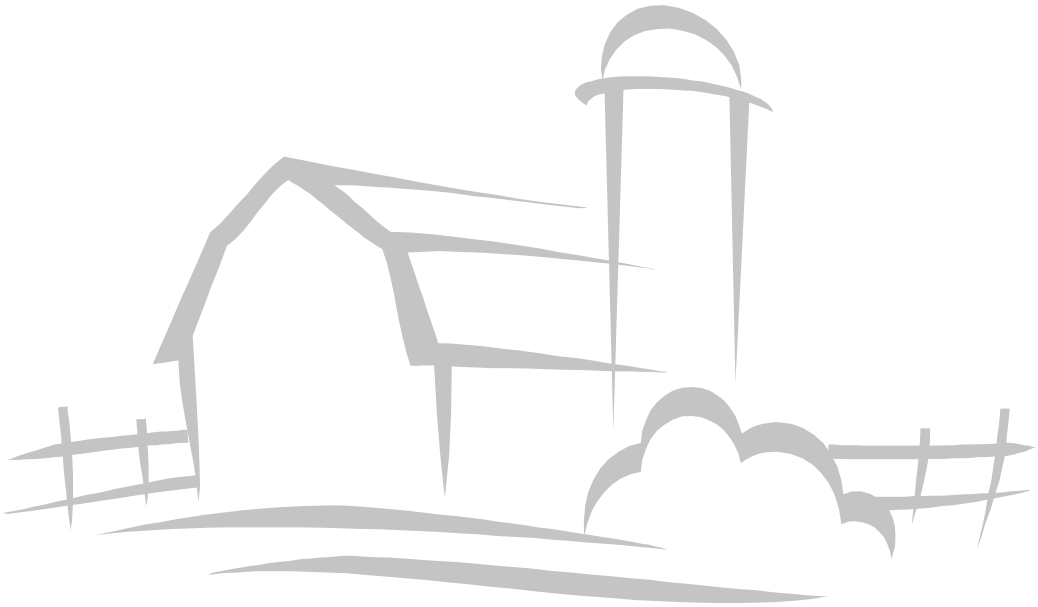

Vermont

Component Units Financial Statements

STATE OF VERMONT
STATEMENT OF NET ASSETS
COMPONENT UNITS
June 30, 2008

	Vermont Student Assistance Corporation	University of Vermont and State Agricultural College	Vermont State Colleges	Non-major Component Units	Total Component Units
ASSETS					
Current Assets:					
Cash and cash equivalents	$ 90,587,000	$ 4,589,000	$ 2,211,713	$ 24,858,605	$ 122,246,318
Investments	2,762,000	112,117,000	16,158,667	11,690,061	142,727,728
Accounts receivable (net)	-	45,654,000	7,894,377	1,947,245	55,495,622
Accrued interest receivable - loans	55,255,000	-	-	16,723,348	71,978,348
Accrued interest receivable - investments	215,000	-	-	-	215,000
Loans and notes receivable - current portion	142,177,000	3,495,000	-	47,866,855	193,538,855
Other receivables	869,000	3,024,000	-	62,384	3,955,384
Due from federal government	440,000	-	-	17,589,553	18,029,553
Due from primary government	-	-	-	368,354	368,354
Inventories (at cost)	-	-	128,285	106,740	235,025
Other current assets	1,634,000	10,822,000	1,047,703	875,639	14,379,342
Total current assets	**293,939,000**	**179,701,000**	**27,440,745**	**122,088,784**	**623,169,529**
Restricted and Non-Current Assets:					
Cash and cash equivalents	-	3,535,000	72,306,063	2,575,608	78,416,671
Investments	-	362,183,000	31,699,590	62,065,181	455,947,771
Deferred bond issue costs	9,277,000	-	-	5,883,049	15,160,049
Loans and notes receivable (net)	1,906,343,000	33,575,000	5,146,931	592,682,986	2,537,747,917
Other assets	-	6,075,000	765,060	5,317	6,845,377
Total restricted and noncurrent assets	**1,915,620,000**	**405,368,000**	**109,917,644**	**663,212,141**	**3,094,117,785**
Capital Assets:					
Land	3,150,000	20,499,000	5,287,848	563,608	29,500,456
Construction in process	-	5,727,000	6,527,903	90,673	12,345,576
Building and leasehold improvements	16,711,000	591,425,000	138,164,245	19,329,338	765,629,583
Equipment, furniture and fixtures	9,742,000	142,089,000	12,139,139	3,544,521	167,514,660
Infrastructure	-	-	21,093,971	-	21,093,971
Accumulated depreciation	(7,316,000)	(256,407,000)	(91,828,974)	(12,546,125)	(368,098,099)
Total capital assets, net of depreciation	**22,287,000**	**503,333,000**	**91,384,132**	**10,982,015**	**627,986,147**
Total assets	**2,231,846,000**	**1,088,402,000**	**228,742,521**	**796,282,940**	**4,345,273,461**
LIABILITIES					
Current Liabilities:					
Accounts payable and accrued liabilities	6,809,000	52,541,000	14,665,629	2,982,709	76,998,338
Accrued interest payable	-	-	-	173,364	173,364
Bond interest payable	2,506,000	-	-	1,764,468	4,270,468
Deferred revenue	6,331,000	16,611,000	7,727,749	165,157	30,834,906
Current portion of long-term liabilities	1,670,000	7,159,000	2,544,738	118,850,058	130,223,796
Due to primary government	-	-	-	2,707,271	2,707,271
Escrowed cash deposits	-	-	-	167,000	167,000
Other current liabilities	-	-	-	14,410,885	14,410,885
Total current liabilities	**17,316,000**	**76,311,000**	**24,938,116**	**141,220,912**	**259,786,028**
Restricted and Non-Current Liabilities:					
Bonds, notes and leases payable	2,064,295,000	412,877,000	117,967,271	449,864,361	3,045,003,632
Accounts payable and accrued liabilities	-	15,383,000	568,809	-	15,951,809
Accrued arbitrage rebate	25,390,000	-	-	1,177,386	26,567,386
Other liabilities	-	26,292,000	13,639,773	30,964	39,962,737
Total liabilities payable from restricted assets	**2,089,685,000**	**454,552,000**	**132,175,853**	**451,072,711**	**3,127,485,564**
Total liabilities	**2,107,001,000**	**530,863,000**	**157,113,969**	**592,293,623**	**3,387,271,592**
NET ASSETS					
Invested in capital assets, net of related debt	2,475,000	115,623,000	46,201,088	7,619,326	171,918,414
Restricted	62,302,000	356,834,000	16,606,171	169,471,713	605,213,884
Unrestricted	60,068,000	85,082,000	8,821,293	26,898,278	180,869,571
Total net assets	**$ 124,845,000**	**$ 557,539,000**	**$ 71,628,552**	**$ 203,989,317**	**$ 958,001,869**

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

STATE OF VERMONT
STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2008

	Vermont Student Assistance Corporation	University of Vermont and State Agricultural College	Vermont State Colleges	Non-major Component Units	Total Component Units
Expenses:					
Salaries and benefits	$ 25,895,000	$ 341,589,000	$ 100,836,226	$ 16,888,210	$ 485,208,436
Other expenses	45,291,000	165,313,000	41,498,632	23,364,375	275,467,007
Scholarships, grants and fellowships	26,345,000	12,551,000	4,775,192	-	43,671,192
Depreciation	1,467,000	26,094,000	5,594,586	750,096	33,905,682
Interest on debt	100,478,000	14,414,000	1,909,835	24,524,519	141,326,354
Total expenses	199,476,000	559,961,000	154,614,471	65,527,200	979,578,671
Program Revenues:					
Charges for services	106,106,000	290,105,000	95,771,945	45,210,709	537,193,654
Operating grants and contributions	71,709,000	207,330,000	53,296,096	12,262,643	344,597,739
Captial grants and contributions	-	10,112,000	2,737,097	1,657,172	14,506,269
Total program revenues	177,815,000	507,547,000	151,805,138	59,130,524	896,297,662
Net revenue (expense)	(21,661,000)	(52,414,000)	(2,809,333)	(6,396,676)	(83,281,009)
General Revenues:					
Property transfer tax	-	-	-	15,483,258	15,483,258
Investment income	7,676,000	4,154,000	231,571	7,330,949	19,392,520
Additions to non-expendable endowments	-	-	879,118	-	879,118
Miscellaneous	-	-	-	1,169,140	1,169,140
Total general revenues	7,676,000	4,154,000	1,110,689	23,983,347	36,924,036
Changes in net assets	(13,985,000)	(48,260,000)	(1,698,644)	17,586,671	(46,356,973)
Net assets - beginning, restated (Note 17)	138,830,000	605,799,000	73,327,196	186,402,646	1,004,358,842
Net assets - ending	$ 124,845,000	$ 557,539,000	$ 71,628,552	$ 203,989,317	$ 958,001,869

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

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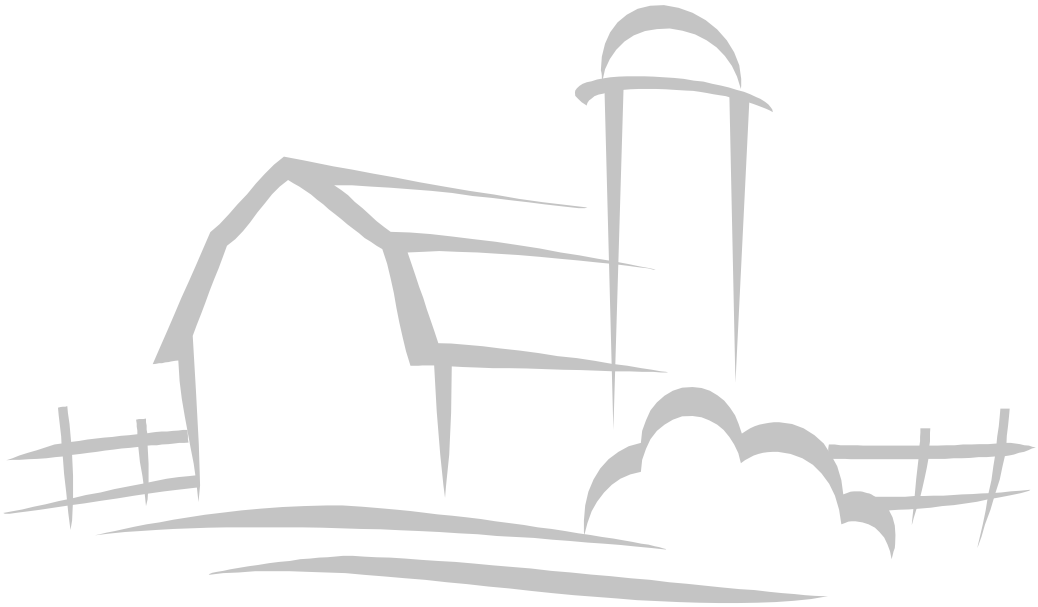

Vermont

State of Vermont
Notes to the Financial Statements
Fiscal Year Ended June 30, 2008

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Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the State of Vermont (State) have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). Newly implemented in these statements are the requirements of GASB Statement No. 45 – "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," and Statement No. 50 – "Pension Disclosures – An Amendment of GASB Statements No. 25 and 27." As a result, the State has made changes in its measurement, recognition, and display of postemployment benefits (OPEB) expenses and related liabilities, and note disclosures and Required Supplementary Information (RSI) associated with OPEB and pension obligations. See note 5 for more detailed information.

The accompanying financial statements present the financial position of the State, the results of operations of the State and the various funds and fund types, and the cash flows of the various proprietary funds. The financial statements are presented as of and for the period ending June 30, 2008.

A. Reporting Entity

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

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

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

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

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

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

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

COMPONENT UNITS

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

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

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

Major Component Units

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

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

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

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

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

Non-major Component Units

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

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

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

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

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

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

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

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

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

Vermont Film Corporation – The Vermont Film Corporation is a non-profit public corporation, created pursuant to 10 V.S.A. 644-650, for the purpose of promoting the state as a location for commercial film and television production, and to facilitate the participation of local individuals and companies in such productions. Additional information may be obtained by contacting the corporation at 10 Baldwin St., Drawer 33, Montpelier, Vermont 05633-2001.

Vermont Telecommunications Authority – The Vermont Telecommunications Authority was created in June 2007 pursuant to 30 V.S.A. 8061, for the purposes of ensuring that all regions of the state have access to affordable broadband and mobile telecommunications services by the year 2010 and promoting and facilitating ongoing upgrades in statewide telecommunications infrastructure in the most efficient and economically feasible manner. Additional information may be obtained by contacting the corporation at One National Life Drive, Montpelier, Vermont 05620-3205.

Vermont Transportation Authority (VTA) – The Vermont Legislature specifically authorized the creation of VTA pursuant to the acquisition, operation, and support of an authorized transportation facility as defined in 29 V.S.A. 701. The VTA is not currently an operating organization. Additional information may be obtained from the Agency of Transportation – Rail Division, National Life Building, Montpelier, Vermont 05633–5001.

* - Indicates entity was audited by KPMG LLP.

JOINT VENTURES

A joint venture is a legal entity or other contractual arrangement that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or responsibility. The Tri-State Lotto Commission (31 V.S.A. 673) is classified as a joint venture. The financial activities' of this organization is not included in the State's financial statements; however, see Note 13 for additional information regarding the organization.

JOINTLY-GOVERNED ORGANIZATIONS

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

Connecticut River Valley Flood Control Commission (10 V.S.A. 1153)
New England Board of Higher Education (16 V.S.A. 2692)
New England Interstate Water Pollution Control Commission (10 V.S.A. 1333)
Northeastern Forest Fire Protection Commission (10 V.S.A. 2503)

RELATED ORGANIZATIONS

Related organizations are separate legal entities for which the primary government appoints a voting majority of the board members, but does not have either (a) the ability to impose its will on the organization or (b) a relationship of financial benefit or burden with the organization. The following entities have been classified as related organizations, and thus 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
Connecticut River Atlantic Salmon Commission (10 V.S.A. 4654)
Texas Low Level Radioactive Waste Disposal Compact (10 V.S.A. 7013)

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

B. Government-wide Financial Statements

The State of 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 (the amount by which assets exceed liabilities) are reported on the Statement of Net Assets in three components:

(1) Invested in capital assets, net of related debt – total amount of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds and other debt that is related to the acquisition or construction of those assets;

(2) Restricted – for amounts when constraints placed on the net assets are either externally imposed, or are imposed by constitutional provisions or enabling legislation. The amount of governmental activities net assets restricted by enabling legislation for the State as of June 30, 2008, is $98,430,952.

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

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

C. Fund Financial Statements

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

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

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

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

Government-wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Statewide education property taxes are recognized as revenues in the year for which the taxes are levied. This property tax is levied by the State on July 1, is included in the property tax bills levied by municipalities. and is collected by municipalities. The municipalities, by December 1 and June 1, must make payment to the State Treasurer in the amount specified by the Commissioner of Taxes.

Governmental Fund Financial Statements – The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State generally considers revenues to be available if they are collected within 60 days of year-end. Major 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, with the following exceptions:

a. Employees' vested annual, personal, and compensatory leave time are recorded as expenditures when utilized. The amount of accumulated leave unpaid at the end of the fiscal year has been reported only in the accrual-basis financial statements and does not include any accruals for the State's share of any payroll taxes that will be due when the expenditures are actually paid. See the "Compensated Absences" section of this footnote for additional information.
b. Interest on general long-term debt is recognized when due to be paid.
c. Debt service expenditures and claims and judgments are recorded only when payment is due to be paid.

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

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

E. Fund Accounting

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

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

GOVERNMENTAL FUNDS

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

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

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

Education Fund – This fund is a major special revenue fund. It was established by the Vermont Legislature to equalize statewide education funding requirements. Sources of funding and allowable expenditures are codified in 16 V.S.A. 4025. These allowable expenditures include payments to school districts and supervisory unions for the support of education, the costs of short-term borrowing, and statewide education tax income sensitivity adjustments. Funding includes the statewide education tax, allocations of other taxes, State lottery profits, Medicaid reimbursements, and appropriated transfers from the General Fund.

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

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

Global Commitment (to health) Fund – This fund is a major special revenue fund created in accordance with Section16c of 33 V.S.A. 1901e. It is the result of Vermont entering into a Medicaid demonstration waiver agreement with the Federal Government. This agreement caps Federal expenditures in Medicaid services for five years but gives Vermont great latitude in promoting universal access to health care, cost containment, and effective administration. The State will be financially at risk for managing costs within the capped limits but stands to benefit from any savings realized from program efficiencies. As part of the agreement, the Agency of Human Resources (AHS) has contracted with the Office of Vermont Health Access, which will serve as a publicly sponsored managed care organization, and adhere to all Federal managed care organization regulations.

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

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

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

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

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

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

PROPRIETARY FUNDS

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

Enterprise Funds – These eight funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The State's intent in these funds is to recover the costs including depreciation expense associated with providing the goods and services to the public primarily through user charges. Three of these enterprise funds, reporting the activities of the State's unemployment compensation program, the liquor control board, and the State's lottery program, are reported as "major funds" while the remaining five are reported as non-major funds.

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

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

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

Internal Service Funds – These twenty-two separate funds are used to account for the financing of goods and services provided by one State department to other State agencies, departments, or intergovernmental units. Their objective is not to make a profit but rather to recover the total cost of providing these goods and services by charging users of their services and products. Activities accounted for in the State's internal service funds include risk management; employee group insurance programs; equipment acquisition and maintenance; rental and maintenance of facilities; financial, human resource, audit, and information technology services; postage, copying and supply procurement services; and State vehicle fleet management. In the government-wide financial statements, Internal Service Funds are reported within the governmental activities.

FIDUCIARY FUNDS

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

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

Investment Trust Fund – Under the authority granted in 3 V.S.A. 523, beginning in Fiscal Year 2008, the State Treasurer created and began accepting deposits into the Vermont Pension Investment Committee (VPIC) Investment Pool, an external investment pool. The investment trust fund is used to account for the investments of the external participants in the Pool.

Private Purpose Trust Fund – The State's only fund in this category is the *Unclaimed Property Fund*, which accounts for all abandoned property that is required to be remitted to the State. The State Treasurer administers procedures for returning this property to its rightful owner if he/she can be located. In addition to monetary assets, from time to time the State Treasurer may have custody of tangible property that has not been valued and therefore is not reported in the financial statements. Each year, the fund retains the greater of $100,000 or fifty percent of the amount received during the previous year, and the balance after deduction for operating expense is transferred to the General Fund. Amounts for which the eligibility period for being claimed has expired are transferred to the Vermont Higher Education Endowment Fund (a permanent fund).

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.

CASH AND CASH EQUIVALENTS

Cash balances for most funds are deposited with the State Treasurer, except for the Pension Trust Funds, Investment Trust Fund, 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 based on average daily balances to those funds authorized to receive it while any remaining earnings are deposited in the General Fund.

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

INVESTMENTS

Investments are stated at fair value. Fair values of investments are based on quoted market prices. Additional information regarding types of investments and basis of valuation, see Note 2.

RECEIVABLES

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

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

The "Investments Sold" receivable balance on the Statement of Fiduciary Net Assets represent monies due to the respective retirement funds for investments sold or matured prior to the statement date, but for which the receipts were received subsequent to year-end.

INVENTORIES

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

PREPAID EXPENSES

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

CAPITAL ASSETS AND DEPRECIATION

Capital assets, which include property, plant, equipment, and infrastructure assets, are recorded in the Government-wide Statement of Net Assets at actual or estimated historical cost or, if donated, at the estimated fair market value on the date donated to the State. Interest incurred on debt issued for construction of governmental activities capital assets is not capitalized. The majority of the historic artifacts and collections that are maintained by the various State agencies and departments are not included in the capital asset reporting. The items not reported are protected and preserved, held for public exhibition and educational purposes and the proceeds from any sales of such items are used to acquire new items for the collection.

Vermont defines a Capital Asset as a physical resource that costs at least $5,000 and provides a future economic benefit for more than 1 year. 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 opposed to State employees, cost at least $50,000 and provide future economic benefit for more than 1 year. Normally, infrastructure assets are much greater in value, have a longer economic life, and can be preserved for a greater number of years than most capital assets.

Capital assets are depreciated over their useful lives using the straight-line mid-month depreciation method. Useful lives for buildings are 20 to 50 years, equipment is 3 to 24 years and infrastructure assets are 6 to 80

years. Additional disclosures related to capital assets and assets acquired through capital leases are found in Notes 4 and 7, respectively.

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

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

DEFERRED REVENUE

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

ACCOUNTS PAYABLE

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

The “payable for investments purchased” balance for the Pension Trust Funds represents amounts due for securities purchased prior to year-end, which were paid subsequent to year-end.

ACCRUED LIABILITIES

Accrued liabilities consist of employee wages and related fringe benefit accruals earned by employees as of the statement date. 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 PAYABLE

Tax refunds payable primarily represent amounts owed by the State to taxpayers because of overpayment of their personal income tax liabilities. Tax refunds payable, which reduce respective tax revenues, are accrued to the extent they are measurable based on payments and estimates. The amount reported as tax refunds payable at June 30, 2008 in the governmental funds statements is comprised of tax refunds for filed tax returns due and payable at June 30, 2008. The amount reported as tax refunds payable at June 30, 2008 in the government–wide financial statements is comprised of estimated tax liability overpayments for the first and second calendar quarters of year 2008 tax liability as well as overpayments for calendar year 2007 and prior years’ tax liabilities that have not been paid out as of June 30, 2008.

ARBITRAGE REBATE OBLIGATIONS

In accordance with Section 148(f) of the U.S. Internal Revenue Code, the State must rebate to the U.S. Government the excess of interest earned from the investment of certain debt proceeds over the yield rate of the applicable debt. Arbitrage rebate, if any, is due and payable on each five-year anniversary of the respective debt issue. As of June 30, 2008, the primary government had no outstanding arbitrage rebate obligation. The arbitrage rebate liabilities reported by the discretely-presented component units are included in “Other Long-term Liabilities” in the government-wide statement of activities.

ENCUMBRANCES

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

FUND BALANCES

Fund balances for governmental funds are classified as either reserved or unreserved. Reserved fund balances reflect either (1) assets which, by their nature, are not available for appropriation such as “reserved of advances and notes receivable;” (2) funds legally separated for a specific use such as “reserved for encumbrances;” or (3) funds segregated by legal restrictions such as “reserved for endowments” that includes the non-expendable portion of the permanent funds. Certain other reservations of the Governmental Funds’ fund balances are described below.

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

Reserved 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 being credited to and reserved in the General Fund to meet future debt obligations associated with issuance of bonds relating to asbestos removal. The reserved amount is reduced annually through fiscal year 2009 in proportion to the repayment schedule of the bonds issued to refinance the asbestos removal. The reserve for debt service also includes the premium on the sale of bonds for general obligation bonds sold during the fiscal year. This portion of the reserve will be appropriated in the following fiscal year to be used on the first payment of principal or interest due on the bonds.

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

Reserved for General and Transportation Surplus – These reserves were established pursuant to 32 V.S.A. 308c. After satisfying the requirements of the budget stabilization reserves in the General and Transportation Funds, and after other reserve requirements have been met, any remaining unreserved and undesignated end of fiscal year surplus’ in these funds are required to be reserved in the General and Transportation Funds’ surplus reserve. Monies from these reserves are to be available for appropriation by the general assembly.

Reserved for Downtown Housing Tax Credit – Act 192 Section 5.803 of the 2008 legislative session required that to the extent that budgetary basis general fund unreserved and undesignated fund balance remained after other specific reserves, monies are to be reserved for use in fiscal year 2009 to offset a downtown housing development tax credit.

COMPENSATED ABSENCES

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

earned by the employees but must be taken within an accrual year or forfeited.

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

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

BOND DISCOUNTS, PREMIUMS, AND ISSUANCE COSTS

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

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

INTERFUND TRANSACTIONS

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

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

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

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

USE OF ESTIMATES

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

Note 2: CASH, CASH EQUIVALENTS AND INVESTMENTS

A. Primary Government – Excluding Pension and Investment Trust Funds

Deposits and investments for the primary government are governed by State statutes. When depositing public monies, the State Treasurer must act in accordance with 32 V.S.A. 431. Although the statute provides requirements for the collateralization of deposits, it does not establish limits. These limits are set by published formal guidelines issued by the State Treasurer. The State has an investment policy with an overriding goal of providing optimum coverage of risk exposure and maintaining liquidity necessary for future cash needs while maximizing the return on investments. Two sections of state statute govern the investment of the State's operating and restricted cash (i.e., non-pension funds).

When investing public monies, the State Treasurer must act in accordance with 32 V.S.A. 433. Types of investments allowed include obligations of the United States, its agencies and instrumentalities, and any repurchase agreements whose underlying collateral consists of such obligations or other approved money market instruments; certificates of deposit issued by banks and savings and loan associations approved by the State Treasurer; prime bankers' acceptances; prime commercial paper; tax exempt securities; and domestic money market funds. Also, the State Treasurer's Office issues additional formal guidance that is reviewed periodically, to assure that the three investment objectives -- safety, liquidity, and yield -- are met.

The statutory investment guidelines for certain trust funds are contained in 32 V.S.A. 434, referred collectively as the Trust Investment Account. These include the nonexpendable fund balances of the Permanent Trust Funds (including the Higher Education Trust Fund), the Fish and Wildlife Trust Fund (reported in the Fish & Wildlife Fund), Tobacco Trust and Agency of Natural Resources Land and Facilities Trust Funds (reported in the Special Fund), and the Vermont State Postemployment Benefits Trust Fund.

The State Treasurer may invest funds in accordance with the standard of care established by the prudent investor rule and apply the same investment objectives and policies adopted by the Vermont State Employees' Retirement System, where appropriate, to the investment of funds in the Trust Investment Account.

Deposits - Custodial Credit Risk
The custodial credit risk for deposits is the risk that in the event of a depository financial institution failure, the government will not be able to recover funds deposited in the failed institution or will not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not covered by depository (FDIC) insurance and are uncollateralized or collateralized with securities held by the pledging financial institution or by the pledging financial institution's trust department or agent but not in the depositor – government's name. Although State statute does not require deposits to be collateralized, the Treasurer requires the State's cash deposits held in its primary bank to be collateralized with either United States Treasury securities or Vermont municipal securities or other approved money market instruments. Certificates of deposit are collateralized, in whole or in part, on the basis of agreements with the bank, a protocol requiring periodic due diligence and review of bank capitalization and assets. Bank deposits in excess of the FDIC amounts and collateral agreements are uninsured and uncollateralized. The bank collateral for the State's deposit balances is held by the banks' trust department for the benefit of the State. Bank balances of deposits for the primary government, excluding pension and investment trust funds, as of June 30, 2008 (including $50 million certificates of deposits) were $101,650,310. Of these, $6,466,045 (including $3.45 million certificates of deposits) was exposed to custodial credit risk as uninsured and uncollateralized.

Investments
Investments are stated at market value in the case of marketable securities and at estimated fair value for certain nonmarketable securities. Money market and other short-term investments are reported at market value when published market prices and quotations are available, or at amortized cost, which approximates fair value. Management at the State Treasurer's Office is responsible for the fair value measurements of investments reported in the financial statements. The State Treasurer's Office has implemented policies and procedures to assess the reasonableness of the fair values provided; the Office believes that reported fair values at the balance sheet date are reasonable.

(a) Interest Rate Risk – Investments

Interest rate risk is the extent that changes in market interest rates of debt investments will adversely affect the fair market value of an investment. The State's primary government portfolio includes daily operating cash in the form of short-term cash equivalents and money market instruments The State Treasurer's Office minimizes the risk of the market value of securities falling due to changes in interest rates by holding this portion of the portfolio in securities with a maturity of one year or less. In addition, money market funds are also utilized and are operated on the basis of SEC Rule 2a-7, purchasing the highest rated debt which matures in under 13 months while maintaining an a weighted average maturity of less than 90 days. Manager guidelines for assets of the Trust Investment Account limit effective duration to +/- 30 percent of the Lehman Aggregate Bond Index. The calculation of the duration of mortgage backed securities involves assumptions as to the expected future prepayment rate for the security. The managers are required to calculate duration at the time of initial purchase and on a routine basis to maintain compliance with these guidelines. The primary government's investments,

Primary Government Investments - Excluding Pension and Investment Trust Funds

(Expressed in Thousands)

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less Than 1**	**1 to <6**	**6 to 10**	**More Than 10**
Debt Investments					
US Agencies/Treasuries	$ 61,332	$ 20,275	$ 794	$ 833	$ 39,430
Money Market Mutual Fund	332,959	332,959	-	-	-
Other	544	100	254	122	68
Total Debt Investments	394,835	$ 353,334	$ 1,048	$ 955	$ 39,498
Other Investments					
Mutual Funds	2,530				
Equity Securities	15,438				
US Unemployment Trust Pool	160,643				
Total	**$ 573,446**				

The above includes instruments that are classified as cash and short-term investments for balance sheet purposes.

The following is a reconciliation of the investment types to the financial statement presentation (*in Thousands*).

Primary Government - Excluding Pension and Investment Trust Funds

Investments per maturity schedule……..	$	573,446
Included in cash & cash equivalents:		
US Agencies/Treasuries……		(19,961)
Money market mutual fund……		(330,636)
Certificates of deposit……..		22,200
US Treasury trust pool……		(160,643)
Financial statement investments total……	**$**	**84,406**

Governmental activities total……	$	77,071
Business activities total……		2,346
Fiduciary - OPEB trust……		3,216
Fiduciary - private purpose trust fund……..		1,773
Total……	**$**	**84,406**

(b) Concentration of Credit Risk
Concentration of credit risk is the risk of loss attributable to the monetary magnitude of the State's investment in a single issuer. While State statute does not establish ceilings, formal investment guidelines for operating funds limit the amount invested to 10% in any one issuer of commercial paper, corporate securities, or bankers' acceptances. There are no limitations for U.S. Government and Federal Agencies. Money market funds utilized by the State Treasurer's Office are highly rated and incorporate the requisite diversification. As of June 30, 2008, no single issuer exceeded 5% for the primary government portfolios.

(c) Custodial Credit Risk
For investments, custodial credit risk is the risk that a government will not be able to recover the value of an investment or collateral securities that are in the possession of an outside party if the counterparty to the transaction fails. The State has no formal policy on custodial credit risk but maintains contractual relationships with custodian banks that provide coverage and define the procedures. As of June 30, 2008 all securities were registered in the name of the State at its custodian bank. Investments in open-end mutual funds are not exposed to custodial risk because their existence is not evidenced by specific securities.

(d) Credit Risk
Credit risk is the possibility that the issuer or other counterparty to an investment may default on their obligations. In non-pension funds this risk has been mitigated by implementing statutory guidelines on credit quality and further restricted by formal investment guidelines and the use of low-risk money market instruments. The credit risk associated with the State's debt securities, money market funds, bond mutual funds, and other pools of fixed income securities, exclusive of pension and investment trust funds' investments, as of June 30, 2008, is presented as follows, using the Moody's rating scale.

Primary Government Rated Debt Investments
Excluding Pension and Investment Trust Funds
(Expressed in Thousands)

Debt Investments	Fair Value	Quality Ratings Aaa	Quality Ratings Unrated
US Agencies/Treasuries	$ 61,332	$ -	$ 61,332
Money Market Mutual Fund	332,959	332,859	100
Bond Mutual Fund	2,530	-	2,530
Other	544	-	544

(d) Foreign Currency Risk
Foreign currency risk is the extent to which changes in exchange rates affect the value of an investment. Operating funds are restricted, through statute and formal guidelines, to specific money market instruments and money market funds investing in domestic instruments. The Trust Investment Account guidelines permit investment in foreign equities, although these are limited by as a percentage of the portfolio. Although managers are afforded flexibility in number of issues held and their geographic or industry distribution, providing they are within established percentage ranges in relative to single holding limitations and a its weighting within an appropriate index.

In the Trust Investment Account portfolio, total exposure to foreign currency risk at June 30, 2008, valued in US dollars is $832,386. This is made up of $182,600 Canadian Dollar, $524,206 Euro Currency, and $125,580 Mexican Peso.

B. Primary Government – Pension Trust Funds and the Vermont Municipal Employees Health Benefit Fund

The State has three defined benefit plans (Vermont State Retirement, State Teachers, and Vermont Municipal Employees), three defined contribution plans (Vermont State Retirement, and Vermont Municipal Employees, and Single Deposit Investment Account), and two other post employment benefit funds.

By statute, the assets of the three defined benefit plans are invested on behalf of each plan's Trustees through the Vermont Pension Investment Committee (VPIC), which was created by the Vermont Legislature effective July 1, 2005. The majority of these assets have been pooled for investment purposes. On November 1, 2007, the City of Burlington, Vermont pooled its investments with the majority of the assets of the state, teachers and municipal defined benefit plans pursuant to a change in state statute permitting Vermont municipalities to pool their funds with the VPIC creating an external investment pool. An "external investment pool" as defined by GASB 31 commingles the moneys of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio and one of the participants, the City of Burlington, is not part of the state's reporting entity. Each of the participating funds has an equity position in the external pool and individual investment securities are not specifically identified to any of the participating funds. As a result, the "pooled investment" is a net equity position, incorporating the results of the underlying securities, receivables and liabilities. Earnings in each pooled investment are allocated based on the month-end balances of each of the respective systems. .

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

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

Vermont Pension Investment Committee
Investment Pool
Statement of Net Assets
June 30, 2008
(in thousands)

Assets:		
Cash and short term investments	$	178,537
Receivables:		
Interest and dividends		16,367
Investments sold		761,466
Other		1,161
Total receivables		**778,994**
Investments at Fair value:		
Fixed income		868,029
Equities		1,326,222
Mutual funds		503,750
Real estate and venture capital		178,778
Total investments		**2,876,779**
Total assets		**3,834,310**
Liabilities:		
Payable for investments purchased		(643,015)
Total liabilities		**(643,015)**
Net assets held in trust for investment pool participants	**$**	**3,191,295**

Vermont Pension Investment Committee
Investment Pool
Statement of Changes in Net Assets
For the Fiscal Year Ended June 30, 2008
(in thousands)

Additions :		
Investment Income:		
Net appreciation (depreciation) in fair value of investments		(425,775)
Dividends		39,649
Interest income		48,213
Securities lending income		134
Other income		247
Total investment income (loss)		**(337,532)**
Deposits from pool participants		3,530,563
Total additions		**3,193,031**
Deductions:		
Operating expenses		1,736
Total deductions		**1,736**
Change in net assets		**3,191,295**
Net assets held in trust for pool participants:		
July 1		**0**
June 30	**$**	**3,191,295**
Vermont State Retirement System	$	1,272,647
State Teacher's Retirement System		1,488,625
Vermont Municipal Employees' Retirement System		312,273
City of Burlington		117,750
June 30	$	3,191,295

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

The State's Single Deposit Investment Account (SDIA), a non-contributory defined contribution plan, is invested in two intermediate term bond portfolios managed by two different investment managers. The portfolios are measured against the Lehman Intermediate Term Bond index with an investment objective of exceeding this index over rolling three year periods. The investment policy governing the SDIA portfolios includes a minimum average credit quality of double-A, no bonds rated below investment grade, and limitations on asset-backed, mortgage-backed, collateralized Mortgage Obligations, corporate bonds, and single issuers of non-treasury/ government agency backed bonds. The bonds are "wrapped" by an insurance policy guaranteeing the book principal value of investment to SDIA Account participants. This insurance wrapper requires monthly adjustments of participant crediting rates based on the changing market value of the portfolio. The insurance provider is rated Aa3 by Moody's and AA+ Standard & Poor's.

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

The state has two other post benefit employment funds, the Vermont State Post Employment Benefits Trust Fund (State OPEB) and the Vermont Municipal Employees health benefit Fund (Muni OPEB). These are described in Note 5. The "State OPEB" is invested in the Trust Investment Account utilized as an investment vehicle many of the state's primary funds, exclusive of pension funds, and is included in the cash and investment disclosures for the primary government. The "Muni OPEB" is invested under the authority of the Municipal Retirement Board of Trustees and utilizes an outside administrator, which invests in mutual funds. Disclosures related to these OPEB plans' cash and investments are included below.

Deposits - Custodial Credit Risk

The pension trust funds' cash deposits, outside of the pension trust funds' custodian bank, totaled $11,959,724, none of which was exposed to custodial credit risk. In addition, there is $156,080,095 in overnight cash vehicles at the custodial bank, also not exposed to custodial risk because their existence is not evidenced by specific securities.

Investments

Custodial credit risk for investments is the risk that a government will not be able to recover the value of an investment or collateral securities that are in the possession of an outside party if the counterparty to the transaction fails. The VPIC manages exposure to custodial credit risk by requiring all relevant investment managers to hold investments in separate accounts with VPIC's custodian. VPIC guidelines specify the custodial requirements for these accounts and the duties of the managers and the custodian. As of June 30, 2008, all securities were registered in the name of the State at its custodian bank. Investments in pools, open-end mutual funds, and other investments not evidenced by specific securities are not subject to custodial credit risk.

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

(a) Interest Rate Risk – Investments

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

Pension and Investment Trust Funds' Investments
(Expressed in Thousands)

		Investment Maturities (In Years)			
Investment Type	**Fair Value**	**Less Than 1**	**1 to < 6**	**6 to 10**	**More Than 10**
Debt Investments					
US Agencies/Treasuries	$ 496,386	$ 10,612	$ 42,145	$ 12,226	$ 431,403
Corporate Debt	619,536	21,106	244,111	222,405	131,914
Commercial Paper	19,588	19,588	-	-	-
Municipals	2,902	-	-	-	2,902
Asset Backed Securities	42,426	2	8,825	1,183	32,416
Mortgage Backed Securities	198,030	-	-	1,502	196,528
Sovereign Debt	87,564	4,733	31,954	37,219	13,658
Other	182	-	182	-	-
Total Debt Investments	1,466,614	$ 56,041	$327,217	$ 274,535	$ 808,821
Other Investments					
Mutual Funds	560,157				
Equity Securities	1,326,789				
Real Estate - Venture Capital	187,388				
Fixed Income - Derivatives	6,997				
Fixed Income - Short Positions	(489,870)				
Total	**$ 3,058,075**				

The above includes $29,834,049 in instruments that are classified as cash and short-term investments for balance sheet purposes.

(b) Concentration of Credit Risk
Formal guidelines for pension funds state that no more than 5% of the market value of a portfolio's domestic fixed income assets may be invested in the debt securities of any one issuer. No limitations on issues and issuers shall apply to obligations of U.S. Government and Federal Agencies. As of June 30, 2008, no issuer exceeded 5%.

(c) Credit Risk of Debt Investments
Detailed pension guidelines by asset class and supplemental requirements by investment manager are used to set risk parameters and are stated in written contracts. These guidelines are reviewed and adopted by VPIC.

Treasury staff and independent investment consultants are utilized to assure compliance. The credit risks associated with the Pension and Investment Trust Funds' securities are as follows.

Pension and Investment Trust Funds' Rated Debt Investments
(Expressed in Thousands)

Debt Investments	Fair Value	Quality Ratings Aaa	Aa	A
US Government Agencies/Treasuries	$496,386	$ -	$ -	$ -
Corporate Debt	619,536	19,907	59,396	118,504
Money Market Mutual Fund	-	-	-	-
Commercial Paper	19,588	-	-	-
Bond Mutual Fund	-	-	-	-
Municipals	2,902	-	963	1,269
Asset Backed Securities	42,426	30,436	2,966	1,871
Collateralized Mortgage Obligations	198,030	116,238	8,410	462
Sovereign Debt	87,564	45,097	16,955	6,068
Other	182	182	-	-

continued below

Debt Investments	Quality Ratings Baa	Ba	B and below	Unrated	Short Term A1
US Government Agencies/Treasuries	$ -	$ -	$ -	$496,386	$ -
Corporate Debt	172,925	68,566	151,133	29,105	-
Money Market Mutual Fund	-	-	-	-	-
Commercial Paper	-	-	-	-	19,588
Bond Mutual Fund	-	-	-	-	-
Municipals	603	-	-	67	-
Asset Backed Securities	4,133	463	-	2,557	-
Collateralized Mortgage Obligations	341	-	-	72,579	-
Sovereign Debt	5,618	9,385	-	4,441	-
Other	-	-	-	-	-

(e) Foreign Currency Risk

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

Pension and Investment Trust Funds
Foreign Currency Risk - International Securities at Fair Value

Currency	Total	Short Term	Debt [1]	Equity
Australian Dollar	$ 43,872,127	$ 850	$ 7,151,924	$ 36,719,353
Brazilian Real	2,319,327	172	2,319,155	-
Canadian Dollar	7,312,163	62,231	2,055,810	5,194,122
Colombian Peso	1,675,229	-	1,675,229	-
Danish Krone	710,106	222	-	709,884
Euro Currency	192,019,887	484,026	27,548,646	163,987,215
Hong Kong Dollar	7,109,896	346,250	-	6,763,646
Iceland Krona	1,959,227	-	1,959,227	-
Indonesian Rupiah	1,602,974	206	1,544,040	58,728
Israeli Shekel	55,093	55,093	-	-
Japanese Yen	117,572,381	1,394,737	28,736,421	87,441,223
Mexican Peso	8,456,211	368,909	6,272,551	1,814,751
New Russian Ruble	778,323	-	778,323	-
New Zealand Dollar	4,850,428	120,794	2,770,808	1,958,826
Norwegian Krone	1,048,095	1,849	789,789	256,457
Polish Zloty	3,806,944	1,578	3,805,366	-
Pound Sterling	76,203,869	491,437	13,157,943	62,554,489
Singapore Dollar	9,413,804	12,539	4,279,261	5,122,004
South African Rand	5,042,470	-	2,519,268	2,523,202
Swedish Krona	4,241,013	89,468	2,535,270	1,616,275
Swiss Franc	13,780,922	21,667	-	13,759,255
Thailand Baht	67,396	67,396	-	-
Total	**$ 503,897,885**	**$ 3,519,424**	**$ 109,899,031**	**$ 390,479,430**

[1] Corporate and Sovereign

Formal investment policy guidelines adopted by the VPIC state that international equity managers may enter into forward exchange contracts on currency provided that use of such contracts is designed to dampen portfolio volatility and facilitate securities transaction settlements rather than leverage portfolio risk exposure. In global fixed income accounts, opportunistic currency positioning may be utilized to hedge and cross-hedge the portfolio's currency risk exposure or in the settlement of securities transactions. The managers may vary the total portfolio exposure to currency from fully unhedged to fully hedged. The global fixed income managers are permitted to hedge all, some, or none of the portfolio's currency exposure. They are permitted to cross-hedge currency positions, but may not net short any currency, or net long more than 100% of the portfolio. VPIC has

funds allocated to a global allocation asset manager in the form of shares of a commingled trust. The manager for this trust may enter into long and/or short positions in currencies of the countries represented in established indices. The strategy is permitted to cross-hedge currency exposure and will actively manage its currency exposure. This active management may go beyond fully-hedged or unhedged currency exposure, and is provided for by a specific exemption to the VPIC general guidelines.

Fixed Income Short Positions
A short-sale of a security occurs when an investment manager places a sale order for an account without actually holding the underlying security for delivery. In some situations, short sales are entered into in anticipation of a decline in the fair value of a security; in other cases short sales are entered into as a hedge against potential losses from securities owned (held long) in an account. Short sales incur the risk of loss when the price of a security underlying the short sale increases and the fund is subject to a higher cost to purchase the security in order to cover the position. Short positions in the VPIC portfolio at June 30, 2008, are predominately related to hedging against losses in long securities positions and to managing the effective duration of an investment portfolio; as a result, while a short position may in and of itself expose the account to risk of loss, such potential losses are at least partially if not fully offset by securities held long. The use of short-sales in certain cases is provided for by written investment guidelines and incorporated in specific manager contracts.

Securities Lending Transactions
State statutes and boards of trustees' policies permit the Office of the Vermont State Treasurer to use investments of the three defined benefit pension plans to enter into securities lending transactions/loans of securities to broker dealers and other entities for collateral, with a simultaneous agreement to return the collateral for the same securities in the future. Pursuant to a Securities Lending Authorization Agreement, State Street Bank and Trust Company (State Street) was authorized to act as agent in lending securities to broker-dealers and banks.

During the fiscal year, State Street loaned, on behalf of Vermont, certain securities held by State Street as custodian, and received United States and foreign currency cash, securities issued or guaranteed by the United States government. Since State Street, acting on behalf of the State, did not have the ability to pledge or sell collateral securities absent a borrower default, securities lending is not recorded as an asset with a corresponding liability on the financial statements. Borrowers were required to deliver collateral for each loan equal to not less than one hundred and two percent (102%) of the market value of the loaned security.

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

During the fiscal year, the State and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. As of June 30, 2008, such investment pool had a weighted average maturity of 41.84 days and an average expected maturity of 395.61 days. Because the loans were terminable at will their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2008, Vermont had no credit risk exposure to borrowers. The collateral held and the market values of securities on loan for Vermont as of June 30, 2008, were $454,240,281 and $437,835,702 respectively.

Authority to enter into securities lending transactions for the three retirement plans is as follows:
3 V.S.A. 471(m) Vermont State Employees' Retirement Fund
16 V.S.A. 1942(q) Vermont Teachers' Retirement Fund
24 V.S.A. 5062(o) Vermont Municipal Employees' Retirement Fund

Derivative Financial Instruments
Certain investment managers for the VPIC invest in derivative financial investments as authorized by the VPIC policy. Derivatives are financial arrangements between two parties whose payments are based on, or "derived" from, the performance of some agreed upon benchmark. At June 30, 2008, VPIC investments had four types of derivative financial instruments: futures, currency forwards, options, and swaps. All of the derivatives reported at June 30, 2008, are at fair market value. The futures and options are traded on exchanges and are marked-to-market daily using the prices as reported by Reuters (primary source). Currency forwards are traded over the counter using prices from WM Co. and Reuters. Interest rate swaps and credit default swaps are traded over the counter and are based on prices from the investment manager as provided by Pricing Direct Inc. (primary source). Swaptions are traded over the counter and are provided by the investment manager using Pricing Direct Inc. and Bloomberg as pricing sources.

Futures represent commitments to purchase (asset) or sell (liability) securities at a future date and at a specified price. Futures contracts are traded on organized exchanges (exchange traded) thereby minimizing the VPIC's credit risk. The net change in the futures contracts value is settled daily in cash with the exchanges. Net gains or losses resulting from the daily settlements are included with trading account securities gains (losses) in the Statement of Changes in Net Assets. At June 30, 2008, the VPIC's investments had the following futures balances:

	Market Value of Contract
Long positions equity futures	$ 3,500
Long-term debt securities futures	657,382
Short-term debt securities futures	(29,614)

Currency forwards represent forward foreign exchange contracts that are entered into in order to hedge the exposure to changes in foreign currency exchange rate on the foreign currency dominated portfolio holdings. A forward foreign exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. The gain or loss arising from the difference between the original contracts and the closing of such contracts is included in the net realized gains or losses on foreign currency related transactions. At June 30, 2008, the VPIC's investments included the following currency forwards balances:

Currency forwards - pending foreign exchange purchases	$167,090
Currency forwards - pending foreign exchange sales	(495,556)

Options represent or give buyers the right, but not the obligation, to buy or sell an asset at a preset price over a specified period. The option's price is usually a small percentage of the underlying asset's value. As a writer of financial options, the VPIC receives a premium at the outset of the agreement and bears the risk of an unfavorable change in the price of the financial instrument underlying the option. As a purchaser of financial options, the VPIC pays a premium at the outset of the agreement and the counterparty bears the risk of an unfavorable change in the price of the financial instrument underlying the option. At June 30, 2008, the VPIC investments had the following option balances:

Purchased call options	$11,713,558
Purchased put options	1,533,668
Written call options	(7,069,745)
Written put options	(550,318)

Swaps represent an agreement between two or more parties to exchange sequences of cash flows over a period in the future. At June 30, 2008 the VPIC had three different types of swap arrangements; interest rate swaps, credit default swaps and total return swaps. In the most common type of interest rate swap arrangement, one party agrees to pay fixed interest payments on designated dates to a counterparty who, in turn, agrees to make return interest payments that float with some reference rate. The interest rate swaps allowed the VPIC to effectively convert long term variable interest investments into fixed interest rate investments. Credit default swaps are used to manage credit exposure without buying securities outright. In a total return swap, one party makes payments based upon the total return of a reference asset such as an index

or basket of assets, and the other party pays a fixed or floating rate of interest plus any negative total returns on the reference asset. Total return swaps are used as substitutes for physical assets and to obtain exposure in markets where physical securities are not available. Gains and losses on swaps are determined based on market values and are recorded in the Statement of Changes in Net Assets. At June 30, 2008, the VPIC's investments had the following swap market value balances:

Interest Rate Swaps (142 positions)	$(5,692,431)
Credit Default Swaps (288 positions)	6,574,659
Total Return Swaps (4 positions)	487,465

The above interest rate, credit default and total return bond swaps involved the following counterparties in one or more swap agreements:

Bank of America NA	Goldman, Sachs International
BNP Paribas	JP Morgan Chase Bank NA
Barclay's Bank	Lehman Brothers Special Financing Inc.
Citibank N.A.	Merrill Lynch Capital Services
Commonwealth Bank of Australia	Merrill Lynch International
Credit Suisse International	Morgan Stanley Capital Services
Deutsche Bank AG	Royal Bank of Scotland PLC
Goldman, Sachs Capital Markets LP	UBS AG

Asset-Backed Securities

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

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

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

Note 3: INTERFUND BALANCES

A. Due From/To Other Funds

Due from/to other funds result mainly from the time lag between the date that interfund goods and services are received or reimbursable costs are incurred, and the date the payment between the funds are made. The balances of due from/to other funds at June 30, 2008, are as follows.

	Due To Other Funds				
	Governmental Funds				
Due From Other Funds	**General Fund**	**Transportation Fund**	**Education Fund**	**Special Fund**	**Federal Revenue Fund**
General Fund	$ -	$ 13,591	$ -	$ 17,598	$ 1,406,060
Transportation Fund	14,065	-	-	660	-
Special Fund	11,139	5,590	-	-	414,801
Federal Revenue Fund	43,779	-	-	219,486	-
Global Commitment Fund	-	-	50,332	12,215	-
Non-major Governmental Funds	-	-	-	7,037	-
Liquor Control Fund	-	-	-	-	-
Vermont Lottery Commission	-	-	23,513	-	-
Non-major Enterprise Funds	-	-	-	-	-
Fiduciary Funds	161,610	-	-	-	13,824
Total	**$ 230,593**	**$ 19,181**	**$ 73,845**	**$ 256,996**	**$ 1,834,685**

continues below

	Governmental Funds		Enterprise Funds	
Due From Other Funds	**Global Commitment Fund**	**Non-major Governmental Funds**	**Unemployment Compensation Trust Fund**	**Liquor Control Fund**
General Fund	$ 65,429	$ 8,982	$ -	$ 334,456
Transportation Fund	-	154	-	-
Special Fund	130,780	1,114	-	-
Federal Revenue Fund	68,768	-	-	-
Global Commitment Fund	-	-	-	-
Non-major Governmental Funds	-	-	-	-
Liquor Control Fund	-	-	-	-
Vermont Lottery Commission	-	-	-	-
Non-major Enterprise Funds	-	-	41,504	-
Fiduciary Funds	-	-	-	-
Total	**$ 264,977**	**$ 10,250**	**$ 41,504**	**$ 334,456**

continues below

Due From Other Funds	**Internal Service Funds**	**Fiduciary Funds**	**Total**
General Fund	$ 1,779,494	$ 13,970	**3,639,580**
Transportation Fund	530,115	-	**544,994**
Special Fund	194,913	-	**758,337**
Federal Revenue Fund	129,979	-	**462,012**
Global Commitment Fund	55,823	-	**118,370**
Non-major Governmental Funds	-	-	**7,037**
Liquor Control Fund	15,981	-	**15,981**
Vermont Lottery Commission	3,169	-	**26,682**
Non-major Enterprise Funds	19,715	-	**61,219**
Fiduciary Funds	263	-	**175,697**
Total	**$ 2,729,452**	**$ 13,970**	**$ 5,809,909**

B. Advances To/From Other Funds

The General Fund has made cash advances to certain proprietary funds for imprest petty cash disbursement needs. The General Fund advances to other funds at June 30, 2008, are summarized below.

Proprietary Funds	
Vermont Lottery Fund	$ 300,000
Liquor Control Fund	6,300
Non-major Proprietary Funds	2,900
Internal Service Funds	15,100
Total	**$ 324,300**

C. Interfund Receivables/Payables

The primary government cash in most funds is pooled in the State Treasurer's accounts. When a fund has a deficit cash balance, this amount is reclassified to a liability account - interfund payable. The General Fund reports the corresponding interfund receivable for the cash borrowed from the pool. The following funds at June 30, 2008, reported interfund payables. It is expected that certain amounts due the General Fund from the Internal Service Funds will not be repaid within one year. It is expected that these interfund payables will be reduced in future years through changes to billing rates and management of operations.

Proprietary Funds	
Non-major Enterprise Funds	$ 1,436,749
Internal Service Funds	35,950,090
Fiduciary Funds	
Agency Funds	84,094
Total	**$ 37,470,933**

D. Inter - Primary Government/Component Unit Balances

Due from component units consist of the amounts owed to the primary government for programs admistered by component units in accordance with memoranda of understanding with State departments and for the elimination of negative balances in the State Treasurer's pooled cash.

At June 30, 2008, these account balances are as follows:

	Due to Primary Government		
	Vermont Housing & Conservation Trust Fund	Vermont Economic Development Authority	Total
Due from Component Units			
General Fund	$ 2,675,808	$ -	**$ 2,675,808**
Special Fund	-	31,463	**31,463**
Total	**$ 2,675,808**	**$ 31,463**	**$ 2,707,271**

Due to component units consists of $368,354 due from the Special Fund to the Vermont Economic Development Authority associated with reserves for the insured loan programs.

E. Interfund Transfers

Transfers between funds occur when one fund collects revenues and transfers the assets to another for expenditure or when one fund provides working capital to another fund. All transfers are legally authorized by the Legislature through either statute or Appropriation Acts. Interfund transfers for the fiscal year ending June 30, 2008, are as follows.

	Transfers Out				
	Governmental Funds				
Transfers In	**General Fund**	**Transportation Fund**	**Education Fund**	**Special Fund**	**Federal Revenue Fund**
General Fund	$ -	$ -	$ 4,700,000	$ 9,747,225	$ 2,617,923
Transportation Fund	-	-	-	72,580	-
Education Fund	280,200,000	-	-	6,450,791	-
Special Fund	11,686,058	2,004,769	-	-	33,779,813
Federal Revenue Fund	-	-	-	2,509,585	-
Global Commitment Fund	118,516,272	-	-	184,251,953	498,745,566
Non-major Governmental Funds	-	385,743	-	36,802	-
Non-major Enterprise Funds	-	-	-	-	-
Internal Service Funds	1,950,000	1,120,000	-	-	-
Total	**$ 412,352,330**	**$ 3,510,512**	**$ 4,700,000**	**$ 203,068,936**	**$ 535,143,302**

continues below

	Transfers Out				
	Governmental Funds	Proprietary Funds			
Transfers In	**Global Commitment Fund**	**Non-major Governmental Funds**	**Unemployment Compensation Trust Fund**	**Liquor Control Fund**	**Vermont Lottery Commission**
General Fund	$ -	$ 7	$ -	$ 836,519	$ -
Transportation Fund	-	-	-	-	-
Education Fund	-	-	-	-	22,567,382
Special Fund	23,042,508	50,000	-	-	150,000
Federal Revenue Fund	-	2,735,948	-	-	-
Global Commitment Fund	-	-	-	-	-
Non-major Governmental Funds	-	-	-	-	-
Non-major Enterprise Funds	-	-	402,382	-	-
Internal Service Funds	-	-	-	-	-
Total	**$ 23,042,508**	**$ 2,785,955**	**$ 402,382**	**$ 836,519**	**$ 22,717,382**

continues below

	Transfers Out			
Transfers In	**Non-major Enterprise Funds**	**Internal Service Funds**	**Fiduciary Funds**	**Total**
General Fund	$ 1,290	$ 48,129	$ 3,485,885	**$ 21,436,978**
Transportation Fund	-	1,220,000	-	**1,292,580**
Education Fund	-	-	-	**309,218,173**
Special Fund	344,418	2,495,850	-	**73,553,416**
Federal Revenue Fund	-	-	-	**5,245,533**
Global Commitment Fund	-	-	-	**801,513,791**
Non-major Governmental Funds	-	-	57,209	**479,754**
Non-major Enterprise Funds	-	-	-	**402,382**
Internal Service Funds	-	-	-	**3,070,000**
Total	**$ 345,708**	**$ 3,763,979**	**$ 3,543,094**	**$1,216,212,607**

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

The Special Fund received transfers from the General Fund for the Next Generation Initiative, from the Federal Revenue Fund for the low income home energy assistance program, and from the Global Commitment Fund for education medicaid reimbursements.

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

Note 4: CAPITAL ASSETS

Capital Assets activities for the fiscal year ended June 30, 2008, were as follows:

Primary Government

Governmental Activities	Beginning Balance	Additions	Deletions	Reclassifications & Donations	Ending Balance
Capital assets, not being depreciated:					
Land and land improvements	$ 71,235,760	$ 1,704,231	$ -	$ -	$ 72,939,991
Construction in process	294,136,082	139,686,497	(122,528,825)	(6,428,021)	304,865,733
Works of art	136,003	-	-	-	136,003
Total capital assets, not being depreciated	365,507,845	141,390,728	(122,528,825)	(6,428,021)	377,941,727
Capital assets, being depreciated:					
Buildings and improvements	349,657,915	11,465,209	(399,492)	1,254,208	361,977,840
Machinery and equipment	135,329,600	14,510,206	(10,183,324)	(27,955)	139,628,527
Infrastructure	1,263,425,656	111,878,990	(19,125,121)	-	1,356,179,525
Total capital assets, being depreciated	1,748,413,171	137,854,405	(29,707,937)	1,226,253	1,857,785,892
Less accumulated depreciation for:					
Buildings and improvements	(143,701,337)	(12,772,934)	186,613	-	(156,287,658)
Machinery and equipment	(86,366,021)	(13,878,593)	8,829,220	116	(91,415,278)
Infrastructure	(556,223,378)	(48,078,887)	19,125,121	-	(585,177,144)
Total accumulated depreciation	(786,290,736)	(74,730,414)	28,140,954	116	(832,880,080)
Total capital assets, being depreciated, net	962,122,435	63,123,991	(1,566,983)	1,226,369	1,024,905,812
Governmental activities capital assets, net	$ 1,327,630,280	$ 204,514,719	$ (124,095,808)	$ (5,201,652)	$ 1,402,847,539

Business-type Activities	Beginning Balance	Additions	Deletions	Reclassifications & Donations	Ending Balance
Capital assets, being depreciated:					
Buildings and improvements	$ 86,135	$ -	$ -	$ -	$ 86,135
Machinery and equipment	1,125,425	363,350	(123,034)	-	1,365,741
Total capital assets, being depreciated	1,211,560	363,350	(123,034)	-	1,451,876
Less accumulated depreciation for:					
Buildings and improvements	(49,419)	(5,454)	-	-	(54,873)
Machinery and equipment	(749,961)	(185,994)	122,681	-	(813,274)
Total accumulated depreciation	(799,380)	(191,448)	122,681	-	(868,147)
Total capital assets, being depreciated, net	412,180	171,902	(353)	-	583,729
Business-type activities capital assets, net	$ 412,180	$ 171,902	$ (353)	$ -	$ 583,729

Fiduciary Funds	Beginning Balance	Additions	Deletions	Reclassifications & Donations	Ending Balance
Capital assets, not being depreciated:					
Construction in process	$ 1,529,753	$ 1,061,560	$ (183,814)	$ -	$ 2,407,499
Total capital assets, not being depreciated	1,529,753	1,061,560	(183,814)	-	2,407,499
Capital assets, being depreciated:					
Machinery and equipment	-	183,814	-	-	183,814
Total capital assets, being depreciated	-	183,814	-	-	183,814
Less accumulated depreciation for:					
Machinery and equipment	-	(71,994)	-	-	(71,994)
Total accumulated depreciation	-	(71,994)	-	-	(71,994)
Total capital assets, being depreciated, net	-	111,820	-	-	111,820
Fiduciary capital assets, net	$ 1,529,753	$ 1,173,380	$ (183,814)	$ -	$ 2,519,319

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

Governmental Activities:	
General Government	$ 9,486,800
Protection to Persons and Property	6,147,577
Human Services	755,715
Labor	146,389
General Education	13,915
Natural Resources	1,579,330
Commerce & Community Development	122,166
Transportation	48,743,890
Depreciation on capital assets held by Internal Service Funds	7,734,632
Total	$ 74,730,414

Business-type Activities:	
Liquor Control	$ 165,856
Lottery Commission	23,812
Vermont Life	1,780
Total	$ 191,448
Fiduciary Activities:	
Pension Trust Funds	$ 71,994

Note 5: RETIREMENT PLANS AND OTHER POSTEMPLOYMENT BENEFITS

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

Summary of significant accounting policies — basis of accounting and valuation of investments
The financial statements for the pension and other postemployment benefit trust funds are prepared using the accrual basis of accounting. Plan members' contributions are recognized in the period in which the contributions are due. The employers' contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans. All investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on June 30, 2008. Securities without an establish market are reported at estimated fair value.

A. Defined Benefit Retirement Plans

Retirement Plan Descriptions

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

- general employees who did not join the non-contributory system on July 1, 1981 (Group A), with a contribution rate of 5.1% of payroll (contributions cease upon attainment of 25 years of creditable service);
- State police, law enforcement positions, and airport firefighters hired after July 1, 2000, (Group C), with a contribution rate of 6.98% of payroll;
- judges (Group D), with a contribution rate of 5.1% of payroll;
- terminated vested members of the non-contributory system (Group E); and
- all other general employees (Group F), with a contribution rate of 3.35% of payroll.

Effective July 1, 2008, the contribution rate for Group F employees was raised, through legislation enacted in fiscal year 2008, to 5.1% of payroll though June 30, 2019, and 4.85% of payroll thereafter, due to increases in the cost of living benefit for all Group F employees and other benefit changes. These additional changes were enacted for Group F members who are new to the membership of the Vermont State Retirement System on or after July 1, 2008 are outlined below:

- normal retirement date will be 87 (combination age and service) points or 65 years of age,
- maximum pension benefit will be increased from 50% to 60% of Average Final Compensation (AFC) using existing multipliers, and
- revised early retirement penalty that rewards length of service.

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

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

The State appropriates funding for pension costs associated with the above two plans. In fiscal years prior to 1982, both systems were solely contributory. Under legislation effective July 1, 1981, Vermont State employees and State teachers could elect to transfer their current memberships from a contributory to a non-contributory membership class (see Single Deposit Investment Account in section B - defined contribution plans). However, in 1990, the Legislature again made both systems contributory effective July 1, 1990, for the STRS and January 1, 1991, for the VSRS. The State's contribution to each system is based on percentage rates of each member's

annual earnable compensation. These rates include a “normal contribution” rate and an “accrued liability contribution” rate and are calculated based upon the liabilities of each system as determined by actuarial valuations.

The 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. There are 437 municipalities participating in the defined benefit plan. It is designed for school districts and other municipal employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution’s operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirement is required to join the system.

Prior to July 1, 1987, the State was statutorily responsible for the employer contributions to the MERS. Effective July 1, 1987, and thereafter, all employer contributions to the MERS are supported entirely by employer (municipal) and employee contributions. Employers make quarterly contributions that are paid based on percentages of annual earnable compensation for each membership group and consist of a “normal” and an “accrued liability” portion. The percentage rates of such contributions are fixed on the basis of the liabilities of the system pursuant to actuarial valuations.

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 three defined contribution plans are available for inspection at the Retirement Division, Office of the State Treasurer, 109 State Street, Montpelier, Vermont 05609-6901.

The defined benefit plans’ financial statements are on the following pages.

Statement of Plan Net Assets
Defined Benefit Plans
June 30, 2008

	Vermont State Retirement Fund	State Teachers' Retirement Fund	Vermont Municipal Employees' Retirement Fund
Assets:			
Cash and short term investments	$ 2,480,523	$ 3,162,383	$ 1,349,355
Receivables:			
Contributions - current	3,798,026	2,522,316	1,027,017
Contributions non-current	-	-	11,051,031
Interest and dividends	11,272	13,792	572,680
Due from other funds	149,073	-	29,889
Other	-	264,169	-
Investments at Fair value:			
Pooled investments	1,272,646,888	1,488,625,458	312,272,761
Fixed income	497	28	4,196
Equities	-	1,462	-
Real estate and venture capital	2,102,641	5,739,881	767,390
Prepaid expenses	1,424,823	1,284,417	-
Capital assets, net of depreciation	1,035,800	1,186,960	296,558
Total assets	**1,283,649,543**	**1,502,800,866**	**327,370,877**
Liabilities:			
Accounts payable	1,075,176	1,270,637	269,094
Retainage payable	80,495	98,357	41,681
Due to other funds	-	111,693	-
Total liabilities	**1,155,671**	**1,480,687**	**310,775**
Net assets held in trust for employees' pension benefits	**$ 1,282,493,872**	**$ 1,501,320,179**	**$ 327,060,102**

Statement of Changes in Plan Net Assets
Defined Benefit Plans
For the fiscal year ended June 30, 2008

	Vermont State Retirement Fund	State Teachers' Retirement Fund	Vermont Municipal Employees' Retirement Fund
Additions :			
Contributions			
Employer - pension benefit	$ 22,811,627	$ 24,299,097	$ -
Employer - healthcare benefit	16,368,196	15,250,000	-
Plan member	18,614,102	22,918,798	9,906,709
Transfers from other pension trust funds	166,746	221,773	124,132
Transfers from non-state systems	3,238	-	-
Medicare part D drug subsidy	-	1,406,469	-
Total contributions	**57,963,909**	**64,096,137**	**10,030,841**
Investment Income:			
Net appreciation (depreciation) in fair value of investments	35,834,967	38,255,622	8,147,578
Income (loss) from pooled investments	(132,073,225)	(161,803,403)	(31,438,559)
Dividends	4,513,469	5,733,058	1,033,561
Interest income	10,237,214	11,073,277	3,426,899
Securities lending income	2,220,415	2,648,751	502,161
Other income	526,239	545,228	72,972
Total investment income (loss)	**(78,740,921)**	**(103,547,467)**	**(18,255,388)**
Less Investment Expenses:			
Investment managers and consultants	4,850,023	5,798,123	1,089,451
Securities lending expenses	565,310	674,044	127,815
Total investment expenses	**5,415,333**	**6,472,167**	**1,217,266**
Net investment income (loss)	**(84,156,254)**	**(110,019,634)**	**(19,472,654)**
Total additions	**(26,192,345)**	**(45,923,497)**	**(9,441,813)**
Deductions:			
Retirement benefits	64,060,488	82,157,642	9,064,725
Other post employment benefits	16,371,373	15,081,847	-
Refunds of contributions	1,414,144	1,280,715	1,143,397
Death claims	332,573	391,483	217,602
Transfers to other pension trust funds	298,748	151,182	289,215
Depreciation	26,638	30,957	14,399
Operating expenses	1,227,939	835,516	609,220
Total deductions	**83,731,903**	**99,929,342**	**11,338,558**
Change in net assets	**(109,924,248)**	**(145,852,839)**	**(20,780,371)**
Net assets held in trust for employees' pension benefits:			
July 1	**1,392,418,120**	**1,647,173,018**	**347,840,473**
June 30	**$ 1,282,493,872**	**$ 1,501,320,179**	**$ 327,060,102**

Plan Membership

At June 30, 2008, VSRS, STRS, and MERS membership consisted of:

	VSRS	STRS	MERS
Active employees:			
Vested	5,753	7,902	3,424
Non-vested	2,689	2,783	2,995
Total active employees	8,442	10,685	6,419
Retirees and beneficiaries of deceased retirees currently receiving benefits	4,555	5,555	1,447
Terminated employees entitled to benefits but not yet receiving them (vested)	789	705	486
Inactive members	900	2,929	2,035
Total participants	14,686	19,874	10,387

Actuarial Valuation- Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.
The actuarial method for both the STRS and the VSRS plans is set by State statute. Through fiscal year 2005, the method used was entry age normal (EAN) with frozen initial liability (FIL). The Legislature enacted a statute change revising the method to entry age normal without FIL for the actuarial valuation for the year ending June 30, 2006, which effectively restated the starting balance.

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

State statute provides that at least once in each five-year period, the State’s actuary is to make an investigation into the mortality, service, and comprehensive experience of the members and beneficiaries of the system and make recommendations for certain modifications of the actuarial assumptions, as needed. These experience studies are conducted on a staggered basis for the three systems.

Such a study was completed for the VSRS for the period covering July 1, 2001 through June 30, 2006. Those changes were reflected in the June 30, 2007 valuation report. A change in application of an assumption related to joint survivorship for Group C members was included in the June 30, 2008 valuation.

During December 2007, an experience study was conducted for the STRS for the period covering July 1, 2002 through June 30, 2007. As a result of this experience study performed by Buck Consultants and recent changes adopted by the STRS’s Board of Trustees, changes in the actuarial assumptions were made in the valuation report for the period ending June 30, 2008. The liability for inactive members was raised from 150% to 300% of employee contributions with interest, and various decrement tables were updated to more closely match the anticipated future experience of the system. In the June 30, 2008 STRS valuation, these changes resulted in an increase in an actuarial accrued liability by $45,302,660 while the normal cost declined by $8,885,999.

The changes to the VSRS benefit/system provisions are a result of statutory changes enacted by the Legislature in May 2008, after the completion of the fiscal year 2007 valuation. The annual-cost-of living adjustment (COLA) applicable to the benefits of Group F members retiring on or after July 1, 2008, will rise from 50% of the annual increase of the Consumer Price Index (CPI) to 100% of the annual increase in the CPI index, up to a ceiling of 5%, effective January 1, 2014. Only current Group F members who are actively contributing into the system on June 30, 2008, and retire on or after July 1, 2008, will be eligible for the enhanced COLA in 2014. Group F members who have terminated service or transferred to another group plan prior to June 30, 2008, will not be eligible for the new COLA unless they return to active group F service after July 1, 2008 and prior to retirement. The COLA changes result in an increase in the actuarial accrued liability of $56,379,626 and an increased normal cost of $3,514,150. Under the same legislation, the Group F member contribution was raised, as noted above, which led to an increase of $6,363,368 in expected employee contributions for fiscal year 2009. A change effective July 1, 2008, in the amount of service required for an ordinary in-service death benefit was lowered from 20 years to 10 years which led to insignificant changes in the normal cost and accrued liability and are reflected in the following table.

Investment experience accounted for $23,651,900 of the $36,410,925 in net actuarial losses for VSRS. Other significant factors increasing the actuarial loss for VSRS include non-reimbursed expenses, new members with prior service, and retirement, termination and disability experience. These were partially offset by COLA experience, mortality among retirees, and various other factors. Investment experience accounted for $26,035,387of the $56,901,270 net actuarial loss for STRS. Other significant factors increasing the actuarial loss were expenses other than investment expenses, termination experience, and new entrants with prior service. Retirement and COLA experience partially offset this as well as other factors.

The actuary has estimated the change in the unfunded actuarial accrued liability between June 30, 2007 and June 30, 2008, as follows.

	VSRS	STRS
Unfunded actuarial accrued liability, June 30, 2007	$ (11,043,959)	$ 274,790,333
Normal cost	39,091,226	42,871,112
Contribution paid	(41,609,832)	(64,096,137)
Interest on unfunded liability, normal cost and contribution	631,506	23,615,496
Actuarial gains and losses/experience	36,410,925	56,901,270
Assumption changes	7,231,106	45,302,660
Changes to benefits/system provisions	56,389,496	120,335
Unfunded actuarial accrued liability, June 30, 2008	$ 87,100,468	$ 379,505,069

Actuarial Assumptions & Methods

Below are listed the various actuarial methods and significant assumptions used to determine the annual required contributions at the State level for VSRS and STRS, and by the participating employers for MERS (which is not funded by the State).

	VSRS	STRS	MERS
Valuation date	06/30/08	06/30/08	07/01/08
Actuarial cost method[1]	Entry Age Normal	Entry Age Normal	Projected benefit cost method
Amortization method	Level percentage of payroll	Level percentage of payroll	Level percentage of payroll
Remaining amortization period[2] All closed basis	10 years /30 years[3]	28 years	10 years
Asset valuation method	Preliminary Asset Value plus 20% difference between market and preliminary asset value	Preliminary Asset Value plus 20% difference between market and preliminary asset value	Actuarial value of assets using a five year smoothing technique
Actuarial assumptions			
Investment rate of return[4]	8.25%	8.25%	8.00%
Projected salary increases	4.67%-7.79%	4.41%-10.68%	5.6%
Cost-of-living adjustments	1.5%-3.0%	1.5%-3.0%	1.5%-1.8%
Post Retirement Adjustments			
Allowances in payment for at least one year adjusted for cost of living based on CPI but not in excess of percentage indicated	Groups A, C & D - 5%	Group A - 5%	N/A
Allowances in payment for at least one year adjusted for cost of living based on one-half of CPI but not in excess of percentage indicated	Group F - 5%[5]	Group C - 5%	Group A - 2% Groups B, C & D - 3%

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

[2] The 30-year period for amortization of the unfunded actuarial accrued liability was restarted effective 7/1/06 for STRS.

[3] Recently negotiated benefits for Group F members including cost of living benefits changes and benefit changes affecting new hires after July 1, 2008 are amortized separately over a 30 year period.

[4] Beginning with 6/30/06, the funding interest rate has been raised from 8.00% per year to 8.25% per year for STRS. The VSRS rate was raised from 8.0% to 8.25% effective 6/30/07.

[5] The Group F cost of living adjustment will be increased to equal the full CPI, effective January 1, 2014 for employees who are actively contributing into the system on June 30, 2008 and retire on or after July 1, 2008 will be eligible for the enhanced COLA.

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, 2008 were as follows:

	VSRS	STRS
Annual Required Contribution (ARC).....	$42,375,068	$41,204,051
Interest on NPO.....	3,342,307	13,958,082
Adjustment to ARC.....	(4,269,499)	(9,005,231)
Annual Pension Cost (APC).....	41,447,876	46,156,902
Employer Contribution Made.....	(39,193,942)	(39,549,097)
Increase in NPO.....	2,253,934	6,607,805
NPO - Beginning of Year.....	40,512,811	169,188,878
NPO - End of Year.....	$42,766,745	$175,796,683
Percentage of ARC contributed.....	92.49%	95.98%

Schedule Of Employer Contributions

Year Ended 6/30	Annual Pension Cost	Percentage Contributed	Net Pension Obligation Balance
VSRS			
2006	$ 37,782,274	97.58%	$40,555,260
2007	39,254,553	100.11%	40,512,811
2008	41,447,876	94.56%	42,766,745
STRS			
2006	55,484,063	44.06%	164,319,830
2007	43,365,458	86.11%	169,188,878
2008	46,156,902	85.68%	175,796,683

Funded Status and Funding Progress

The following is funded status information for the three defined benefit plans as the most recent valuation date, with amounts in thousands:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
VSRS						
6/30/2008	$1,377,101	$ 1,464,202	$ 87,101	94.1%	$ 404,938	21.5%
STRS						
6/30/2008	$1,605,462	$ 1,984,967	$ 379,505	80.9%	$ 535,807	70.8%
MERS						
7/1/2008	$ 348,740	$ 343,685	$ (5,055)	101.5%	$ 175,894	-2.9%

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

B. Defined Contribution Retirement Plans

Vermont State Defined Contribution Plan
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 and other postemployment benefits trust funds.

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

Employees are required to contribute at the rate of 2.85%. The State is required to contribute to each employee's account at the rate of 7% of the employee's compensation for each payroll period. An employee becomes vested in the plan after completion of 23 months of creditable service as a State employee. For the fiscal year ended June 30, 2008, plan member contributions were $692,433 and State employer contributions were $1,959,169, while members transferred $292,049 into the defined contribution plan from other pension plans and non-state systems. As of June 30, 2008, the Vermont State Defined Contribution Plan's net assets totaled $39,161,121, and there were 585 participants.

Vermont Municipal Employees' Defined Contribution Plan
The Vermont Municipal Employees' Defined Contribution Plan (24 V.S.A. 5070) was implemented by the Vermont Municipal Employees' Retirement System's Board of Trustees on July 1, 2000, and is reported in the pension and other postemployment benefits trust funds. 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. There are 93 municipalities participating in the defined contribution plan, and 73 of those municipalities have participating employees. Employees participating in one of the municipal defined benefit plans who elected to participate in the defined contribution plan had the July 1, 2001, actuarial value of their accrued defined benefit plan transferred to the defined contribution plan. Employers that did not offer the defined contribution plan to their employees as of December 31, 1999, will have an opportunity to do so no later than December 31 of any subsequent year with the transfer effective July 1 of the following year.

Participating municipal employees and their employers are required to contribute at the rate of 5%. Effective July 1, 2008, employers began contributing 5.125% while employee contribution percentages remain unchanged. Employees become vested in the plan after 12 months of service. For fiscal year ending June 30, 2008, plan participants and the municipalities contributed $625,341 and $625,539 respectively, while members transferred $179,327 into the defined contribution plan from other pension plans and non-state systems. As of June 30, 2008, the Municipal Employees' Defined Contribution Plan's net assets totaled $13,275,745, and there were 594 participants.

Single Deposit Investment Account
The Single Deposit Investment Account (SDIA), a non-contributory defined contribution plan, was established according to the provisions of Public Act 41 of the 1981 Session. The Act authorized a new Group B noncontributory plan within the State Teachers Retirement System (STRS) and a new Group E non-contributory plan within the Vermont State Retirement System (VSRS). The SDIA is reported as a pension trust fund.

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:

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

The VSRS's members in the Group A contributory plan could 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:

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

No additional contributions could be made to the SDIA beyond those described above. The SDIA funds are not available to the members until they retire or terminate employment. At June 30, 2008, there were 2,213 members, with net assets of $84,574,089 in the Single Deposit Investment Account.

The following pages contain the financial statements for the defined contribution plans.

Statement of Plan Net Assets
Defined Contribution Plans
June 30, 2008

	Defined Contribution Plans		
	Vermont State Defined Contribution Fund	**Single Deposit Investment Account Fund**	**Vermont Municipal Employees' Defined Contribution Fund**
Assets:			
Cash and short term investments	$ 284,111	$ 4,475,160	$ 66,231
Receivables:			
Contributions - current	155,998	-	17,318
Interest and dividends	-	574,821	-
Investments sold	-	4,112,227	-
Investments at Fair value:			
Fixed income	-	85,873,527	-
Equities	-	565,650	-
Mutual funds	38,732,811	-	13,222,481
Prepaid expenses	35,211	-	-
Total assets	**39,208,131**	**95,601,385**	**13,306,030**
Liabilities:			
Payable for investments purchased	-	11,027,296	-
Accounts payable	9,630	-	396
Due to other funds	37,380	-	29,889
Total liabilities	**47,010**	**11,027,296**	**30,285**
Net assets held in trust for employees' pension benefits	**$ 39,161,121**	**$ 84,574,089**	**$ 13,275,745**

Statement of Changes in Plan Net Assets
Defined Contribution Plans
For the fiscal year ended June 30, 2008

	Defined Contribution Plans		
	Vermont State Defined Contribution Fund	**Single Deposit Investment Account Fund**	**Vermont Municipal Employees' Defined Contribution Fund**
Additions :			
Contributions			
Employer - pension benefit	$ 1,959,169	$ -	$ 625,539
Plan member	692,433	-	625,341
Transfers from other pension trust funds	187,975	-	38,519
Transfers from non-state systems	104,074	-	140,808
Total contributions	**2,943,651**	**-**	**1,430,207**
Investment Income:			
Net appreciation (depreciation) in fair value of investments	(5,305,166)	(177,201)	(1,752,734)
Dividends	2,550,928	-	847,630
Interest income	10,273	4,552,492	2,596
Securities lending income	-	99,672	-
Other income	-	6,049	6,741
Total investment income (loss)	**(2,743,965)**	**4,481,012**	**(895,767)**
Less Investment Expenses:			
Investment managers and consultants	525	308,952	-
Total investment expenses	**525**	**308,952**	**-**
Net investment income (loss)	**(2,744,490)**	**4,172,060**	**(895,767)**
Total additions	**199,161**	**4,172,060**	**534,440**
Deductions:			
Retirement benefits	2,149,065	8,874,501	383,697
Other post employment benefits	252,083	-	-
Operating expenses	39,126	-	38,963
Total deductions	**2,440,274**	**8,874,501**	**422,660**
Change in net assets	**(2,241,113)**	**(4,702,441)**	**111,780**
Net assets held in trust for employees' pension benefits:			
July 1	**41,402,234**	**89,276,530**	**13,163,965**
June 30	**$ 39,161,121**	**$ 84,574,089**	**$ 13,275,745**

C. Other Post Employment Benefits

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

Medical Insurance Plan Descriptions

Vermont State Retirement System
Retirees in the VSRS, meeting the following criteria, participate in a single employer medical insurance plan operated by the State as self-insured internal service fund. Employees retiring directly from active State service for any reason (disability, early, or normal), including the State Police, may carry whatever coverage is in effect at that time into retirement for themselves and their dependents. During the lifetime of the retiree, 20% of the cost of the premium will be paid by the retiree, except in the case of retirees selecting joint or survivorship options. If the retiree chooses the joint and survivor pension option, and predeceases his or her spouse, the medical benefits also continue for the spouse, along with the pension. However, generally the surviving spouse must pay 100% of the cost of the premium.

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

If an employee does not retire directly from State service, they are not eligible to participate in the State's medical insurance plan. Likewise, if the insurance is terminated at any time after retirement, coverage will not be able to be obtained again at a later date.

Based on legislation enacted during fiscal Year 2008, Group F employees hired after July 1, 2008, will receive a tiered retiree health care reimbursement, based on completed years of service. As part of the enacted legislation, Group F employees hired after July 1, 2008, also have the ability to recapture (access) subsidized health insurance at 80% upon initiation of retirement benefits in a manner comparable to regular retirements even if employee terminated prior to their early retirement date, providing the member has twenty years of service upon termination of employment.

The State Employees' Postemployment Benefit Pension Trust Fund (3 V.S.A. 479a) was established in fiscal year 2007 as an irrevocable trust fund for the purpose of accumulating and providing reserves to support retiree postemployment benefits for members of the VSRS. By definition this is an OPEB trust fund required to follow the reporting requirements of Governmental Accounting Standards Board Statement No. 43 (Financial Reporting for Postemployment Benefit Plans Other Than Pensions). During fiscal year 2008, the State contributed $1,444,757 to this fund. The fund has total assets of $3,663,517 at June 30, 2008. These assets are held in trust for postemployment benefits other than pension.

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

Members of the STRS have access to three medical benefit plans in retirement. The plans are identical to those offered to active teachers in public school systems in Vermont. Members may pick up medical coverage under one of the plans offered for themselves and all eligible dependents at the time of retirement, or anytime thereafter during one of the semi-annual open enrollment periods. If the member has a minimum of 10 years of creditable service at the time of retirement, STRS picks up 80% of the retiree's premium only, based on the cost of the "standard plan" as defined by statute. The retiree must pick up the full cost of the premium for all covered dependents. Once a retiree becomes eligible for Medicare coverage (at age 65), it is mandatory that they enroll

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

Medicare Part D - Prescription Drug Subsidy

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

The State Teachers' Retirement System Board of Trustees agreed that they would continue to offer the same prescription drug coverage program during 2007 and 2008 that has been available to active and retired teachers for the past several years. The Retirement Division has received an attestation from its actuaries that the prescription drug program offered to retired teachers is equivalent, and in fact, better than the drug program offered through Medicare Part D. VSRS has also agreed to offer the same prescription drug coverage program during 2008 that has been available to active and retired state employees for the past several years. The Department of Human Resources has received an attestation from its actuaries that the prescription drug program offered to retired members is equivalent, and in fact, better than the drug program offered through Medicare Part D.

The systems will continue to evaluate the results of the Medicare Part D Program and its impact on the post-age 65 health care benefits marketplace and prescription drug pricing. The Vermont Teachers' Retirement Board of Trustees and the State will need to determine in future years whether it is in their best interest to continue to offer the same prescription drug program, or whether it should be modified or discontinued. If the determination is to continue to offer the same coverage, the estimated annual subsidy will fluctuate depending on the number of retirees and covered dependents that actually sign up for the Medicare Part D Program. If it is determined that the prescription coverage should either be modified or discontinued, then the savings will be realized by a decrease in medical premiums.

For the fiscal year ending June 30, 2008, the subsidy for the VSRS system was $1,444,757. The state has elected to place this revenue in a trust fund to fund future post employment health benefit liabilities. In the case of STRS, the subsidy for fiscal year 2008 was $1,406,469 and was deposited into the STRS's pension trust fund.

Plan Membership

At June 30, 2008, the VSRS and STRS plan members eligible for these OPEB plans were as follows.

	VSRS	STRS
Active employees	8,442	10,685
Terminated vested	-	705
Retired employees	3,373	3,804
Total participants	11,815	15,194

Annual OPEB Cost and Net OPEB Obligation

The State's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. GASB Statement

45 was implemented in fiscal year 2008 prospectively with a zero net OPEB obligation beginning balance for both the VSRS and STRS OPEB defined benefit plans.

The following table shows the components of the State's annual OPEB cost for the year ended June 30, 2008, the amount actually contributed, and the changes in the State's net OPEB obligation.

	VSRS	STRS
Annual required contribution (ARC) and annual OPEB cost (AOC).....	$ 47,284,903	$ 60,220,989
Contribution paid.....	(17,776,355)	-
Increase in OPEB obligation.....	29,508,548	60,220,989
Net obligation at beginning of year.....	-	-
Net obligation at end of year.....	**$ 29,508,548**	**$ 60,220,989**

In the VSRS, medical benefit expenses are included in an administrative budget appropriated and transferred to system's pension fund which pays the health care premiums through an established sub-fund. Since these are expressly funded, separate from the pension actuarial contribution. In the STRS, the medical benefit expenses are also paid through a sub-fund of the pension fund but are not explicitly budgeted and are therefore not included in the net OPEB obligation calculation, but are reflected as part of the pension trust fund.

For the fiscal year ending June 30, 2008, State employer contributions to the VSRS OPEB and STRS OPEB plans were 37.59% and 0% of the annual required contribution, respectively.

Funded Status and Funding Progress

The funded status of the plans, with amounts in thousands of dollars, as of June 30, 2008, was as follows.

Actuarial Valuation Date 6/30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
VSRS						
2008	$3,664	$754,690	$751,027	0.5%	$404,938	185.5%
STRS						
2008	$0	$863,555	$863,555	0.0%	$535,807	161.2%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plans and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information immediately following these notes to the financial statements, presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

OPEB Actuarial Valuation- Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The State's independent actuary has prepared valuations of the OPEB liabilities for VSRS and STRS as of June 30, 2008. This is the fourth annual OPEB valuation for each system. Component units and authorities of the State will perform their own valuation as the State does not assume the risk or financial burden for their health care costs.

For VSRS, assuming no additional prefunding, the actuarial accrued liability for OPEB obligations earned through June 30, 2008, is $754.7 million with an unfunded actuarial liability of $751.0 million.

The plan experienced a gain on the Accumulated Postretirement Benefit Obligation (APBO) of $3,954,360. The gain was determined as the expected APBO as of June 30, 2008, using the 2007 actuarial assumptions ($641,839,569) compared to the actual APBO using the same 2007 assumptions ($637,885,209). As of June 30, 2008, the actuarial assumptions were changed. The effect of the changes was an increase in the APBO from $637,885,209 to $754,026,556. The changes included a modification of the method of determining the implicit subsidy, the healthcare cost trend and the discount rate (an increase from 3.75% to 4.0%). The increase in the plan's accrued liability over the past year is also attributable to year-to-year increases in premiums in excess of those assumed in the prior valuation and a net increase in its participant population from 11,701 to 11,815.

To fully amortize this liability over a 30-year period utilizing an amortization with installments increasing at a rate of 5.0% per year would require an ARC commencing at $58.7 million for fiscal year 2009 and projected to increase to $167.0 million in fiscal year 2039.

For STRS, assuming no prefunding, the actuarial accrued liability and the unfunded actuarial liability for OPEB obligations earned through June 30, 2008, is $863.6 million. To fully amortize this liability over a 30-year period utilizing an amortization with installments increasing at a rate of 5.0% per year would require an ARC commencing at $59.1 million for fiscal year 2009 and projected to increase to $322.0 million in fiscal year 2039.

As noted above, an experience study was completed for the STRS retirement system. Demographic assumptions in the June 30, 2008, OPEB valuation were changed to be consistent with those used to value the system's pension benefits. In addition, the discount rate was increased to 4%.

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

	VSRS	STRS
Valuation date	06/30/08	06/30/08
Actuarial cost method	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percentage of payroll	Level percentage of payroll
Amortization period - closed basis	30 years starting in 2009	30 years starting in 2009
Actuarial assumptions		
Investment rate of return - pay-as-you-go[1]	4.00%	4.00%
Medical Care and State Share Inflation[2]	8% in 2009 7% in 2010 declining to 5% in 2013	7% in 2009 8% in 2010 declining to 5% in 2013
Coverage	80% of current active employees will elect retiree medical coverage	60% of current active employees will elect retiree medical coverage and 30% of terminated vested will elect coverage

[1] Beginning with the 6/30/08 valuation, the rate of return was increased from 3.75% to 4.0%.

[2] Reflect the 6/30/08 valuation assumptions, inflation assumptions have varied in previous valuations.

Dental Insurance

Two dental plans are available to retired state employees and retired teachers and their eligible dependents. The dental plan must be elected at the time of retirement. The retiree pays the full premium for all covered lives. A similar program is expected to be offered to retired municipal employees in the next fiscal year.

Vermont Municipal Employees Health Benefit Fund

The VMERS Retiree Health Savings Account (RHS) Plan established on July 1, 2007, is a tax-advantaged savings plan that assists retirees in paying for healthcare costs after retirement. Contributions to this defined contribution OPEB fund are deposited into the RHS Plan member accounts on a tax-free basis, accumulate interest on a tax-free basis, and are drawn out during retirement on a tax-free basis to reimburse health care expenses, including out-of-pocket expenses, deductibles and premiums. The VMERS is administered by the State, however the State has no associated health care benefit cost or liability.

The VMERS Board deposited an initial amount of $5.1 million into the RHS accounts on July 2, 2007. Additional employer contributions were collected during the course of the fiscal year to be deposited in member accounts at the beginning of fiscal year 2009. Future contributions and subsequent transfers to member accounts will be made as directed by the VMERS Board of Trustees. There is no guarantee that the RHS member accounts will receive any additional funding. While the Vermont Municipal Employees Health Benefit Fund is classified as a post employment benefit fund, there is no accrued liability in excess of the assets of the fund. There is no annual required contribution and unfunded actuarial accrued liability. While classified as a post employment benefit fund, there is no accrued liability in excess of the assets of the fund, there is no annual required contribution and no unfunded actuarial accrued liability.

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

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

At June 30, 2008, there were 5,079 active and retired members participating the VMERS RHS plan. Total investments in member accounts at June 30, 2008, were $4,451,368. Total employer contributions were $9,250,816 and the assets of the fund were $8,647,326.

The financial statements for the OPEB Funds are as follows.

Statement of Plan Net Assets
Other Postemployment Benefit Funds
June 30, 2008

	Vermont State Postemployment Benefits Trust Fund	Vermont Municipal Employees' Health Benefit Fund
Assets:		
Cash and short term investments.....	$ 294,790	$ 3,029,141
Receivables:		
Contributions - current.....	-	1,166,817
Due from other funds.....	152,269	-
Investments at Fair value:		
Fixed income.....	2,284,004	-
Equities.....	760,684	-
Mutual funds.....	171,770	4,451,368
Total assets.....	**3,663,517**	**8,647,326**
Liabilities:		
Total liabilities.....	**-**	**-**
Net assets held in trust other postemployment benefits.....	**$ 3,663,517**	**$ 8,647,326**

Statement of Changes in Plan Net Assets
Other Postemployment Benefit Funds
For the fiscal year ended June 30, 2008

	Vermont State Postemployment Benefit Trust Fund	Vermont Municipal Employees' Health Benefit Fund
Additions :		
Contributions		
Employer - healthcare benefit	$ 1,444,757	$ 9,250,816
Total contributions	**1,444,757**	**9,250,816**
Investment Income:		
Net appreciation (depreciation) in fair value of investments	(114,737)	(208,779)
Dividends	17,803	-
Interest income	104,820	48,045
Total investment income (loss)	**7,886**	**(160,734)**
Less Investment Expenses:		
Investment managers and consultants	-	33,377
Total investment expenses	**-**	**33,377**
Net investment income (loss)	**7,886**	**(194,111)**
Total additions	**1,452,643**	**9,056,705**
Deductions:		
Other post employment benefits	-	409,379
Total deductions	**-**	**409,379**
Change in net assets	**1,452,643**	**8,647,326**
Net assets held in trust for postemployment benefits:		
July 1	**2,210,874**	**-**
June 30	**$ 3,663,517**	**$ 8,647,326**

Note 6: ACCOUNTS RECEIVABLE

Accounts receivables at June 30, 2008 are summarized as follows:

Governmental activites:	Governmental Funds Major	Governmental Funds Non-major	Internal Service Funds	Total Governmental Activities
Taxes:				
Personal and corporate income	$ 177,492,218	$ -	$ -	$ 177,492,218
Sales and use	58,819,186	-	-	58,819,186
Meals and rooms	23,807,767	-	-	23,807,767
Purchase and use	340,065	-	-	340,065
Motor Fuel	5,494,535	79,429	-	5,573,964
Other taxes	35,131,659	-	-	35,131,659
Subtotal	301,085,430	79,429	-	301,164,859
Allowance for uncollectibles	(81,549,790)	-	-	(81,549,790)
Taxes receivable, net	$ 219,535,640	$ 79,429	$ -	$ 219,615,069
		Current receivable		$ 92,127,526
		Non-current receivable		127,487,543
		Total taxes receivable, net		$ 219,615,069
Loans and notes:				
Loans and notes receivable	$ 170,715,606	$ -	$ -	$ 170,715,606
Allowance for uncollectibles	(283,500)	-	-	(283,500)
Loans and notes receivable, net	$ 170,432,106	$ -	$ -	$ 170,432,106
		Current receivable		$ 169,625,607
		Non-current receivable		806,499
		Total loans and notes receivable, net		$ 170,432,106
Federal grants	$ 88,520,929	$ 273,289	$ -	$ 88,794,218
Other:				
Other receivables	$ 74,675,658	$ 460,437	$ 11,290,292	$ 86,426,387
Allowance for uncollectibles	(27,962,625)	(578)	(320,548)	(28,283,751)
Other receivables, net	$ 46,713,033	$ 459,859	$ 10,969,744	58,142,636
Due from Fiduciary Funds				98,064
Less Internal Service Funds' receivables from Governmental Funds				(8,326,093)
Other receivables, net				$ 49,914,607
		Current receivable		$ 13,011,131
		Non-current receivable		36,903,476
		Total other receivables, net		$ 49,914,607

Business-type activities:	Enterprise Funds Major	Enterprise Funds Non-major	Total Business-type Activities
Taxes:			
Unemployment	$ 14,265,480	$ -	$ 14,265,480
Allowance for uncollectibles	(2,900,000)	-	(2,900,000)
Taxes receivable, net	$ 11,365,480	$ -	$ 11,365,480
Loans and notes receivable	$ -	$ 2,758,070	$ 2,758,070
	Current receivable		$ 1,009,470
	Non-current receivable		1,748,600
	Total loans and notes receivable, net		$ 2,758,070
Federal grants	$ 66,756	$ -	$ 66,756
Other:			
Other accounts receivable	$ 2,248,534	$ 374,804	$ 2,623,338
Allowance for uncollectibles	(51,573)	(25,411)	(76,984)
Other accounts receivable, net	$ 2,196,961	$ 349,393	$ 2,546,354
	Current receivable		$ 2,508,314
	Non-current receivable		38,040
	Total other receivables, net		$ 2,546,354

Note 7: LEASE COMMITMENTS

A. Operating Leases

The State is committed under various operating leases covering real property (land and buildings) and equipment. Total costs for such leases for the fiscal year ended June 30, 2008, were $8,817,842. Although lease terms vary, certain leases continue subject to appropriation by the General Assembly. If continuation is reasonably assured, leases requiring appropriation by the General Assembly are considered non-cancelable leases for financial reporting purposes. It should also be noted that the State is currently negotiating a small number of operating leases on which rent is being paid on a month-by-month basis and for which there is no signed agreement. These leases have not been included in the following table.

The following is a summary of the estimated future minimum rental commitments under operating leases for real property and equipment at June 30, 2008.

Fiscal Year	Primary Government Non-Cancelable Leases	Primary Government Cancelable Leases	Primary Government Total
2009	$ 7,223,529	$ 6,477	$ 7,230,006
2010	5,169,600	3,652	5,173,252
2011	3,570,875	3,652	3,574,527
2012	2,927,937	1,201	2,929,138
2013	2,608,770	1,201	2,609,971
2014 to 2018	2,080,115	3,603	2,083,718
Totals	$ 23,580,826	$ 19,786	$23,600,612

B. Capital Leases

The State has entered into capital lease arrangements to acquire various items of machinery and equipment with a gross asset value totaling $1,006,078. The future minimum lease obligation and the net present value of the minimum lease payments at June 30, 2008, are as follows.

Fiscal Year	Primary Government
2009	$ 216,483
2010	154,151
2011	19,229
2012	10,104
2013	1,384
Total minimum lease payments	401,351
Less: interest	(17,334)
Present value of minimum lease payments	$ 384,017

The State of Vermont, acting through its Agency of Transportation entered into a capital lease with Main Street Landing 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 give 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 terms of the lease.

Note 8: GENERAL OBLIGATION BONDS PAYABLE

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

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

The changes in bonds principal payable for fiscal year 2008 are summarized in the following schedule.

		General Obligation Bonds
Balance, July 1, 2007		$ 457,255,121
Additions:		
Issuances	$ 75,195,000	
Accretions	1,769,972	
Total		76,964,972
Deductions:		
Redemptions	51,355,000	
Defeasances	28,395,000	
Total		(79,750,000)
Balance, June 30, 2008		$ 454,470,093

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, and have an accreted value of $9,456,567 at June 30, 2008.

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 $4,527,045 at June 30, 2008.

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 $11,126,481 at June 30, 2008.

Future general obligation debt service requirements at June 30, 2008, are as follows:

Fiscal Year	Current Interest Bonds Principal	Current Interest Bonds Interest	Capital Appreciation Bonds	Total
2009	$ 45,885,000	$ 18,079,050	$ 7,495,000	$ 71,459,050
2010	43,265,000	15,929,406	7,145,000	66,339,406
2011	39,365,000	14,133,790	7,140,000	60,638,790
2012	38,550,000	12,496,759	3,035,000	54,081,759
2013	34,250,000	10,976,540	1,750,000	46,976,540
2014-2018	124,230,000	35,778,955	2,000,000	162,008,955
2019-2023	72,465,000	14,712,835	-	87,177,835
2024-2028	31,350,000	2,789,750	-	34,139,750
Totals	$ 429,360,000	$124,897,085	$ 28,565,000	$ 582,822,085

At June 30, 2008, there remains $58,350,869 of authorized but unissued general obligation bonds.

See following page for a schedule of general obligation bonds outstanding at June 30, 2008.

General Obligation Bonds outstanding at June 30, 2008 are comprised of the following issues:

Date Issued	Date Series Matures	Interest Rates %	Amount of Original Issue	Maturity Value of Capital Appreciation Bonds	Maturity Value Sources of Payments: General Fund	Transportation Fund	Special Fund	Maturity Value of Bonds Outstanding Total
General Obligation Current Interest Bonds:								
08/01/1992	08/01/2008	3.0 to 5.75	$ 71,280,000		$ 1,975,000	$ 15,000	$ -	$ 1,990,000
10/29/1997	01/15/2017	4.5 to 5.0	28,500,000		1,401,237	98,763	-	1,500,000
12/03/1997	01/15/2017	3.9 to 5.2	14,990,000		790,000	-	-	790,000
05/01/1998	01/15/2017	4.5 to 5.0	7,755,000		-	-	420,000	420,000
11/23/1998	01/15/2018	4.5 to 4.75	26,630,000		1,365,828	34,172	-	1,400,000
11/01/1999	02/01/2019	4.5 to 6.5	32,000,000		3,370,000	-	-	3,370,000
12/16/1999	02/01/2010	4.55 to 5.05	5,000,000		1,000,000	-	-	1,000,000
11/14/2001	08/01/2020	3.25 to 4.75	46,000,000		27,520,000	-	-	27,520,000
12/27/2001	08/01/2011	4.0 to 4.375	5,000,000		2,000,000	-	-	2,000,000
12/11/2002	08/01/2019	3.0 to 5.0	30,800,000		20,725,000	-	-	20,725,000
12/17/2002	08/01/2013	2.0 to 5.0	31,555,000		22,008,000	1,197,000	-	23,205,000
02/11/2004	02/01/2018	1.1 to 5.0	134,457,000		92,117,431	3,617,569	3,005,000	98,740,000
03/10/2004	03/01/2023	2.0 to 5.0	42,200,000		30,932,702	2,367,298	-	33,300,000
03/02/2005	03/01/2025	3.0 to 4.0	26,000,000		24,350,000	-	-	24,350,000
04/13/2005	03/01/2015	2.4 to 4.0	15,000,000		9,800,000	700,000	-	10,500,000
06/07/2005	03/01/2020	2.65 to 5.0	20,805,000		19,109,087	565,913	880,000	20,555,000
11/22/2005	07/15/2026	3.5 to 5.0	30,000,000		28,500,000	-	-	28,500,000
12/13/2005	07/15/2016	3.1 to 4.0	15,000,000		12,000,000	-	-	12,000,000
02/21/2007	07/15/2026	4.0 to 5.0	30,000,000		29,250,000	-	-	29,250,000
03/15/2007	07/15/2016	3.375 to 4.0	9,500,000		8,550,000	-	-	8,550,000
03/15/2007	07/15/2016	3.375 to 4.0	5,000,000		4,500,000	-	-	4,500,000
11/28/2007	07/15/2027	3.50 to 5.25	35,000,000		35,000,000	-	-	35,000,000
12/20/2007	07/15/2017	3.0 to 4.0	11,000,000		11,000,000	-	-	11,000,000
12/20/2007	07/15/2017	3.0 to 5.0	29,195,000		24,887,412	492,588	3,815,000	29,195,000
Total General Obligation Current Interest Bonds					**412,151,697**	**9,088,303**	**8,120,000**	**429,360,000**
General Obligation Capital Appreciation Bonds:								
12/13/90	12/01/10	N/A	19,310,002	$ 48,935,000	12,325,000	-	-	12,325,000
10/30/91	10/15/11	N/A	9,999,837	20,575,000	5,140,000	-	-	5,140,000
12/01/93	08/01/13	N/A	17,987,640	32,625,000	11,100,000	-	-	11,100,000
Total Maturity Value					**28,565,000**	-	-	**28,565,000**
Less: Unaccreted Interest					3,454,907	-	-	3,454,907
Total General Obligation Capital Appreciation Bonds					**25,110,093**	**-**	**-**	**25,110,093**
Total General Obligation Bonds					**$ 437,261,790**	**$ 9,088,303**	**$ 8,120,000**	**$ 454,470,093**

Note 9: BOND REFUNDINGS

During the 2008 fiscal year the State refunded on a current basis $26,995,000 of outstanding 1998 Series A general obligation bonds, and advance refunded $1,400,000 of outstanding 1998 Series C general obligation bonds, through the issuance of the 2007 Series F general obligation refunding bonds in the amount of $29,195,000. Total proceeds (inclusive of premium) on the refunding bond sale were $29,559,069. From these proceeds, $29,375,437 was used to purchase United States Treasury Securities—State and Local Government Series that were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of the refunded bonds. As a result, the total $28,395,000 of refunded bonds is considered to be defeased and the liabilities have been removed from the State's financial statements. As a result of this refunding, the State has taken advantage of lower interest rates; and has decreased its aggregate debt service payments by $1,626,672 over the ten years ending January 2018. The economic gain (the present value of the debt service savings) for the State through this transaction is $1,099,226, using a discount rate of 3.3%.

During fiscal years 2004 and 2005, the State defeased "in-substance" certain general obligation bonds by issuing new bonds and by placing the proceeds of these new bonds in an irrevocable trust. These trust assets are utilized to make all debt service payments on the defeased bonds. Accordingly, these trust assets and the liability for the defeased bonds are not included in the State's financial statements.

The total amount of defeased bonds remaining outstanding at June 30, 2008, is $38,770,000.

Note 10: BUDGET STABILIZATION RESERVES

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

The reserves balances will consist of any unreserved undesignated surplus at the close of the fiscal year, provided the balance in each fund's Budget Stabilization Reserve shall not exceed an amount equal to five percent of its appropriations for the prior fiscal year plus any additional amounts as may be authorized by the Vermont Legislature. Use of the reserve is limited to offsetting the respective fund's deficit at the close of a fiscal year. Pursuant to action taken by the Legislature, the Transportation Fund's Budget Stabilization Reserve at June 30, 2008 was $11,199,306, the General Fund's Budget Stabilization Reserve was $57,839,077 at June 30, 2008, and the Education Fund's Budget Stabilization Reserve at June 30, 2008 was $29,392,569.

Note 11: CONTINGENT AND LIMITED LIABILITIES

A. Contingent Liabilities

Vermont Economic Development Authority:
In 1974, the General Assembly created the Vermont Industrial Development Authority, renamed it the Vermont Economic Development Authority (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 the Agency of Commerce and Community Development, the State Treasurer, the Secretary of Agriculture, Food and Markets, and nine public members appointed by the Governor with the advice and consent of the Senate.

The Authority has the power to insure up to $15 million of loans made by financial institutions for the purchase of

land and construction of industrial building facilities in the State; to finance the purchase of machinery and equipment; and to provide working capital. The refinancing of existing loans is also possible under the act that created the Authority. As of June 30, 2008, the State's contingent liability for the mortgage insurance contracts entered into by the Authority was $8,288,506. The full faith and credit of the State is pledged to support these activities of the Authority.

In fiscal year 2007, the Authority determined a loss on a mortgage insurance contract was probable, though the specific amount of loss is not determinable at this time. The Authority estimates the probable loss to range from a minimum of $300,000 to a maximum of $1,500,000. The Authority has recorded the $300,000 loss and a receivable from the State for $300,000. The Authority reported that the status of this loss at June 30, 2008 is unchanged. As the full faith and credit of the State supports this activity, the State has recorded a $300,000 payable to the Authority in the Governmental Funds.

The Authority is authorized to reimburse lenders participating in the Vermont Financial Access Program for losses incurred on loans that the lenders register with the Authority. The full faith and credit of the State is pledged in an amount equal to the reserve premium payment deposited by the participating lenders for each registered loan, with the aggregate amount of credit that may be pledged not to exceed $2 million at any one time. The State's contingent liability at June 30, 2008 was $881,847. The State's net cash contribution since inception is $387,494.

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

B. Limited Liabilities

Vermont Economic Development Authority:
The State has a limited liability for the Vermont Economic Development Authority. The Authority may create one or more debt service reserve funds in accordance with 10 V.S.A. Section 219. Annually, the Authority must report to the State the amount necessary to bring the reserve balances up to the minimum required by statute. This sum so certified may be appropriated by the State. It has not been necessary for the State to appropriate money to maintain the reserve and State management believes that an appropriation will not be necessary in the future.

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

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

Note 12: LITIGATION

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

Note 13: JOINT VENTURE

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

At June 30, 2008, the commission had total assets of $118,313,017, and total liabilities of $102,699,865, representing decreases of $17.14 million and $20.36 million respectively, compared to June 30, 2007. For the fiscal year ended June 30, 2008, the commission had operating revenues of $73,254,257, an increase of $3.96 million; interest income of $646,870, a decrease of $96,951; commissions, fees, and bonus expenses of $8,608,003, an increase of $379,321; prize awards of $37,209,421, an increase of $2.54 million; and other operating expenses of $3,874,261, an increase of $42,944; all activity as compared to the fiscal year ended June 30, 2007.

During fiscal year 2008, the commission made operating transfers to member states of $24,209,442 versus $23,314,872 during fiscal year 2007. This total included $2,978,630 transferred to Vermont during the fiscal year, an increase of $384,702 as compared to fiscal year 2007.

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

Note 14: RISK MANAGEMENT

A. Workers' Compensation and Risk Management

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

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 who are injured on the job, pursuant to State statute. Certain quasi-governmental entities may also request coverage through this program. The State has

unlimited exposure to liability and has not purchased any stop-loss insurance to limit this exposure. All claims are processed by Workers' Compensation personnel and are audited annually by an outside claims adjuster to ensure that the claims-based statistical information used to calculate the State's workers' compensation exposure is reliable. Liability is reviewed annually by an outside actuary, including a review of incurred but not reported claims (IBNR). The contribution required to fully fund losses is calculated annually by an outside actuary. Allocation to each participating entity is done by the Risk Management personnel utilizing departmental exposure and experience factors.

The Liability Insurance Fund covers general and employment practices liability, discrimination, and auto liability risk. The coverage is comparable to standard private commercial policies. It offers coverage to the same group of participants as those covered by the workers' compensation program described above. The State's exposure to risk in Vermont is subject to the doctrine of sovereign immunity and is governed by the Vermont Tort Claims Act, 12 V.S.A. §5601. Exposure outside of Vermont is potentially unlimited. The State is self-insured (SIR) 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 $750,000 ($1,000,000 total) in Vermont and $10,000,000 in excess of the $250,000 SIR for claims that are not subject to the Vermont Tort Claims Act. Claims are processed by Risk Management personnel (prior to 2006, claims were processed by a third-party administrator), and are audited annually by an outside claims adjuster to ensure that the claims-based statistical information used to calculate the State's liability exposure is reliable. This liability is reviewed annually by an outside actuary, including a review of incurred but not reported claims (IBNR). The contribution required to fully fund losses is calculated annually by an outside actuary. Allocation to each participating entity is done by the Risk Management personnel utilizing departmental exposure and experience factors.

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

There has been no significant reductions in insurance coverage from the prior year. Insurance settlements have never exceeded the coverage disclosed above.

In addition to the three internal service funds above, effective July 1, 2007, the General Assembly established the Sarcoidosis Benefit Trust Fund (a program in the Special Fund) to cover specific claims arising from an outbreak of Sarcoidosis at the impaired state office building in Bennington, Vermont (Act 53 of 2007). Claims are reviewed and processed under rules established that mirror the rules for the Workers' Compensation Fund claims. Funding was established as a special fund and not a proprietary fund as funding will only be available by the General Assembly as claims arise and funding needs are determined. The Fund is managed by the Workers' Compensation personnel. In fiscal year 2008, $384,688 was paid out for approved claims.

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

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

Participating employees share in the premium cost of all of the medical plans. Premium rate setting is performed by an outside actuary in conjunction with the Fiscal Unit of the Administrative Services Division of the

Department of Human Resources. The State's liability for incurred but not yet reported (IBNR) claims is calculated by the actuary and is based on the State's prior claims experience.

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

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

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

A Flexible Spending Account (FSA) Program is available to active State employees only. This account allows pre-tax salary deductions to be used to reimburse eligible medical and dependent care expenses. The FSA Program administrator is paid a monthly fee based on the number of enrolled employees. No claims costs are incurred under this plan by the State. The State pays 100% of the fee for this plan.

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

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

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

Fund and Fiscal Year	Liability at Beginning of the Fiscal Year	Current FY Claims and Changes in Estimates	Current FY Claims Payments	Balance of Liability at End of Fiscal Year
Workers' Compensation Fund				
2006	$14,779,393	$ 8,390,960	$ 5,968,751	$ 17,201,602
2007	17,201,602	6,716,086	5,726,127	18,191,561
2008	18,191,561	6,291,342	5,861,002	18,621,901
State Liability Insurance Fund				
2006	6,989,804	1,036,594	2,053,797	5,972,601
2007	5,972,601	(162,879)	1,056,976	4,752,746
2008	4,752,746	2,587,585	1,563,479	5,776,852
Medical Insurance Fund				
2006	10,697,575	79,503,185	80,171,813	10,028,947
2007	10,028,947	90,495,260	90,034,981	10,489,226
2008	10,489,226	97,858,788	97,169,573	11,178,441
Dental Insurance Fund				
2006	387,554	5,033,480	5,135,178	285,856
2007	285,856	5,013,548	5,023,647	275,757
2008	275,757	5,206,269	5,226,924	255,102

Note 15: DEFICIT FUND BALANCES AND NET ASSETS

The following individual funds had deficit fund balances, deficit total net assets or deficit unrestricted net assets at June 30, 2008.

Business-type Proprietary Funds

Federal Surplus Property: ended fiscal year 2008 with both a deficit unrestricted net asset and total net asset balance of $715,070. These deficits are primarily the result of **(1)** the prices set not being high enough to offset the acquisition expenses incurred to obtain the inventory and **(2)** timing differences resulting from the expensing of the acquisition costs associated with items retrieved in a different year than the sale, if ever sold. As the activity of this program is dependent on final sales price received for goods sold and the program being very popular with municipalities, any continued deficit that cannot be recovered through normal business operations will result in a request for recapitalization of the program being made to the Legislature.

Vermont Life Magazine: ended fiscal year 2008 with a deficit unrestricted net asset balance of $438,736 and a deficit total net asset balance of $437,327. In fiscal year 2009, Vermont Life will be publishing an official Quadricentennial souvenir publication and producing/marketing other products to celebrate the Quadricentennial. Revenues from advertising and circulation from this Quadricentennial souvenir publication as well as sales of the Quadricentennial products, in addition to general improvement of operations to Vermont Life will be contributing factors to the elimination of the remaining deficit for fiscal year 2009.

Internal Service Funds

Highway Garage Fund: ended fiscal year 2008 with a deficit unrestricted net asset balance of $2,513,656. The Highway Garage Department has restructured its 5-year plan to eliminate the remaining deficit by increasing rental rates to eliminate 25% of the deficit per year over the remaining 4 years.

Communications and Information Technology: The Communications and Information Technology fund ended fiscal year 2008 with a total net asset deficit of $14,445. However, the unrestricted balance was in a deficit of $1,792,591. Over the next few years the Department of Information and Innovation will work to bring this figure down. However, since our business requires large investments in information technology capital assets, it is unlikely that the unrestricted deficit will be eliminated anytime soon.

Fleet Fund: ended fiscal year 2008 with a deficit unrestricted net asset balance of $5,415,425 and a deficit total net asset balance of $8,241. This unrestricted deficit is due to the perpetual investment in fleet vehicles funded through short term borrowings from the general fund. Fiscal year 2007 was the first full year with adjusted rental rates. As such, the program is currently collecting slightly more than is needed to operate the program. The deficit total net asset balance was reduced in fiscal year 2008 and is expected to be reduced in future periods.

Copy Center Fund: ended fiscal year 2008 with a deficit unrestricted net asset balance of $2,140,720 and a deficit total net asset balance of $1,403,683. The operating and fund deficits are the result of operations with the convenience copier program and print shop. The Department of Buildings and General Services is continuing to review the viability of these programs. The convenience copier program will most likely not be eliminated due to accounting rules for capital leases and their relationship to the State's debt statement. Print shop activities, despite a rate increase in fiscal year 2007, continued to see a decline in customer sales due to the increase use and availability of desk top publishing and on-line posting of documents. During fiscal year 2009, the program will be taking on the printing functions and staff from the Department of Information and Innovation. The result is the program hopes to break even in fiscal year 2009. The reduction in net assets in fiscal year 2008 was due to the return of fund equity to program by the Administration.

Postage Fund: ended fiscal year 2008 with both a deficit unrestricted net asset balance of $998,468 and a deficit total net asset balance of $980,486. The program received a rate increase in fiscal year 2007. The program is currently seeking another rate increase due to federal rates increasing in fiscal year 2008. In addition, fund equity was returned to the fund by the Administration resulting in the improvement in the fund deficit. Without the return of equity, the program just about broke even with a net operating loss of $22,926. An additional rate increase will return the program to the black and help pay off the current fund deficit.

Facilities Operations Fund: ended fiscal year 2008 with a deficit unrestricted net asset balance of $3,527,379 and a deficit total net asset balance of $2,866,689. The fund deficit began to grow in fiscal year 2007 due to several emergency situations involving indoor air quality issues and employee health concerns. As a result, more money is being spent to safeguard employees and correct the building problems than was planned. In fiscal year 2008, an evaluation team is inspecting all state buildings and determining corrective action that will prevent another situation as is being experienced in Bennington. This issue is a priority for the Legislature and the Administration and it is expected that funds will be made available to reverse this trend in deficit spending. A budget adjustment for fiscal year 2009 is being drafted.

Property Management Fund: had a deficit unrestricted net asset balance of $15,122,571 and a deficit total net asset balance of $15,120,142 as of June 30, 2008. This fund deficit is an expected deficit given the purchase of 3 office buildings whose acquisition costs were financed by 20-year bonds. The funding for the payoff of these bonds is being recovered over a 50 year period. This deficit is calculated to continue growing until the bonds are paid off at which time the deficit will start to decrease annually and will be eliminated at the end of the 50-year recovery period. A review of the funding scheme demonstrated that no savings would occur if the State attempted to recover the costs over a shorter period due to federal rules. Contributing to the deficit is a lack of a sufficient revenue stream to cover operating costs for the program. A request will be made for a supplemental

general fund appropriation on an annual basis to cover this funding gap in the program. For fiscal year 2008, the program, given its size, almost finished the year at the breakeven point.

Risk Management All-Other Fund: ended fiscal year 2008 with a deficit unrestricted and a deficit total net asset balance of $410,186. The fund recovers the costs of the program from the policy holders through a surcharge on 3rd party insurance premiums. The program is intended to purchase insurance coverage on behalf of specific customers for specific reasons. The policyholders are responsible for the total costs including overhead charges for the programs they participate in. Any deficits in the program are due to timing differences between billing customers for the policies and paying the provider of the coverage. Specifically, the deficit is being driven by the Workers Compensation policy for AHS which pays an estimated premium cost and receives any overages back by way of a cash refund. This deficit is the result of an expected cash refund from the commercial carrier based on experience.

Workers' Compensation Fund: ended fiscal year 2008 with a deficit unrestricted and a deficit total net asset balance of $2,103,095. Rate increases have resulted in the fund recovering expenditures, both cash and actuarial, in fiscal year 2008 helping to reduce the negative net asset balance in fiscal year 2008 though the fund remains less than fully funded for future claims. The plan for the fund will be to increase rates in fiscal year 2009 and fiscal year 2010 in an attempt to eliminate these fund deficits.

Governmental Funds

Global Commitment Fund: ended fiscal year 2008 with a deficit unreserved fund balance of $36,898,409 and a deficit total fund balance of $36,091,055. This deficit is the result of Medicaid costs incurred under a previous Medicaid waiver agreement being paid with the resources transferred to the fund under the current agreement. The State plans to eliminate this deficit thorough amendment to the current Medicaid waiver agreement's Terms and Conditions to allow these costs to be incorporated into future capitation rates which determine the amount to be transferred to the fund.

Transportation Bond Fund: ended fiscal year 2008 with a deficit fund balance of $101,893. This deficit is the result of capital projects incurring liabilities prior to the sale of bonds. This deficit will be eliminated in fiscal year 2009 with the sale of bonds authorized in the 2008 Capital Appropriation Act.

Note 16: CHANGES IN LONG-TERM LIABILITIES

Governmental activities long-term liabilities are generally liquidated by payments from the governmental and internal service funds' programs. Bonds payable are liquidated by the general, transportation and special funds. Other liabilities includes the unamortized premium from the sale of bonds.

During the year ended June 30, 2008, the following changes occurred in the long-term liabilities.

PRIMARY GOVERNMENT

	July 1, 2007	Additions	Reductions	June 30, 2008	Amounts due within one year
Governmental activities:					
Bonds payable (1)	$ 457,255,121	$ 76,964,972	$ 79,750,000	$ 454,470,093	$ 53,380,000
Capital leases payable	600,290	148,245	364,518	384,017	203,624
Compensated absences	31,830,323	34,140,531	32,890,803	33,080,051	21,866,258
Claims and judgments	33,709,290	111,943,984	109,820,978	35,832,296	11,433,543
Contingent liabilities	7,000,000	-	-	7,000,000	-
Net pension obligations	209,701,689	8,861,739	-	218,563,428	-
Net other postemployment obligations	-	89,729,537	-	89,729,537	-
Other liabilities	12,097,665	798,046	1,352,494	11,543,217	1,345,921
Total governmental activities long-term liabilities	$ 752,194,378	$322,587,054	$224,178,793	$ 850,602,639	$ 88,229,346

(1) Governmental activities bonds payable additions include $1,769,972 of accretions on capital appreciation bonds.

	July 1, 2007	Additions	Reductions	June 30, 2008	Amounts due within one year
Business-type activities:					
Compensated absences	$ 323,158	$ 317,582	$ 283,870	$ 356,870	$ 217,499
Lottery prize awards payable	4,982,519	64,759,920	64,527,551	5,214,888	487,209
Total business-type activities long-term liabilities	$ 5,305,677	$ 65,077,502	$ 64,811,421	$ 5,571,758	$ 704,708
Fiduciary:					
Compensated absences	$ 4,474	$ 11,966	$ 5,856	$ 10,584	$ 9,432
Total fiduciary long-term liabilities	$ 4,474	$ 11,966	$ 5,856	$ 10,584	$ 9,432
COMPONENT UNITS					
Bonds and notes payable	$3,006,278,059	$531,201,978	$363,984,317	$3,173,495,720	$128,539,536
Capital leases payable	188,464	-	83,434	105,030	57,582
Accrued arbitrage rebate	33,469,145	1,190,193	7,776,274	26,883,064	315,678
Net postemployment benefit obligation	-	33,814,600	-	33,814,600	-
Other liabilities	23,118,986	5,133,180	4,841,220	23,410,946	1,311,000
Total component units long-term liabilities	$3,063,054,654	$571,339,951	$376,685,245	$3,257,709,360	$130,223,796

Note 17: RESTATEMENTS

Vermont Economic Development Authority

The Vermont Economic Development Authority (VEDA) follows the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when incurred. Since 1994, in accordance with the adoption of Governmental Accounting Standards Board ("GASB") Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities,* the Authority has applied all applicable GASB pronouncements and all Financial Accounting Standards Board ("FASB") pronouncements to the extent the FASB pronouncements do not conflict with any GASB pronouncements. This method of adopting GASB 20 required VEDA to follow FASB pronouncements issued to date (if there was no conflict) as well as all GASB pronouncements.

In 2008, to be consistent with other component units of the State, the VEDA elected to make a change in accounting principle and begin to apply GASB pronouncements as well as any FASB pronouncements issued on or before November 30, 1989 to the extent these pronouncements do not conflict with GASB pronouncements. This is the alternative method of adoption of GASB 20.

Adopting the change in accounting principle primarily affected the measurement basis of VEDA's investment in Vermont Capital Partners, LLP ("VCP") and the interest rate swap. Under existing FASB pronouncements these investments were recorded at fair value. VCP is carried at cost because there is no ready market for the investment. The fair value of derivatives like VEDA's interest rate swap, are not recorded in the financial statements under current GASB pronouncements.

The cumulative effect of adopting the accounting change is $1,084,700. The beginning net assets balance has been restated for this accounting change. The beginning net assets balance has increased from $35,453,469 to $36,538,169.

Note 18: RESTRICTED NET ASSETS – Discretely Presented Component Units

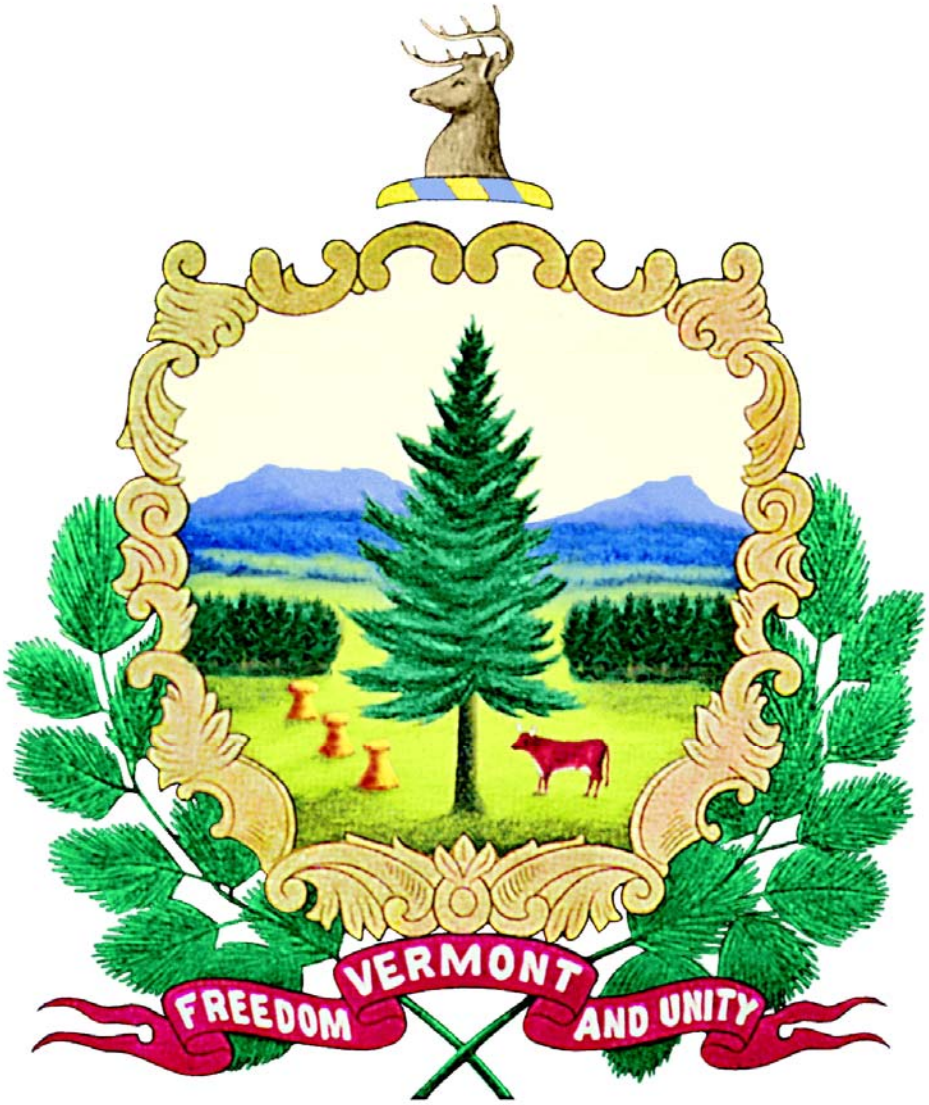
Restricted net assets are those portions of total net assets that are not appropriable for expenditure or that are legally segregated for a specific future use. Net assets restricted at June 30, 2008 are as follows.

	Vermont Student Assistance Corporation	University of Vermont and State Agricultural College	Vermont State Colleges	Non-major component units
Restricted for:				
Endowments:				
Expendable	$ 81,000	$ 277,558,000	$ 3,243,688	$ -
Nonexpendable	2,820,000	79,276,000	13,362,483	-
Grants and scholarships	981,000	-	-	-
Bond resolution	58,410,000	-	-	-
Educational programs appropriation	10,000	-	-	-
Interest rate subsidies	-	-	-	1,973,636
Investment - Vermont Capital Partners, LP	-	-	-	400,000
Collateral for commercial paper program	-	-	-	20,000,000
Project and program commitments	-	-	-	26,917,951
Loans receivable[1]	-	-	-	120,180,126
Total Component Units - Restricted Net Assets	**$ 62,302,000**	**$ 356,834,000**	**$ 16,606,171**	**$169,471,713**

[1] Loans receivable for the Vermont Housing & Conservation Board include federally restricted funds.

Note 19: SUBSEQUENT EVENTS

Subsequent to June 30, 2008, there have been significant negative economic developments surrounding overall market liquidity, credit availability and collateral values. The results of these developments have led to broad declines in investment values. The State, including the pension, investment and other postemployment benefit trust funds, invest in various diversified types of securities. Some of these securities have been impacted significantly from these events.



Required Supplementary Information

(Unaudited)

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

Actuarial Valuation Date 6/30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
VSRS[1]						
2008	$1,377,101	$ 1,464,202	$ 87,101	94.1%	$ 404,938	21.5%
2007	1,318,687	1,307,643	(11,044)	100.8%	386,917	-2.9%
2006	1,223,323	1,232,367	9,044	99.3%	369,310	2.4%
2005	1,148,908	1,174,796	25,888	97.8%	349,258	7.4%
2004	1,081,359	1,107,634	26,275	97.6%	336,615	7.8%
2003	1,025,469	1,052,004	26,535	97.5%	319,855	8.3%
STRS[1]						
2008	$1,605,462	$ 1,984,967	$ 379,505	80.9%	$ 535,807	70.8%
2007	1,541,860	1,816,650	274,790	84.9%	515,573	53.3%
2006	1,427,393	1,686,502	259,109	84.6%	499,044	51.9%
2005	1,354,006	1,492,150	138,144	90.7%	468,858	29.5%
2004	1,284,833	1,424,662	139,829	90.2%	453,517	30.8%
2003	1,218,001	1,358,822	140,821	89.6%	437,239	32.2%
MERS						
2008	$ 348,740	$ 343,685	$ (5,055)	101.5%	$ 175,894	-2.9%
2007	325,774	309,853	(15,921)	105.1%	162,321	-9.8%
2006	288,347	276,552	(11,795)	104.3%	148,815	-7.9%
2005	259,076	248,140	(10,936)	104.4%	146,190	-7.5%
2004	232,890	225,092	(7,798)	103.5%	135,351	-5.8%
2003	222,854	218,533	(4,321)	102.0%	126,216	-3.4%

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

State of Vermont
Required Supplementary Information
Defined Benefit Pension Plans
Schedule Of Employer Contributions
(Unaudited)

Retirement System	Year Ended 6/30	Annual Required Contribution	Percentage Contributed
Vermont State Retirement System	2008	$ 42,375,068	92.49%
	2007	40,189,812	97.78%
	2006	38,214,704	97.58%
	2005	36,019,056	101.32%
	2004	29,023,431	91.81%
	2003	24,715,309	98.70%
State Teachers' Retirement System	2008	$ 41,204,051	99.40%
	2007	38,929,729	98.89%
	2006	56,627,046	44.06%
	2005	47,714,318	51.23%
	2004	41,658,946	58.68%
	2003	28,279,810	72.30%
Vermont Municipal Employees' Retirement System	2008	$ 0	NA
	2007	8,546,496	100.00%
	2006	7,839,769	100.00%
	2005	7,359,628	100.00%
	2004	6,616,630	100.00%
	2003	5,854,111	100.00%

For fiscal year 2008, the Vermont Municipal Employees' Retirement System required no employer contributions for the defined benefit pension plan. Instead, employer contributions were directed to the OPEB defined contribution plan's Vermont Municipal Employee's Health Benefit Fund.

State of Vermont
Required Supplementary Information
Other Postemployment Benefit Plans
Schedule of Funding Progress

(dollar amounts in 1000's)
(Unaudited)

Actuarial Valuation Date 6/30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
State Employees' Postemployment Benefit Pension Trust Fund						
2008	$ 3,664	$ 754,690	$ 751,026	0.5%	$404,937	185.5%
2007	2,211	606,499	604,288	0.4%	386,917	156.2%
2006	-	552,152	552,152	0.0%	369,310	149.5%
State Teachers Retiree Medical Benefit Plan						
2008	-	863,555	863,555	0.0%	535,807	161.2%
2007	-	820,212	820,212	0.0%	515,573	159.1%
2006	-	952,526	952,526	0.0%	499,044	190.9%

Based on a discount rate of 3.75% for 2005 - 2007 and 4.00% for 2008.

State of Vermont
Required Supplementary Information
Other Postemployment Benefit Plans
Schedule Of Employer Contributions
(Unaudited)

OPEB Fund	Year Ended 6/30	Annual Required Contribution *	Percentage Contributed
State Employees' Postemployment Benefit Pension Trust Fund	2008	$ 47,284,903	37.59%
	2007	40,874,365	5.41%
Postemployment Benefits for State Teachers Retirement System	2008	$ 60,220,989	0.00%

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

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Based)	Over (Under)
Revenues:				
Taxes	$ 1,141,500,000	$ 1,160,700,000	$ 1,170,298,624	$ 9,598,624
Earnings of Departments	14,800,000	15,000,000	14,721,589	(278,411)
Other	13,900,000	14,000,000	14,743,844	743,844
Total revenues	**1,170,200,000**	**1,189,700,000**	**1,199,764,057**	**10,064,057**
Expenditures:				
General Government				
Agency of Administration	46,257,428	53,944,634	52,729,149	(1,215,484)
Executive Office	1,526,498	1,539,803	1,537,435	(2,368)
Legislative Council	9,713,705	11,108,459	10,235,249	(873,210)
Joint Fiscal Office	1,270,768	1,401,608	1,300,671	(100,937)
Sergeant at Arms	598,371	632,870	576,293	(56,577)
Lieutenant Governors Office	154,712	155,243	155,243	-
Auditor of Accounts	524,568	593,600	559,567	(34,033)
Office of Treasurer	1,130,214	1,142,581	1,031,826	(110,756)
State Labor Relations Board	204,348	216,556	192,665	(23,891)
VOSHA Review Board	20,192	24,528	21,628	(2,900)
Protection to Persons and Property				
Attorney General	5,735,281	6,988,448	6,983,448	(5,000)
Defender General	9,513,240	9,872,463	9,826,562	(45,901)
Judiciary	30,267,034	31,257,335	31,251,679	(5,656)
State's Attorneys & Sheriffs	11,783,756	12,140,701	11,343,966	(796,735)
Department of Public Safety	12,471,118	13,586,567	13,492,026	(94,542)
Military Department	3,413,909	3,877,402	3,799,205	(78,197)
Center Crime Victim Services	1,315,020	1,316,126	1,160,058	(156,068)
Criminal Justice Training Council	1,385,881	1,404,607	1,388,305	(16,302)
Agency of Agricultural, Food, and Markets	5,856,116	7,585,366	5,818,938	(1,766,428)
Banking, Insurance, Securities, and Health Care Administration	316,000	315,469	283,739	(31,730)
Secretary of State	588,801	599,902	587,882	(12,020)
Public Service Department	-	56,777	6,279	(50,498)
Vermont Racing Commission	1,000	1,000	522	(477)
Human Rights Commission	326,850	354,409	320,677	(33,732)
Human Services				
Agency of Human Services	494,249,094	524,914,870	518,258,402	(6,656,468)
Governor's Commission on Women	260,890	267,602	264,764	(2,838)
Human Services Board	50,063	54,978	54,978	-
Labor				
Department of Labor	2,358,195	3,339,717	2,991,392	(348,325)

Continued on next page ——>

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Based)	Over (Under)
Expenditures:				
General Education				
Department of Education	15,086,668	17,656,232	17,014,258	(641,974)
Property Tax Assistance	-	-	-	-
Renter Rebates Tax Assistance	2,277,149	2,277,149	2,236,816	(40,333)
State Teachers' Retirement	39,549,097	39,549,097	39,549,097	-
Higher Education	83,883,621	83,858,621	83,858,615	(6)
Natural Resources				
Agency of Natural Resources	25,425,063	29,572,125	25,764,366	(3,807,759)
Natural Resources Board	1,057,827	1,319,993	1,192,325	(127,668)
Commerce and Community Development				
Agency of Commerce & Community Development	14,183,602	18,076,185	15,535,998	(2,540,187)
Cultural Development	1,681,902	1,690,552	1,690,552	-
Vermont Economic Development Authority	-	165,000	165,000	-
Transportation				
Agency of Transportation	-	1,516,809	171,810	(1,344,999)
Debt service				
Principal and Interest	64,929,281	64,205,317	64,205,317	-
Total expenditures	**889,367,262**	**948,580,700**	**927,556,703**	**(21,023,997)**
Excess of revenues over expenditures	**280,832,738**	**241,119,300**	**272,207,353**	**31,088,054**
Other Financing Sources (Uses):				
Transfers in	3,346,416	23,185,490	23,185,490	-
Transfers out	(288,281,051)	(293,843,460)	(293,843,460)	-
Proceeds from Refunding Bonds	-	29,011,368	29,011,368	-
Payment to Escrow Agent	-	(29,375,437)	(29,375,437)	-
Premium on sale of bonds	-	798,046	798,046	-
Total other financing sources (uses)	**(284,934,635)**	**(270,223,993)**	**(270,223,993)**	**-**
Excess of revenues and other sources over (under) expenditures and other uses	**(4,101,897)**	**(29,104,693)**	**1,983,360**	**31,088,054**
Fund balance, July 1	**121,500,500**	**121,500,500**	**121,500,500**	**-**
Fund balance, June 30	**$ 117,398,603**	**$ 92,395,807**	**$ 123,483,861**	**31,088,054**

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

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
TRANSPORTATION FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Based)	Over (Under)
Revenues:				
Taxes	$ 138,200,000	$ 133,800,000	$ 138,032,553	$ 4,232,553
Motor Vehicle Fees	70,600,000	68,300,000	67,541,444	(758,556)
Federal	204,264,381	205,618,613	176,254,008	(29,364,605)
Other	20,600,000	24,100,000	24,541,905	441,905
Total revenues	**433,664,381**	**431,818,613**	**406,369,910**	**(25,448,704)**
Expenditures:				
General Government				
Agency of Administration	-	51,072	41,604	(9,469)
Joint Fiscal Office	-	85	-	(85)
Sergeant at Arms	-	639	-	(639)
Protection to Persons and Property				
Department of Public Safety	34,879,736	36,015,339	36,015,132	(207)
General Education				
Department of Education	127,483	127,483	127,483	-
Transportation				
Agency of Transportation	406,164,252	416,216,696	370,604,872	(45,611,824)
Debt service				
Principal and Interest	1,994,895	1,996,862	1,996,862	-
Total expenditures	**443,166,366**	**454,408,176**	**408,785,952**	**(45,622,224)**
Excess of revenues over (under) expenditures	**(9,501,985)**	**(22,589,563)**	**(2,416,043)**	**20,173,521**
Other Financing Sources (Uses):				
Transfers in	-	1,292,580	1,292,580	-
Transfers out	(2,390,512)	(3,510,512)	(3,510,512)	-
Total other financing sources (uses)	**(2,390,512)**	**(2,217,932)**	**(2,217,932)**	**-**
Excess of revenues and other sources over (under) expenditures and other uses	**(11,892,497)**	**(24,807,495)**	**(4,633,975)**	**20,173,521**
Fund balance, July 1	**14,399,649**	**14,399,649**	**14,399,649**	**-**
Fund balance, June 30	**2,507,152**	**$ (10,407,846)**	**$ 9,765,674**	**$ 20,173,521**

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

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
EDUCATION FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Based)	Over (Under)
Revenues:				
Taxes	$ 944,023,783	$ 940,204,652	$ 939,994,929	$ (209,723)
Interest & premiums	(1,500,000)	(1,500,000)	(1,305,755)	194,245
Total revenues	**942,523,783**	**938,704,652**	**938,689,175**	**(15,477)**
Expenditures:				
General education				
Department of Education	1,250,673,314	1,129,923,315	1,125,455,103	(4,468,212)
Property Tax Assistance	3,228,945	122,194,186	121,207,716	(986,470)
Renter Rebates	5,347,674	5,347,674	4,491,100	(856,574)
Total expenditures	**1,259,249,933**	**1,257,465,175**	**1,251,153,919**	**(6,311,256)**
Excess of revenues over (under) expenditures	**(316,726,150)**	**(318,760,523)**	**(312,464,745)**	**6,295,778**
Other Financing Sources (Uses):				
Transfers in	286,650,791	309,357,229	309,357,229	-
Transfers out	-	(4,700,000)	(4,700,000)	-
Total other financing sources (uses)	**286,650,791**	**304,657,229**	**304,657,229**	**-**
Excess of revenues and other sources over (under) expenditures and other uses	**(30,075,359)**	**(14,103,294)**	**(7,807,516)**	**6,295,778**
Fund balance, July 1	**49,334,243**	**49,334,243**	**49,334,243**	**-**
Fund balance, June 30	**$ 19,258,884**	**$ 35,230,949**	**$ 41,526,727**	**$ 6,295,778**

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

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
SPECIAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Based)	Over (Under)
Revenues:				
Special Fund Revenues	$ 243,447,795	$ 226,116,091	$ 201,988,809	$ (24,127,282)
Total revenues	**243,447,795**	**226,116,091**	**201,988,809**	**(24,127,282)**
Expenditures:				
General government				
Agency of Administration	17,152,045	22,309,632	14,227,897	(8,081,735)
Executive Office	183,477	273,477	186,815	(86,662)
Legislative Council	-	42,296	32,879	(9,417)
Auditor of Accounts	54,431	72,201	72,201	-
Sergeant At Arms	-	3,310	-	(3,310)
Treasurer's Office	1,542,265	1,997,606	1,972,134	(25,472)
State Labor Relations Board	5,870	9,453	9,355	(98)
VOSHA Review Board	-	5,188	-	(5,188)
Unorganized Towns & Gores	-	185,000	122,251	(62,749)
Protection to persons and property				
Attorney General	3,030,132	6,666,638	5,840,163	(826,475)
Defender General	632,731	706,793	699,371	(7,422)
Judiciary	4,278,982	4,684,202	3,518,347	(1,165,855)
State's Attorneys & Sheriffs	2,323,245	2,321,056	2,110,900	(210,156)
Department of Public Safety	11,810,286	12,884,412	12,192,546	(691,866)
Military Department	-	91,040	90,742	(298)
Center of Crime Victim's Services	5,652,450	5,702,450	4,917,614	(784,836)
Criminal Justice Training Council	638,025	922,582	709,801	(212,781)
Agency of Agriculture, Food & Markets	8,359,555	9,026,553	6,882,330	(2,144,223)
Banking, Insurance, Securities, and Health Care Administration	13,043,661	13,145,675	12,250,241	(895,434)
Secretary of State	4,167,464	4,917,281	4,888,712	(28,569)
Public Service Department	10,173,054	11,012,566	7,176,216	(3,836,350)
Public Service Board	2,826,024	2,754,762	2,529,994	(224,768)
Enhanced 911 Board	3,356,610	3,658,110	3,624,152	(33,958)
Department of Liquor Control	-	196,430	63,312	(133,118)
Human Rights Commission	-	43,377	-	(43,377)
Human services				
Agency of Human Services	84,447,256	93,130,188	83,108,371	(10,021,817)
Governor's Commission on Women	5,000	38,374	34,053	(4,321)
Human Services Board	280,024	280,024	238,655	(41,369)
Vermont Veterans Home	10,466,920.00	11,257,424.09	10,909,210	(348,214)
Labor				
Department of Labor	7,531,057	10,358,762	7,126,561	(3,232,201)
General education				
Department of Education	18,493,770	18,687,142	14,613,920	(4,073,222)
Higher Education	3,700,000	6,299,999	6,299,998	(1)

Continued on next page ——>

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
SPECIAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Based)	Over (Under)
Expenditures:				
Natural resources				
Agency of Natural Resources	28,640,037	32,707,655	29,281,854	(3,425,801)
Natural Resources Board	1,774,212	1,779,731	1,612,376	(167,355)
Commerce and community development				
Agency of Commerce & Community Development	7,455,779	10,421,756	6,702,363	(3,719,393)
Cultural Development	-	24,250	24,250	-
Transportation				
Agency of Transportation	100,000	1,201,845	1,068,624	(133,221)
Public service enterprises				
Public Service Department	13,402	3,517,402	3,457,722	(59,680)
Debt service				
Principal and Interest	2,495,850	2,495,850	2,495,850	-
Total Expenditures	**254,633,614**	**295,832,492**	**251,091,780**	**(44,740,712)**
Excess of revenues over (under) expenditures	**(11,185,819)**	**(69,716,401)**	**(49,102,971)**	**20,613,430**
Other Financing Sources (Uses):				
Proceeds on Sale of Refunding Bond	-	183,632	183,632	-
Transfers in	11,185,819	69,716,401	69,716,401	-
Transfers out	(7,935,939)	(20,064,940)	(20,064,940)	-
Total other financing sources (uses)	**3,249,880**	**49,651,461**	**49,835,093**	**-**
Excess of revenues and other sources over (under) expenditures and other uses	**(7,935,939)**	**(20,064,940)**	**732,122**	**20,613,430**
Fund balance, July 1	**75,568,335**	**75,568,335**	**75,568,335**	**-**
Fund balance, June 30	**$ 67,632,396**	**$ 55,503,396**	**$ 76,300,457**	**$ 20,613,430**

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

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
FEDERAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Based)	Over (Under)
Revenues:				
Federal	$ 1,103,963,594	$ 1,123,849,699	$ 1,110,888,614	$ (12,961,086)
Interest and premiums	-	573,398	573,398	-
Other	-	(645,048)	(210,344)	434,704
Total revenues	**1,103,963,594**	**1,123,778,049**	**1,111,251,668**	**(12,526,382)**
Expenditures:				
General Government				
Agency of Administration	860,814	2,351,519	2,310,860	(40,659)
Executive Office	1,615,321	1,615,321	1,173,811	(441,510)
Treasurer's Office	-	391,479	391,479	-
VOSHA Review Board	20,190	20,190	20,175	(15)
Protection to Persons and Property				
Attorney General	763,000	763,000	763,000	-
Judiciary	414,327	414,327	296,036	(118,291)
State's Attorneys & Sheriffs	25,000	25,000	9,437	(15,563)
Department of Public Safety	20,867,056	23,493,921	17,608,257	(5,885,664)
Military Department	13,766,057	18,990,445	18,454,328	(536,117)
Center of Crime Victim Services	4,021,120	4,021,120	3,361,352	(659,769)
Agency of Agriculture, Food & Markets	1,525,681	1,694,137	1,538,531	(155,607)
Banking, Insursance, Securities & Health Care	1,000,000	1,000,000	-	(1,000,000)
Secretary of State	2,000,000	2,000,000	686,554	(1,313,446)
Pubic Service Department	1,157,800	1,157,800	751,384	(406,416)
Human Rights Commission	170,739	170,739	154,093	(16,646)
Human Services				
Agency of Human Services	878,648,160	856,080,183	831,752,325	(24,327,858)
Human Services Board	11,993	11,993	11,993	-
Vermont Veteran's Home	5,046,500	5,046,500	5,046,500	-
Labor				
Department of Labor	20,634,028	20,747,666	18,498,379	(2,249,287)
General Education				
Department of Education	116,935,063	116,999,001	108,619,687	(8,379,314)
Natural Resources				
Agency of Natural Resources	13,659,970	26,642,945	22,330,124	(4,312,821)
Commerce and Community Development				
Agency of Commerce & Community Development	10,564,658	22,986,896	11,027,587	(11,959,309)
Total expenditures	**1,093,707,477**	**1,106,624,182**	**1,044,805,890**	**(61,818,293)**
Excess of revenues over expenditures	**10,256,117**	**17,153,867**	**66,445,778**	**49,291,911**
Other Financing Sources (Uses):				
Transfers in	-	2,509,585	2,509,585	-
Transfers out	(10,256,117)	(35,014,199)	(35,014,199)	-
Total other financing sources (uses)	**(10,256,117)**	**(32,504,615)**	**(32,504,615)**	**-**
Excess of revenues and other sources over (under) expenditures and other uses	**-**	**(15,350,748)**	**33,941,163**	**49,291,911**
Fund balance, July 1	**(11,326,480)**	**(11,326,480)**	**(11,326,480)**	**-**
Fund balance, June 30	**$ (11,326,480)**	**$ (26,677,228)**	**$ 22,614,683**	**$ 49,291,911**

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

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
GLOBAL COMMITMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Based)	Over (Under)
Revenues:				
Global Commitment Premiums	$ 871,278,097	$ 810,542,092	$ 813,181,727	$ 2,639,635
Total revenues	**871,278,097**	**810,542,092**	**813,181,727**	**2,639,635**
Expenditures:				
General Government				
Agency of Administration	105,000	175,000	175,000	-
Protection to Persons and Property				
Banking, Insurance, Securities, and Health Care Administration	1,404,997	1,404,997	1,340,728	(64,269)
Human Services				
Agency of Human Services	825,917,590	797,363,286	778,924,112	(18,439,175)
Vermont Veteran's Home	913,047	913,047	913,047	-
General Education				
Higher Education	4,411,563	4,411,563	4,411,559	(4)
Deparment of Education	1,052,999	1,052,999	1,002,730	(50,269)
Total expenditures	**833,805,196**	**805,320,892**	**786,767,175**	**(18,553,717)**
Excess of revenues over expenditures	**37,472,901**	**5,221,200**	**26,414,551**	**21,193,352**
Other Financing Sources (Uses):				
Transfers out	(26,281,566)	(23,042,508)	(23,042,508)	-
Total other financing sources (uses)	**(26,281,566)**	**(23,042,508)**	**(23,042,508)**	**-**
Excess of revenues and other sources over (under) expenditures and other uses	**11,191,335**	**(17,821,308)**	**3,372,043**	**21,193,352**
Fund balance, July 1	**38,913,511**	**38,913,511**	**38,913,511**	**-**
Fund balance, June 30	**$ 50,104,846**	**$ 21,092,203**	**$ 42,285,554**	**$ 21,193,352**

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

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
STATE HEALTH CARE RESOURCES FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Based)	Over (Under)
Revenues:				
State Health Care Resources Fund Revenues.....	$ 141,200,000	$ 140,400,000	$ 138,976,112	$ (1,423,888)
Total revenues.....	**141,200,000**	**140,400,000**	**138,976,112**	**(1,423,888)**
Expenditures:				
Human services				
Agency of Human Services.....	157,186,147	148,325,411	148,325,411	-
Total expenditures.....	**157,186,147**	**148,325,411**	**148,325,411**	**-**
Excess of revenues over (under) expenditures...	**(15,986,147)**	**(7,925,411)**	**(9,349,299)**	**(1,423,888)**
Fund balance, July 1.....	**8,766,596**	**8,766,596**	**8,766,596**	**-**
Fund balance, June 30.....	**$ (7,219,551)**	**$ 841,185**	**$ (582,703)**	**$ (1,423,888)**

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

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
TOBACCO TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Based)	Over (Under)
Revenues:				
Tobacco Trust Funds Revenue	$ 37,220,133	$ 37,220,324	$ 40,539,307	$ 3,318,983
Total revenues	**37,220,133**	**37,220,324**	**40,539,307**	**3,318,983**
Expenditures:				
General government				
Agency of Administration	58,000	58,000	58,000	-
Protection to persons and property				
Attorney General	290,000	290,000	290,000	-
Judiciary	40,000	40,000	40,000	-
Department of Liquor Control	289,645	289,836	289,836	-
Human services				
Agency of Human Services	35,546,820	35,546,820	35,546,820	-
General education				
Department of Education	995,668	995,668	942,472	(53,196)
Total expenditures	**37,220,133**	**37,220,324**	**37,167,128**	**(53,196)**
Excess of revenues over expenditures	**-**	**-**	**3,372,179**	**3,265,787**
Fund balance, July 1	**30,935,145**	**30,935,145**	**30,935,145**	**-**
Fund balance, June 30	**$ 30,935,145**	**$ 30,935,145**	**$ 34,307,324**	**$ 3,265,787**

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

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
CATAMOUNT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Based)	Over (Under)
Revenues:				
Catamount Fund Revenues	$ 19,200,000	$ 22,500,000	$ 15,742,544	$ (6,757,456)
Total revenues	**19,200,000**	**22,500,000**	**15,742,544**	**(6,757,456)**
Expenditures:				
Human services				
Agency of Human Services	11,168,430	13,205,328	13,204,181	(1,147)
Employment & Training				
Department of Labor	394,072	394,072	258,466	(135,606)
Total expenditures	**11,562,502**	**13,599,400**	**13,462,648**	**(136,752)**
Excess of revenues over expenditures	**7,637,498**	**8,900,600**	**2,279,896**	**(6,620,704)**
Other Financing Sources (Uses):				
Transfers in	-	3,500,000	3,500,000	-
Total other financing sources (uses)	**-**	**3,500,000**	**3,500,000**	**-**
Excess of revenues and other sources over (under) expenditures and other uses	**7,637,498**	**12,400,600**	**5,779,896**	**(6,620,704)**
Fund balance, July 1	**4,644,780**	**4,644,780**	**4,644,780**	**-**
Fund balance, June 30	**$ 12,282,278**	**$ 17,045,380**	**$ 10,424,676**	**$ (6,620,704)**

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

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

Budgetary Process

Vermont statutes require the head of every State department, board, and commission and any officer or individual responsible for any activity for which funds are appropriated by the Vermont Legislature to provide, on or before September 1 preceding any biennium, statements to the Commissioner of Finance and Management showing in detail the amounts appropriated and expended for both the current and preceding fiscal years and the amount estimated to be necessary for similar activity for the ensuing two fiscal years. The Commissioner of Finance and Management and the Secretary of Administration are then required to submit to the Governor by November 15 preceding each biennium, the estimates as received along with any other estimates for the ensuing two fiscal years. The Governor then submits to the Vermont Legislature, no later than the third Tuesday of every annual session, a budget that embodies estimates, requests, and recommendations for appropriations or other authorizations for expenditures from the State treasury for at least the succeeding fiscal year. The Vermont Legislature then enacts into law an appropriations act that must be approved by the Governor before expenditures can be made. In recent years in accordance with Act 250 of 1979 Section 125, it has been the practice of the Governor to submit an annual budget and the Vermont Legislature to enact appropriations on an annual basis.

Budgets are prepared and appropriated on a cash basis usually at the program level. The Governor may amend appropriations or transfer appropriations within limits established by 32 V.S.A. Chapter 9. The Agency of Administration maintains budgetary control by fund at the appropriation level. Governmental funds' unspent appropriation balances revert to the fund balance at the end of each fiscal year for re-appropriation unless authorized to be carried forward to the following year(s) by legislative act. Unexpended balances of capital projects funds are available for expenditure in the following fiscal year(s).

Budgetary Funds

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

Revenue Estimates

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

Expenditure and Transfer Budgets

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

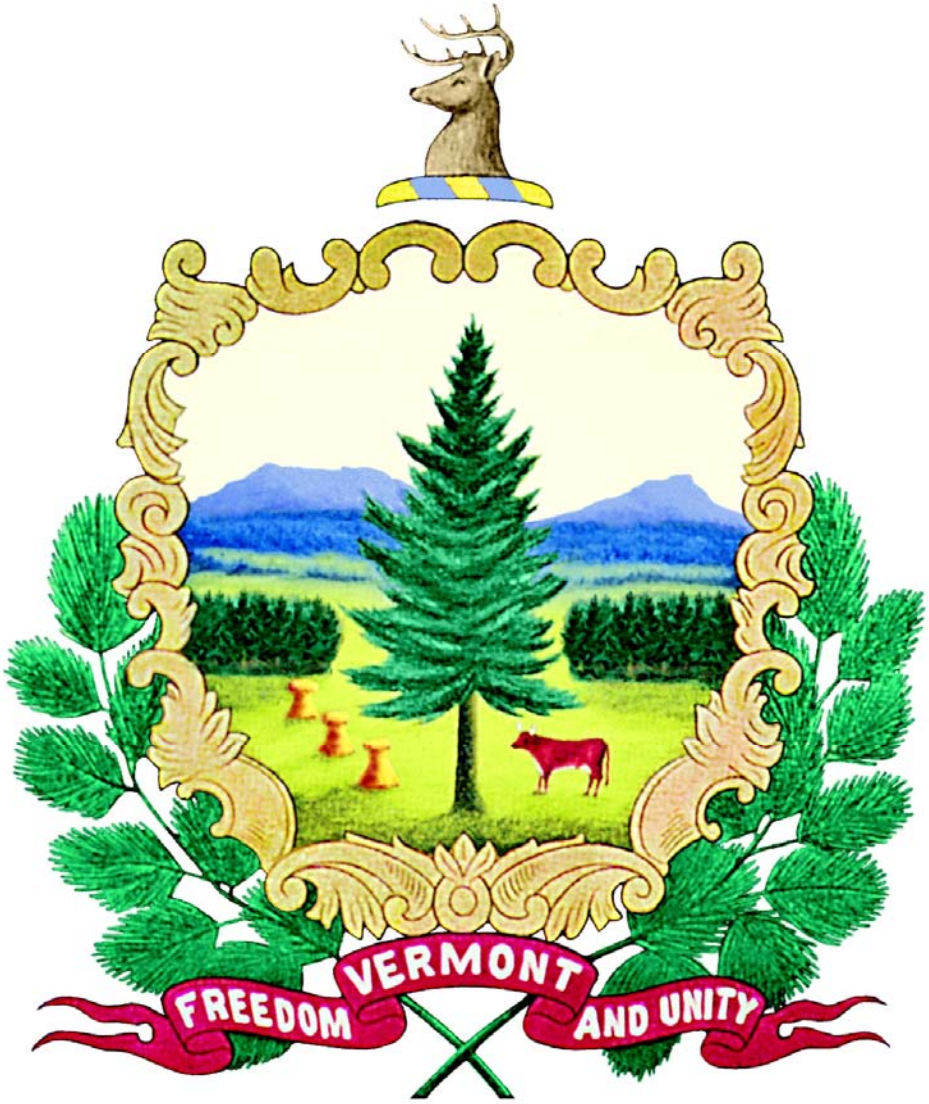
which establishment or increase will at any time commit the State to the expenditure of State funds, they may be expended only upon the approval of the Legislature.

Budget and GAAP Basis Reporting

The accompanying budgetary comparison schedules report the actual revenues, expenditures and other financing sources (uses) on a budget basis, which differs significantly from GAAP. These different accounting principles result in basis, perspective, and entity differences in the fund balance—budgetary basis. *Basis differences* arise because the basis of budgeting (cash basis) differs from the GAAP basis used to prepare the statement of revenues, expenditures, and changes in fund balances—governmental funds. *Perspective differences* result because the Appropriation Act's program-oriented structure differs from the fund structure required for GAAP. *Entity differences* arise because certain activity reported within the State's financial reporting entity for GAAP purposes is excluded from the Appropriation Act. The following presents a reconciliation of the budgetary basis and GAAP basis fund balances for the funds reported in the accompanying schedules for the fiscal year ended June 30, 2008.

	General Fund	Transportation Fund	Education Fund	Federal Revenue Fund	Global Commitment Fund
Fund Balance - Budgetary Basis....	$ 123,483,861	$ 9,765,674	$ 41,526,727	$ 22,614,683	$ 42,285,554
Basis differences:					
Cash not in budget balances.....	17,674	4,756	-	1,485	-
Escrow deposits not included in budget balances.....	-	153,284	-	-	-
Taxes receivable.....	194,304,668	7,994,826	13,756,575	-	-
Notes and loan receivable.....	166,851	433,779	-	-	
Other receivables.....	4,877,934	9,512,581	-	1,549,969	16,723,693
Interest receivable.....	72,211	1,190	-	22,414	-
Due from other funds.....	3,640,166	544,994	-	462,012	118,370
Due from federal government.....	-	22,967,974	-	64,829,356	-
Accounts payable.....	(22,669,911)	(22,174,208)	(12,499,747)	(32,953,160)	(80,095,022)
Intergovernment Payables.....	-	-	-	(8,124,107)	-
Accrued liablilities.....	(16,144,128)	(7,218,899)	-	(6,574,139)	(2,919,987)
Retainage payable.....	(25,324)	(406,540)	-	(43,762)	(808,404)
Deferred revenue.....	(128,747,020)	(10,472,889)	(2,407,220)	(14,982,771)	(11,130,282)
Tax refunds payable.....	(3,175,148)	-	-	-	-
Due to other funds.....	(78,910)	(19,181)	(73,845)	(1,834,685)	(264,977)
Entity differences:					
Blended non-budgeted funds.....	-	2,526,087	-	42,854,832	-
Perspective differences:					
Component unit include in budgeted funds.....	-	-	-	1,933,952	-
Fund Balance - GAAP Basis.....	$ 155,722,924	$ 13,613,428	$ 40,302,490	$ 69,756,079	$ (36,091,055)

	Budget Basis Funds				GAAP Basis
	Special Fund	State Health Care Resource Fund	Tobacco Trust Fund	Catamount Fund	Special Fund
Fund Balance - Budgetary Basis....	$ 76,300,457	$ (582,703)	$ 34,307,324	$ 10,424,676	$ -
Basis differences:					
Cash not in budget balances.....	3,144,590	-	(1,676,326)	-	-
Taxes receivable.....	2,658,780	820,793	-	-	-
Other receivables.....	6,946,911	2,035	-	1,192	-
Interest receivable.....	17,108	-	-	-	-
Due from other funds.....	1,514,075	-	1,657	-	-
Due from component units.....	31,463	-	-	-	-
Accounts payable.....	(10,242,597)	(190)	(92,179)	(18,929)	-
Accrued liablilities.....	(3,976,020)	-	(38,728)	(39,898)	-
Retainage payable.....	(1,023,013)	-	-	-	-
Deferred revenue.....	(5,814,765)	(318,634)	-	(1,192)	-
Tax refunds payable.....	(5,270)	(101,485)	-	-	-
Due to other funds.....	(208,278)	-	-	(48,667)	-
Due to component units.....	(368,354)	-	-	-	-
Entity differences:					
Blended non-budgeted funds.....	9,223,722	-	-	-	-
Perspective differences:					
Component unit include in budgeted funds.....	(4,255,499)	-	-	-	-
Budgeted funds reclassified to GAAP basis major governmental fund.....	(73,943,310)	180,184	(32,501,748)	(10,317,182)	116,582,056
Fund Balance - GAAP Basis.....	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$116,582,056**



Supplementary Information

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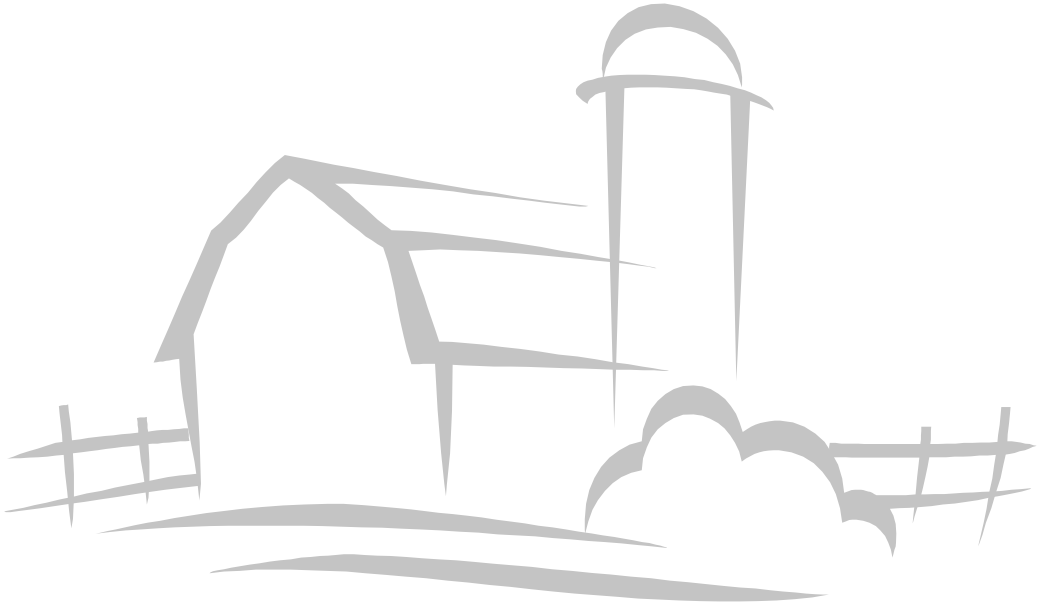
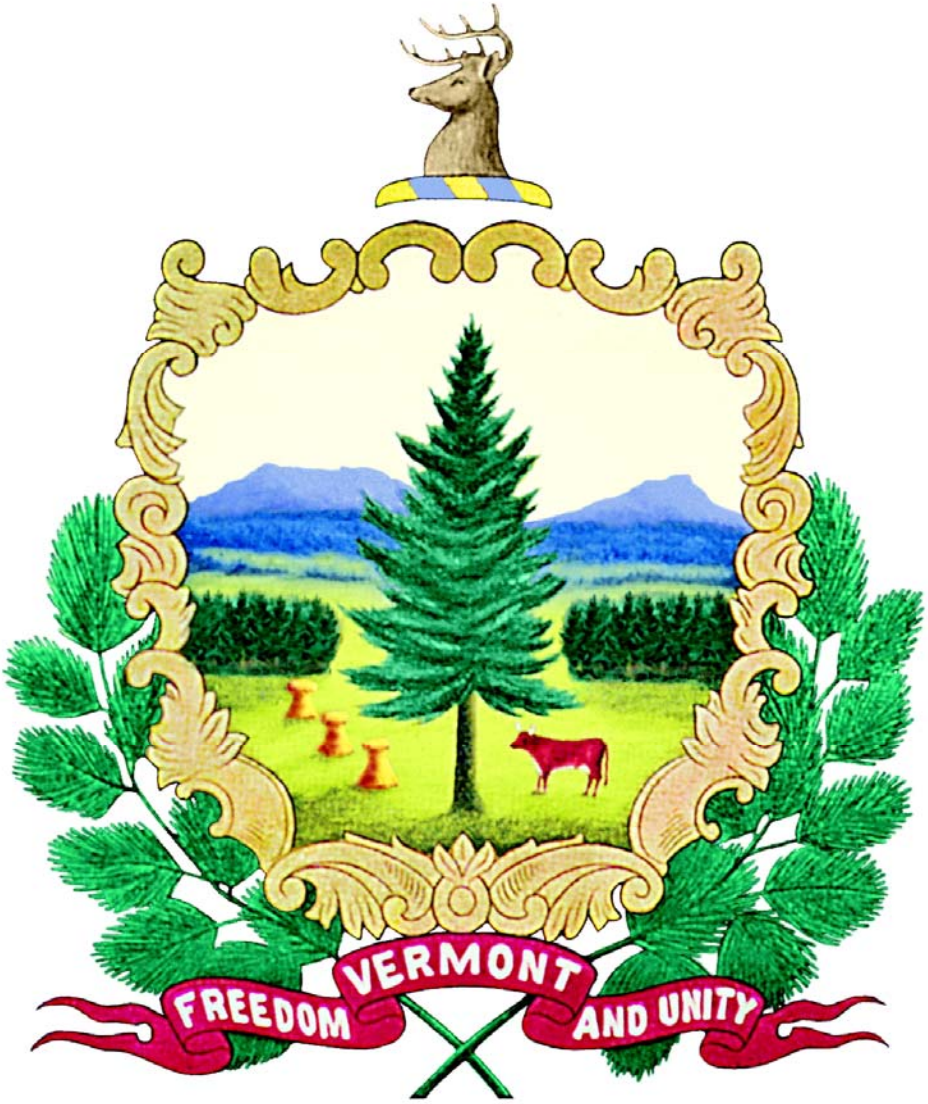


Vermont



COMBINING FINANCIAL STATEMENTS

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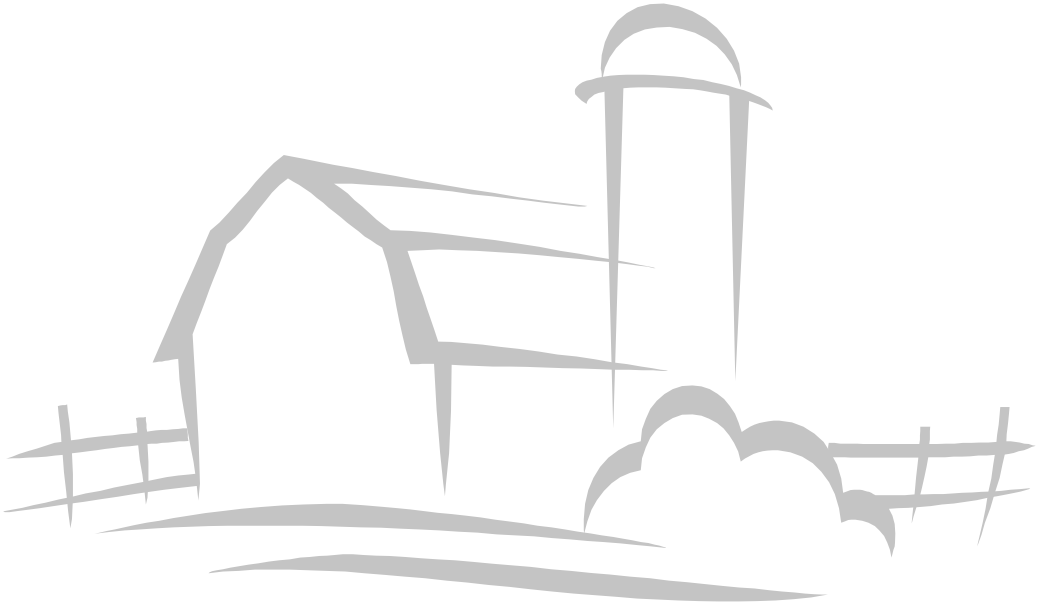

Vermont

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

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

Transportation Bond Fund – This fund accounts for transportation capital improvement expenditures funded by the issuance of State capital bonds.

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

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

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

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

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

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

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

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

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

State of Vermont
Combining Balance Sheet
Non-major Governmental Funds
JUNE 30, 2008

	Special Revenue	Capital Projects	
	Fish & Wildlife Fund	**General Bond Fund**	**Transportation Bond Fund**
ASSETS:			
Cash and cash equivalents	$ 3,116,202	$ 38,477,051	$ 155,431
Investments	3,274,361	-	-
Receivables:			
Taxes receivable	79,429	-	-
Accrued interest receivable	4,583	-	-
Other receivables	455,276	-	-
Intergovernmental receivable - federal government	273,289	-	-
Due from other funds	7,037	-	-
Total assets	**$ 7,210,177**	**$ 38,477,051**	**$ 155,431**
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	$ 801,705	$ 1,933,826	$ 101,893
Accrued liabilities	650,329	-	-
Retainage payable	4,468	185,781	155,431
Due to other funds	10,250	-	-
Deferred revenue	5,090	-	-
Total Liabilities	**1,471,842**	**2,119,607**	**257,324**
FUND BALANCES (DEFICITS):			
Reserved for:			
Encumbrances	12,358	3,639,010	-
Endowments	-	-	-
Unreserved:			
Special revenue funds	5,725,977	-	-
Capital projects funds (deficit)	-	32,718,434	(101,893)
Permanent funds	-	-	-
Total fund balances (deficits)	**5,738,335**	**36,357,444**	**(101,893)**
Total liabilities and fund balances	**$ 7,210,177**	**$ 38,477,051**	**$ 155,431**

See Independent Auditors' Report.

Permanent Funds			
Higher Education Endowment Fund	**Vermont Sanitorium Fund**	**Albert C. Lord Trust Fund**	**Lumberjack Fund**
$ 57,209	$ 83,778	$ 103,348	$ 17,039
17,917,152	236,161	209,532	10,440
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
$ 17,974,361	**$ 319,939**	**$ 312,880**	**$ 27,479**
$ -	$ -	$ -	$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	**-**	**-**	**-**
-	-	-	-
7,000,000	206,502	183,217	9,129
-	-	-	-
-	-	-	-
10,974,361	113,437	129,663	18,350
17,974,361	**319,939**	**312,880**	**27,479**
$ 17,974,361	**$ 319,939**	**$ 312,880**	**$ 27,479**

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State of Vermont
Combining Balance Sheet, Continued
Non-major Governmental Funds
June 30, 2008

	Permanent Funds		
	Couching Lion Farm Cemetery Fund	**Carrie P. Underwood Fund**	**Laura H. Morgan Fund**
ASSETS:			
Cash and cash equivalents	$ 20,374	$ 7,764	$ 1,233
Investments	2,207	12,706	2,859
Receivables:			
Taxes receivable	-	-	-
Accrued interest receivable	-	-	-
Other receivables	-	-	-
Intergovernmental receivable - federal government	-	-	-
Due from other funds	-	-	-
Total assets	**$ 22,581**	**$ 20,470**	**$ 4,092**
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	$ -	$ -	$ -
Accrued liabilities	-	-	-
Retainage payable	-	-	-
Due to other funds	-	-	-
Deferred revenue	-	-	-
Total Liabilities	**-**	**-**	**-**
FUND BALANCES (DEFICITS):			
Reserved for:			
Encumbrances	-	-	-
Endowments	1,930	11,110	2,500
Unreserved:			
Special revenue funds	-	-	-
Capital projects funds	-	-	-
Permanent funds	20,651	9,360	1,592
Total fund balances (deficits)	**22,581**	**20,470**	**4,092**
Total liabilities and fund balances	**$ 22,581**	**$ 20,470**	**$ 4,092**

Permanent Funds		
Bennington Battle Monument Fund	Zenus H. Ellis Fund	Total Non-major Governmental Funds
$ -	$ -	$ 42,039,429
1,966	1,840	21,669,224
-	-	79,429
-	-	4,583
-	-	455,276
-	-	273,289
-	-	7,037
$ 1,966	**$ 1,840**	**$ 64,528,267**
$ -	$ -	$ 2,837,424
-	-	650,329
-	-	345,680
-	-	10,250
-	-	5,090
-	**-**	**3,848,773**
-	-	3,651,368
1,065	1,000	7,416,453
-	-	5,725,977
-	-	32,616,541
901	840	11,269,155
1,966	**1,840**	**60,679,494**
$ 1,966	**$ 1,840**	**$ 64,528,267**

STATE OF VERMONT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Special Revenue	Capital Projects	
	Fish & Wildlife Fund	**General Bond Fund**	**Transportation Bond Fund**
REVENUES:			
Taxes:			
Motor fuel tax	$ 972,009	$ -	$ -
Earnings of departments:			
Fees	183,920	-	-
Rents and leases	47,283	-	-
Federal grants	6,887,374	-	-
Fines, forfeits and penalties	21,509	-	-
Investment income	167,428	-	-
Licenses:			
Business	1,310	-	-
Non-business	6,165,998	-	-
Other revenues	798,024	-	-
Total revenues	**15,244,855**	**-**	**-**
EXPENDITURES:			
General government	-	8,565,536	-
Protection to persons and property	-	3,167,257	-
Human services	-	2,571,210	-
General education	-	13,968,904	-
Natural resources	15,888,432	6,997,634	-
Commerce and community development	-	1,835,984	-
Transportation	-	-	101,893
Total expenditures	**15,888,432**	**37,106,525**	**101,893**
Excess of revenues over (under) expenditures	**(643,577)**	**(37,106,525)**	**(101,893)**
Other Financing Sources (Uses):			
Proceeds from the sale of bonds	-	46,000,000	-
Transfers in	422,545	-	-
Transfers out	-	(2,785,955)	-
Total other financing sources (uses)	**422,545**	**43,214,045**	**-**
Net change in fund balances	**(221,032)**	**6,107,520**	**(101,893)**
Fund balances, July 1	**5,959,367**	**30,249,924**	**-**
Fund balances, June 30 (deficit)	**$ 5,738,335**	**$ 36,357,444**	**$ (101,893)**

See Independent Auditors' Report.

Permanent Funds			
Higher Education Endowment Fund	Vermont Sanitorium Fund	Albert C. Lord Trust Fund	Lumberjack Fund
$ -	$ -	$ -	$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
463,329	9,057	8,484	748
-	-	-	-
-	-	-	-
-	-	-	-
463,329	**9,057**	**8,484**	**748**
-	-	-	-
-	-	-	-
-	9,477	-	-
808,220	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
808,220	**9,477**	**-**	**-**
(344,891)	**(420)**	**8,484**	**748**
-	-	-	-
57,209	-	-	-
-	-	-	-
57,209	**-**	**-**	**-**
(287,682)	**(420)**	**8,484**	**748**
18,262,043	**320,359**	**304,396**	**26,731**
$ 17,974,361	**$ 319,939**	**$ 312,880**	**$ 27,479**

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STATE OF VERMONT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES, Continued
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Permanent Funds		
	Couching Lion Farm Cemetery Fund	**Carrie P. Underwood Fund**	**Laura H. Morgan Fund**
REVENUES:			
Taxes:			
Motor fuel tax	$ -	$ -	$ -
Earnings of departments:			
Fees	-	-	-
Rents and leases	-	-	-
Federal grants	-	-	-
Fines, forfeits and penalties	-	-	-
Investment income	617	555	112
Licenses:			
Business	-	-	-
Non-business	-	-	-
Other revenues	-	-	-
Total revenues	**617**	**555**	**112**
EXPENDITURES:			
General government	-	-	-
Protection to persons and property	-	-	-
Human services	-	-	-
General education	-	-	-
Natural resources	-	-	-
Commerce and community development	-	-	-
Transportation	-	-	-
Total expenditures	**-**	**-**	**-**
Excess of revenues over (under) expenditures	**617**	**555**	**112**
Other Financing Sources (Uses):			
Proceeds from the sale of bonds	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	**-**	**-**	**-**
Net change in fund balances	**617**	**555**	**112**
Fund balances, July 1	**21,964**	**19,915**	**3,980**
Fund balances, June 30 (deficit)	**$ 22,581**	**$ 20,470**	**$ 4,092**

Permanent Funds		
Bennington Battle Monument Fund	Zenus H. Ellis Fund	Total Non-major Governmental Funds
$ -	$ -	$ 972,009
-	-	183,920
-	-	47,283
-	-	6,887,374
-	-	21,509
50	47	650,427
-	-	1,310
-	-	6,165,998
-	-	798,024
50	**47**	**15,727,854**
-	-	8,565,536
-	-	3,167,257
-	-	2,580,687
-	-	14,777,124
-	-	22,886,066
-	-	1,835,984
-	-	101,893
-	**-**	**53,914,547**
50	**47**	**(38,186,693)**
-	-	46,000,000
-	-	479,754
-	-	(2,785,955)
-	**-**	**43,693,799**
50	**47**	**5,507,106**
1,916	**1,793**	**55,172,388**
$ 1,966	**$ 1,840**	**$ 60,679,494**

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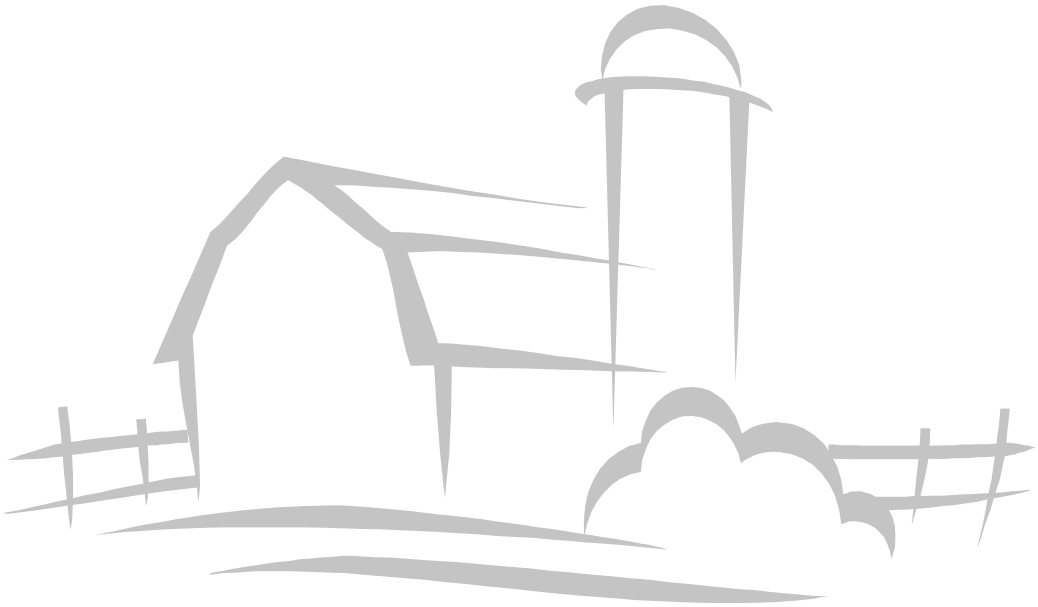

Vermont

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

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

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

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

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

STATE OF VERMONT
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
JUNE 30, 2008

	Industrial Homework Office Fund	Federal Surplus Property Fund	Vermont Life Magazine Fund
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 56,678	$ -	$ -
Accrued interest receivable	-	-	-
Accounts receivable (net of allowance for uncollectibles)	24,764	5,032	226,366
Loans receivable	-	-	-
Due from other funds	-	18,000	1,715
Inventories, at cost	-	177,219	176,589
Prepaid expenses	-	-	133,266
Total current assets	**81,442**	**200,251**	**537,936**
Restricted and Noncurrent Assets:			
Cash - subscription reserve fund	-	-	607,989
Loans receivable	-	-	-
Accounts receivable - subscriptions	-	-	38,040
Imprest cash and change fund - advances	1,700	-	1,200
Capital Assets:			
Machinery, equipment and buildings	-	10,000	11,640
Less accumulated depreciation	-	(10,000)	(10,231)
Total capital assets, net of depreciation	**0**	**0**	**1,409**
Total restricted & noncurrent assets	**1,700**	**0**	**648,638**
Total assets	**83,142**	**200,251**	**1,186,574**
LIABILITIES			
Current Liabilities:			
Accounts payable	-	4,709	146,475
Accrued salaries and benefits	4,361	10,784	103,716
Interfund payable	-	722,609	714,140
Deferred revenue	-	177,219	50,381
Total current liabilities	**4,361**	**915,321**	**1,014,712**
Liabilities Payable From Restricted Assets:			
Unexpired subscriptions	-	-	607,989
Advances from other funds	1,700	-	1,200
Total liabilities payable from restricted assets	**1,700**	**0**	**609,189**
Total liabilities	**6,061**	**915,321**	**1,623,901**
NET ASSETS			
Invested in Capital Assets	-	-	1,409
Unrestricted (deficit)	77,081	(715,070)	(438,736)
Total Net Assets (deficit)	**$ 77,081**	**$ (715,070)**	**$ (437,327)**

See Independent Auditors' Report.

Municipal Equipment Loan Fund	Unemployment Compensation Contingency Fund	Total Non-major Enterprise Funds
$ 173,535	$ 177,738	$ 407,951
39,307	-	39,307
-	15,884	272,046
1,009,470	-	1,009,470
-	41,504	61,219
-	-	353,808
-	-	133,266
1,222,312	**235,126**	**2,277,067**
-	-	607,989
1,748,600	-	1,748,600
-	-	38,040
-	-	2,900
-	-	21,640
-	-	(20,231)
0	**0**	**1,409**
1,748,600	**0**	**2,398,938**
2,970,912	**235,126**	**4,676,005**
-	-	151,184
-	-	118,861
-	-	1,436,749
-	-	227,600
0	**0**	**1,934,394**
-	-	607,989
-	-	2,900
0	**0**	**610,889**
0	**0**	**2,545,283**
-	-	1,409
2,970,912	235,126	2,129,313
$ 2,970,912	**$ 235,126**	**$ 2,130,722**

STATE OF VERMONT
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Industrial Homework Office Fund	Federal Surplus Property Fund	Vermont Life Magazine Fund
Operating Revenues			
Charges for sales and services	$ 161,629	$ 65,042	$ 1,404,792
Advertising revenue	-	-	614,582
Federal donated property	-	608,726	-
Other operating revenues	-	-	93,998
Total operating revenues	**161,629**	**673,768**	**2,113,372**
Operating Expenses			
Cost of sales and services	-	609,402	549,640
Salaries and benefits	158,558	66,694	720,547
Transportation	-	-	55,848
Contractual Services	-	16	-
Repairs and maintenance	-	1,183	-
Depreciation	-	-	1,780
Rental expense	-	37,066	-
Utilities and property management	-	10,341	-
Non-capital equipment purchased	-	32	-
Promotions and advertising	-	-	404,010
Administrative expenses	-	30,663	162,623
Insurance premium expense	-	-	-
Supplies and parts	-	1,155	20,499
Distribution and postage	-	-	225,062
Travel	-	2,982	9,972
Loss on bad debts	-	-	4,350
Other operating expenses	-	-	40,623
Total operating expenses	**158,558**	**759,534**	**2,194,954**
Operating income (loss)	**3,071**	**(85,766)**	**(81,582)**
Non-Operating Revenues (Expenses)			
Investment income	-	-	(3,417)
Total non-operating revenues (expenses)	**0**	**0**	**(3,417)**
Income (loss) before transfers	**3,071**	**(85,766)**	**(84,999)**
Transfers			
Transfer in	-	-	-
Transfer out	-	-	(1,290)
Total transfers in	**0**	**0**	**(1,290)**
Changes in net assets	**3,071**	**(85,766)**	**(86,289)**
Total net assets July 1	**74,010**	**(629,304)**	**(351,038)**
Total net assets June 30	**$ 77,081**	**$ (715,070)**	**$ (437,327)**

See Independent Auditors' Report.

Municipal Equipment Loan Fund	Unemployment Compensation Contingency Fund	Total Non-major Enterprise Funds
$ -	$ -	$ 1,631,463
-	-	614,582
-	-	608,726
78,497	-	172,495
78,497	**0**	**3,027,266**
-	-	1,159,042
-	-	945,799
-	-	55,848
-	-	16
-	-	1,183
-	-	1,780
-	-	37,066
-	-	10,341
-	-	32
-	-	404,010
-	22,000	215,286
-	-	0
-	-	21,654
-	-	225,062
-	-	12,954
-	-	4,350
-	-	40,623
0	**22,000**	**3,135,046**
78,497	**(22,000)**	**(107,780)**
7,609	6,815	11,007
7,609	**6,815**	**11,007**
86,106	**(15,185)**	**(96,773)**
-	402,382	402,382
-	(344,418)	(345,708)
0	**57,964**	**56,674**
86,106	**42,779**	**(40,099)**
2,884,806	**192,347**	**2,170,821**
$ 2,970,912	**$ 235,126**	**$ 2,130,722**

STATE OF VERMONT
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Industrial Homework Office Fund	Federal Surplus Property Fund	Vermont Life Magazine Fund
Cash Flows from Operating Activities:			
Cash received from customers	$ 160,375	$ 66,235	$ 2,022,359
Cash paid to suppliers for goods and services	-	(88,025)	(1,581,359)
Cash paid to employees for services	(163,145)	(64,993)	(696,701)
Other operating revenues (expenses)	-	-	93,997
Net cash provided (used) by operating activities	**(2,770)**	**(86,783)**	**(161,704)**
Cash Flows from Noncapital Financing Activities:			
Operating/equity transfers	-	-	(1,290)
Interfund loans	-	86,783	146,573
Net cash (used) by noncapital financing activities	**-**	**86,783**	**145,283**
Cash Flows from Investing Activities:			
Interest earned on investments	-	-	(3,417)
Interest & penalties received (paid)	-	-	-
Excess cash transferred	-	-	-
Net cash provided (used) by investing activities	**-**	**-**	**(3,417)**
Net increase (Decrease) in cash and cash equivalents	**(2,770)**	**-**	**(19,838)**
Cash and cash equivalents at July 1	**61,148**	**-**	**629,027**
Cash and cash equivalents at June 30 (see note below)	**$ 58,378**	**$ 0**	**$ 609,189**
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	$ 3,071	$ (85,766)	$ (81,582)
Adjustments to reconcile operating income to Net cash provided (used) by operating activities:			
Depreciation	-	-	1,780
(Increase) decrease in accounts/taxes receivable	(1,254)	19,193	9,840
(Increase) decrease in loans receivable	-	-	-
(Increase) decrease in accrued interest receivable	-	-	-
(Increase) decrease in due from other funds	-	(18,000)	-
(Increase) decrease in inventories	-	129,372	(83,640)
(Increase) decrease in prepaid expenses	-	-	(25,967)
Increase (decrease) in accounts payable	-	(3,911)	(3,476)
Increase (decrease) in accrued salaries and benefits	(4,587)	1,701	23,846
Increase (decrease) in deferred revenue	-	(129,372)	17,333
Increase (decrease) in subscription reserves	-	-	(19,838)
Total adjustments	**(5,841)**	**(1,017)**	**(80,122)**
Net cash provided (used) by operating activities	**$ (2,770)**	**$ (86,783)**	**$ (161,704)**

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

See Independent Auditors' Report.

Municipal Equipment Loan Fund	Unemployment Compensation Contingency Fund	Total Non-major Enterprise Funds
$ 1,109,482	$ -	$ 3,358,451
(1,577,623)	-	(3,247,007)
-	-	(924,839)
-	(37,884)	56,113
(468,141)	**(37,884)**	**(757,282)**
-	-	(1,290)
-	-	233,356
-	**-**	**232,066**
7,609	6,816	11,008
-	392,309	392,309
-	(344,418)	(344,418)
7,609	**54,707**	**58,899**
(460,532)	**16,823**	**(466,317)**
634,067	**160,915**	**1,485,157**
$ 173,535	**$ 177,738**	**$ 1,018,840**
$ 78,497	$ (22,000)	$ (107,780)
-	-	1,780
-	(15,884)	11,895
(522,006)	-	(522,006)
(24,632)	-	(24,632)
-	-	(18,000)
-	-	45,732
-	-	(25,967)
-	-	(7,387)
-	-	20,960
-	-	(112,039)
-	-	(19,838)
(546,638)	**(15,884)**	**(649,502)**
$ (468,141)	**$ (37,884)**	**$ (757,282)**

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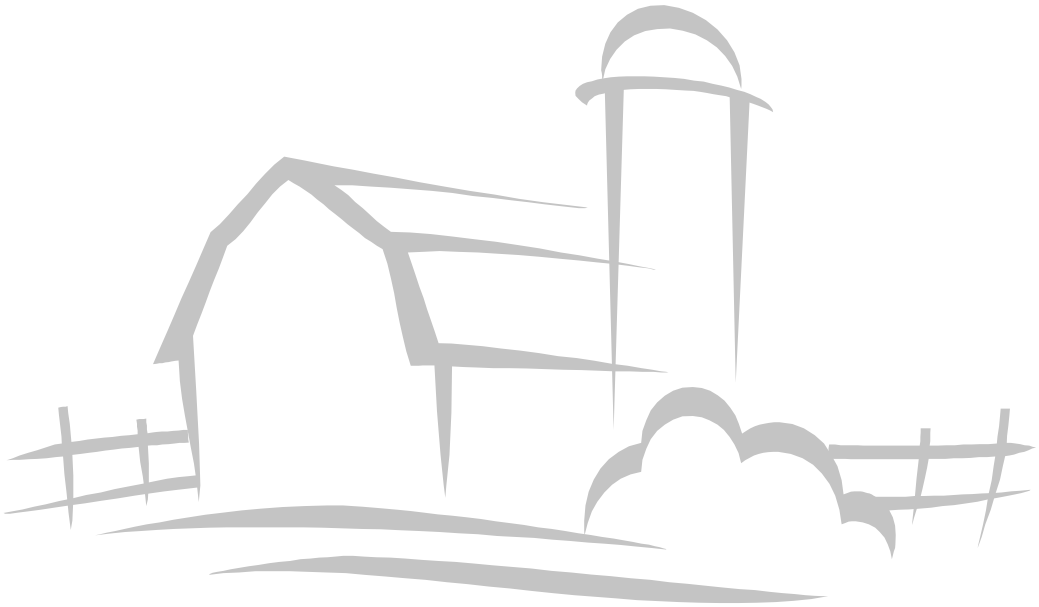

Vermont

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

STATE OF VERMONT
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2008

	Highway Garage Fund	Offender Work Programs	Single Audit Revolving Fund
ASSETS			
Current assets:			
Cash and cash equivalents	$ -	$ -	$ 94,669
Accounts receivable	68,528	322,471	170,059
Interest receivable	-	-	-
Due from other funds	16,067	-	-
Inventories, at cost	1,699,979	550,577	-
Prepaid expenses	4,775	-	-
Total current assets	**1,789,349**	**873,048**	**264,728**
Restricted and Other Assets:			
Imprest fund-advances from state treasurer	-	15,100	-
Total restricted and other assets	**-**	**15,100**	**-**
Capital Assets:			
Land	26,156	-	-
Construction in progress	3,603,541	-	-
Capital assets being depreciated:			
Machinery, equipment and buildings	45,740,822	1,519,725	-
Less accumulated depreciation	(26,509,255)	(955,766)	-
Total capital assets, net of depreciation	**22,861,264**	**563,959**	**-**
Total assets	**24,650,613**	**1,452,107**	**264,728**
LIABILITIES			
Current Liabilities:			
Accounts payable	1,932,475	61,733	-
Accrued salaries and benefits	279,184	166,764	-
Claims payable	-	-	-
Due to other funds	-	-	180,000
Interfund payable	2,091,346	449,121	-
Deferred revenue	-	8,213	-
Total current liabilities	**4,303,005**	**685,831**	**180,000**
Liabilities Payable from Restricted Assets:			
Advances from other funds	-	15,100	-
Total liabilities	**4,303,005**	**700,931**	**180,000**
NET ASSETS			
Invested in capital assets	22,861,264	563,959	-
Unrestricted (deficit)	(2,513,656)	187,217	84,728
Total net assets	**$ 20,347,608**	**$ 751,176**	**$ 84,728**

See Independent Auditors' Report.

Financial & HR Information Fund	Communcations & Information Technology	Fleet Fund	E-Procurement Fund
$ 1,314,476	$ -	$ -	$ -
-	1,116,816	409,062	714,743
-	-	-	-
5,860	-	171,778	-
-	-	-	-
-	495,398	-	-
1,320,336	**1,612,214**	**580,840**	**714,743**
-	-	-	-
-	**-**	**-**	**-**
-	-	-	-
-	-	-	-
31,140	4,633,609	9,337,905	-
(7,007)	(2,855,463)	(3,930,721)	-
24,133	**1,778,146**	**5,407,184**	**-**
1,344,469	**3,390,360**	**5,988,024**	**714,743**
232,757	489,127	149,938	367,350
525,551	505,077	-	-
-	-	-	-
-	-	-	-
-	2,382,387	5,810,793	347,393
-	28,214	35,534	-
758,308	**3,404,805**	**5,996,265**	**714,743**
-	-	-	-
758,308	**3,404,805**	**5,996,265**	**714,743**
24,133	1,778,146	5,407,184	-
562,028	(1,792,591)	(5,415,425)	-
$ 586,161	**$ (14,445)**	**$ (8,241)**	**$ -**

Continued on next page---->

STATE OF VERMONT
COMBINING STATEMENT OF NET ASSETS, Continued
INTERNAL SERVICE FUNDS
June 30, 2008

	Copy Center Fund	Postage Fund	Facilities Operations Fund
ASSETS			
Current assets:			
Cash and cash equivalents	$ -	$ -	$ -
Accounts receivable	266,949	381,094	869,371
Interest receivable	-	-	-
Due from other funds	-	-	104,514
Inventories, at cost	-	410,300	-
Prepaid expenses	209	1,605	-
Total current assets	**267,158**	**792,999**	**973,885**
Restricted and Other Assets:			
Imprest fund-advances from state treasurer	-	-	-
Total restricted and other assets	**-**	**-**	**-**
Capital Assets:			
Land	-	-	-
Construction in progress	-	-	-
Capital assets being depreciated:			
Machinery, equipment and buildings	2,839,043	471,378	1,565,008
Less accumulated depreciation	(2,102,006)	(453,396)	(904,318)
Total capital assets, net of depreciation	**737,037**	**17,982**	**660,690**
Total assets	**1,004,195**	**810,981**	**1,634,575**
LIABILITIES			
Current Liabilities:			
Accounts payable	9,818	4,586	708,479
Accrued salaries and benefits	-	63,122	1,536,110
Claims payable	-	-	-
Due to other funds	-	-	58,180
Interfund payable	2,340,242	1,723,759	2,198,496
Deferred revenue	57,818	-	-
Total current liabilities	**2,407,878**	**1,791,467**	**4,501,265**
Liabilities Payable from Restricted Assets:			
Advances from other funds	-	-	-
Total liabilities	**2,407,878**	**1,791,467**	**4,501,265**
NET ASSETS			
Invested in capital assets	737,037	17,982	660,690
Unrestricted (deficit)	(2,140,720)	(998,468)	(3,527,380)
Total net assets	**$ (1,403,683)**	**$ (980,486)**	**$ (2,866,690)**

Property Management Fund	Equipment Revolving Fund	State Resource Management Fund	State Surplus Property Fund	State Liability Insurance Fund
$ -	$ -	$ -	$ 46,414	$ 11,381,665
138,473	2,008,736	142,226	53,724	-
-	-	-	-	-
67,947	-	-	-	-
-	-	-	11,915	-
733,538	-	-	-	-
939,958	**2,008,736**	**142,226**	**112,053**	**11,381,665**
-	-	-	-	-
-	**-**	**-**	**-**	**-**
-	-	-	-	-
-	-	-	-	-
26,287	-	-	13,577	-
(23,858)	-	-	(13,577)	-
2,429	**-**	**-**	**-**	**-**
942,387	**2,008,736**	**142,226**	**112,053**	**11,381,665**
91,509	26,629	-	4,181	16,829
145,336	-	-	9,722	-
-	-	-	-	5,776,852
-	-	108	21,742	2,867,883
15,825,684	1,982,107	142,118	-	-
-	-	-	11,915	-
16,062,529	**2,008,736**	**142,226**	**47,560**	**8,661,564**
-	-	-	-	-
16,062,529	**2,008,736**	**142,226**	**47,560**	**8,661,564**
2,429	-	-	-	-
(15,122,571)	-	-	64,493	2,720,101
$ (15,120,142)	**$ -**	**$ -**	**$ 64,493**	**$ 2,720,101**

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STATE OF VERMONT
COMBINING STATEMENT OF NET ASSETS, Continued
INTERNAL SERVICE FUNDS
June 30, 2008

	Risk Management - All Other Fund	Workers' Compensation Fund	Medical Insurance Fund
ASSETS			
Current assets:			
Cash and cash equivalents	$ -	$ 16,661,528	$ 18,100,148
Accounts receivable	284,902	-	3,664,574
Interest receivable	-	15,827	24,053
Due from other funds	444	36,393	1,902
Inventories, at cost	-	-	-
Prepaid expenses	-	-	-
Total current assets	**285,346**	**16,713,748**	**21,790,677**
Restricted and Other Assets:			
Imprest fund-advances from state treasurer	-	-	-
Total restricted and other assets	**-**	**-**	**-**
Capital Assets:			
Land	-	-	-
Construction in progress	-	-	-
Capital assets being depreciated:			
Machinery, equipment and buildings	-	-	-
Less accumulated depreciation	-	-	-
Total capital assets, net of depreciation	**-**	**-**	**-**
Total assets	**285,346**	**16,713,748**	**21,790,677**
LIABILITIES			
Current Liabilities:			
Accounts payable	32,395	51,325	913,064
Accrued salaries and benefits	-	143,617	111,092
Claims payable	-	18,621,901	11,178,441
Due to other funds	6,493	-	-
Interfund payable	656,644	-	-
Deferred revenue	-	-	-
Total current liabilities	**695,532**	**18,816,843**	**12,202,597**
Liabilities Payable from Restricted Assets:			
Advances from other funds	-	-	-
Total liabilities	**695,532**	**18,816,843**	**12,202,597**
NET ASSETS			
Invested in capital assets	-	-	-
Unrestricted (deficit)	(410,186)	(2,103,095)	9,588,080
Total net assets	**$ (410,186)**	**$ (2,103,095)**	**$ 9,588,080**

Dental Insurance Fund	Life Insurance Fund	Long-Term Disability Fund	Employees' Assistance Fund	Eliminations	Total Internal Service Funds
$ 641,283	$ 309,744	$ 49,835	$ 74,626	$ -	$ 48,674,388
221,556	77,893	8,508	10,179	-	10,929,864
-	-	-	-	-	39,880
35	14	-	-	(404,954)	-
-	-	-	-	-	2,672,771
-	-	-	-	-	1,235,525
862,874	**387,651**	**58,343**	**84,805**	**(404,954)**	**63,552,428**
-	-	-	-	-	15,100
-	**-**	**-**	**-**	**-**	**15,100**
-	-	-	-	-	26,156
-	-	-	-	-	3,603,541
-	-	-	-	-	66,178,494
-	-	-	-	-	(37,755,367)
-	**-**	**-**	**-**	**-**	**32,052,824**
862,874	**387,651**	**58,343**	**84,805**	**(404,954)**	**95,620,352**
27,662	105,745	17,578	65,134	-	5,308,314
2,424	970	-	-	-	3,488,969
255,102	-	-	-	-	35,832,296
-	-	-	-	(404,954)	2,729,452
-	-	-	-	-	35,950,090
-	-	-	-	-	141,694
285,188	**106,715**	**17,578**	**65,134**	**(404,954)**	**83,450,815**
-	-	-	-	-	15,100
285,188	**106,715**	**17,578**	**65,134**	**(404,954)**	**83,465,915**
-	-	-	-	-	32,052,824
577,686	280,936	40,765	19,671	-	(19,898,387)
$ 577,686	**$ 280,936**	**$ 40,765**	**$ 19,671**	**$ -**	**$ 12,154,437**

STATE OF VERMONT
COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Highway Garage Fund	Offender Work Programs	Single Audit Revolving Fund
Operating Revenues:			
Charges for sales and services	$ 13,050,677	$ 2,224,968	$ 2,715,497
Rental income	279,190	-	-
Other operating revenues	63,187	9,094	-
Total operating revenues	**13,393,054**	**2,234,062**	**2,715,497**
Operating Expenses:			
Cost of sales and services	-	710,712	-
Claims expense	-	9,102	-
Salaries and benefits	3,147,082	1,114,066	773,775
Insurance premium expense	1,734	1,500	65
Contractual services	14,015	11,275	1,708,037
Repairs and maintenance	714,049	47,313	-
Depreciation	4,680,772	85,710	-
Rental expense	17,823	107,755	9,617
Utilities and property management	150,780	99,143	16,027
Non-capital equipment purchased	116,270	20,034	945
Administrative expenses	10,922	122,651	5,446
Supplies and parts	5,973,568	159,411	7,209
Travel expenses	2,363	18,615	2,164
Other operating expenses	-	-	-
Total operating expenses	**14,829,378**	**2,507,287**	**2,523,285**
Operating Income(Loss)	**(1,436,324)**	**(273,225)**	**192,212**
Non-Operating Revenues (Expenses):			
Gain (loss) on disposal of capital assets	213,068	-	-
Investment income (expense)	-	(80)	-
Total non-operating revenues (expenses)	**213,068**	**(80)**	**-**
Income (loss) before contributions and transfers	**(1,223,256)**	**(273,305)**	**192,212**
Capital contributions from (to) other funds	(5,820)	-	-
Transfers in	1,120,000	-	-
Transfers out	(1,220,000)	-	-
Change in net assets	**(1,329,076)**	**(273,305)**	**192,212**
Total Net Assets, July 1	**21,676,684**	**1,024,481**	**(107,484)**
Total Net Assets, June 30	**$ 20,347,608**	**$ 751,176**	**$ 84,728**

See Independent Auditors' Report.

Financial & HR Information Fund	Communcations & Information Technology	Fleet Fund	E-Procurement Fund
$ 5,302,553	$ 14,237,611	$ 3,530,093	$ 4,600,207
-	-	-	-
57,264	125	-	-
5,359,817	**14,237,736**	**3,530,093**	**4,600,207**
-	5,678,563	2,700	4,600,207
-	-	-	-
3,376,220	4,482,542	415,555	-
926	9,986	-	-
188,734	700,083	24,016	-
142,535	370,936	513,462	-
5,709	838,580	1,288,092	-
182,675	426,454	16,636	-
388,225	87,051	22,328	-
909,819	1,550,689	5,986	-
42,931	74,723	85,755	-
21,826	89,127	1,052,867	-
8,189	54,953	2,196	-
-	570,250	-	-
5,267,789	**14,933,937**	**3,429,593**	**4,600,207**
92,028	**(696,201)**	**100,500**	**-**
-	(13,027)	(15,189)	-
-	-	-	-
-	**(13,027)**	**(15,189)**	**-**
92,028	**(709,228)**	**85,311**	**-**
-	-	15,500	-
-	450,000	-	-
-	-	(48,129)	-
92,028	**(259,228)**	**52,682**	**-**
494,133	**244,783**	**(60,923)**	**-**
$ 586,161	**$ (14,445)**	**$ (8,241)**	**$ -**

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STATE OF VERMONT
COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET ASSETS, Continued
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Copy Center Fund	Postage Fund	Facilities Operations Fund
Operating Revenues:			
Charges for sales and services	$ 2,175,473	$ 3,201,090	$ 23,773,615
Rental income	-	-	-
Other operating revenues	-	-	2,024,215
Total operating revenues	**2,175,473**	**3,201,090**	**25,797,830**
Operating Expenses:			
Cost of sales and services	247,381	2,504,771	-
Claims expense	-	-	-
Salaries and benefits	548,432	582,973	12,173,308
Insurance premium expense	-	-	332,490
Contractual services	5,110	25	92,952
Repairs and maintenance	193,431	(67,362)	1,272,132
Depreciation	714,675	12,481	107,791
Rental expense	384,267	50,790	903,349
Utilities and property management	23,384	23,363	8,942,451
Non-capital equipment purchased	143,934	18,387	283,214
Administrative expenses	192,841	86,169	979,847
Supplies and parts	3,848	12,165	2,044,900
Travel expenses	1,202	254	109,283
Other operating expenses	-	-	-
Total operating expenses	**2,458,505**	**3,224,016**	**27,241,717**
Operating Income(Loss)	**(283,032)**	**(22,926)**	**(1,443,887)**
Non-Operating Revenues (Expenses):			
Gain (loss) on disposal of capital assets	(158,869)	-	(13,956)
Investment income (expense)	-	-	-
Total non-operating revenues (expenses)	**(158,869)**	**-**	**(13,956)**
Income (loss) before contributions and transfers	**(441,901)**	**(22,926)**	**(1,457,843)**
Capital contributions from (to) other funds	-	-	(2,740)
Transfers in	1,050,000	150,000	300,000
Transfers out	-	-	-
Change in net assets	**608,099**	**127,074**	**(1,160,583)**
Total Net Assets, July 1	**(2,011,782)**	**(1,107,560)**	**(1,706,107)**
Total Net Assets, June 30	**$ (1,403,683)**	**$ (980,486)**	**$ (2,866,690)**

Property Management Fund	Equipment Revolving Fund	State Resource Management Fund	State Surplus Property Fund	State Liability Insurance Fund
$ -	$ 176,899	$ 108	$ 1,202,697	$ -
12,196,553	-	-	-	-
262,464	-	-	194,674	-
12,459,017	**176,899**	**108**	**1,397,371**	**-**
9,257,737	-	-	1,210,346	489,500
-	-	-	-	2,587,585
1,110,452	-	-	63,172	320,532
59,457	-	-	-	-
82,621	-	-	29,985	564,011
50,357	-	-	941	269
822	-	-	-	-
14,632	-	-	41,697	17,293
1,437,581	-	-	16,278	12,316
8,426	176,408	-	340	49,375
314,902	491	108	29,309	103,792
132,176	-	-	1,848	2,195
17,827	-	-	199	1,425
-	-	-	-	-
12,486,990	**176,899**	**108**	**1,394,115**	**4,148,293**
(27,973)	**-**	**-**	**3,256**	**(4,148,293)**
-	-	-	-	-
59	-	-	-	328,845
59	**-**	**-**	**-**	**328,845**
(27,914)	**-**	**-**	**3,256**	**(3,819,448)**
-	-	-	-	-
-	-	-	-	-
(2,495,850)	-	-	-	-
(2,523,764)	**-**	**-**	**3,256**	**(3,819,448)**
(12,596,378)	**-**	**-**	**61,237**	**6,539,549**
$ (15,120,142)	**$ -**	**$ -**	**$ 64,493**	**$ 2,720,101**

Continued on next page--->

STATE OF VERMONT
COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET ASSETS, Continued
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Risk Management - All Other Fund	Workers' Compensation Fund	Medical Insurance Fund
Operating Revenues:			
Charges for sales and services	$ 2,132,834	$ 8,554,886	$ 111,358,913
Rental income	-	-	-
Other operating revenues	-	-	81,474
Total operating revenues	**2,132,834**	**8,554,886**	**111,440,387**
Operating Expenses:			
Cost of sales and services	2,046,982	-	27
Claims expense	-	6,291,342	97,858,788
Salaries and benefits	37,174	1,051,422	1,018,172
Insurance premium expense	-	-	3,612,502
Contractual services	36,554	399,105	188,821
Repairs and maintenance	45	584	658
Depreciation	-	-	-
Rental expense	2,888	38,722	39,090
Utilities and property management	5,130	49,448	19,497
Non-capital equipment purchased	8,019	104,738	63,063
Administrative expenses	17,454	231,429	6,198,807
Supplies and parts	425	6,907	54,349
Travel expenses	152	3,431	27,663
Other operating expenses	-	-	-
Total operating expenses	**2,154,823**	**8,177,128**	**109,081,437**
Operating Income(Loss)	**(21,989)**	**377,758**	**2,358,950**
Non-Operating Revenues (Expenses):			
Gain (loss) on disposal of capital assets	-	-	-
Investment income (expense)	-	532,638	542,018
Total non-operating revenues (expenses)	**-**	**532,638**	**542,018**
Income (loss) before contributions and transfers	**(21,989)**	**910,396**	**2,900,968**
Capital contributions from (to) other funds	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Change in net assets	**(21,989)**	**910,396**	**2,900,968**
Total Net Assets, July 1	**(388,197)**	**(3,013,491)**	**6,687,112**
Total Net Assets, June 30	**$ (410,186)**	**$ (2,103,095)**	**$ 9,588,080**

Dental Insurance Fund	Life Insurance Fund	Long-Term Disability Fund	Employees' Assistance Fund	Total Internal Service Funds
$ 4,879,566	$ 1,798,882	$ 216,264	$ 259,415	$ 205,392,248
-	-	-	-	12,475,743
50	153	-	-	2,692,700
4,879,616	**1,799,035**	**216,264**	**259,415**	**220,560,691**
-	-	-	-	26,748,926
5,206,269	-	-	-	111,953,086
30,033	11,896	-	-	30,256,806
2	1,692,438	201,322	256,442	6,168,864
29,821	17,209	-	-	4,092,374
4	2	-	-	3,239,356
-	-	-	-	7,734,632
689	276	-	-	2,254,653
645	258	-	-	11,293,905
1,151	61	-	-	3,460,859
324,853	225	-	-	8,822,655
128	51	-	-	9,563,000
42	19	-	-	249,977
-	-	-	-	570,250
5,593,637	**1,722,435**	**201,322**	**256,442**	**226,409,343**
(714,021)	**76,600**	**14,942**	**2,973**	**(5,848,652)**
-	-	-	-	12,027
40,857	10,818	-	-	1,455,155
40,857	**10,818**	**-**	**-**	**1,467,182**
(673,164)	**87,418**	**14,942**	**2,973**	**(4,381,470)**
-	-	-	-	6,940
-	-	-	-	3,070,000
-	-	-	-	(3,763,979)
(673,164)	**87,418**	**14,942**	**2,973**	**(5,068,509)**
1,250,850	**193,518**	**25,823**	**16,698**	**17,222,946**
$ 577,686	**$ 280,936**	**$ 40,765**	**$ 19,671**	**$ 12,154,437**

STATE OF VERMONT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Highway Garage Fund	Offender Work Programs	Single Audit Revolving Fund
Cash Flows From Operating Activities:			
Cash received from customers	$ 13,254,720	$ 2,129,647	$ 2,688,473
Cash paid to suppliers for goods and services	(6,177,852)	(1,238,940)	(1,875,920)
Cash paid to employees for services	(3,119,278)	(1,119,607)	(773,775)
Cash paid to claimants	-	(9,102)	-
Other operating revenues	63,187	9,094	-
Other operating expenses	-	-	-
Net cash provided (used) by operating activities	**4,020,777**	**(228,908)**	**38,778**
Cash Flows From Noncapital Financing Activities:			
Operating transfers	(100,000)	-	-
Interfund loans	311,164	302,663	-
Net cash provided (used) by noncapital financing activities	**211,164**	**302,663**	**-**
Cash Flows From Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(4,713,884)	(73,675)	-
Proceeds from sale of capital assets	481,943	-	-
Net cash provided (used) by capital and related financing activities	**(4,231,941)**	**(73,675)**	**-**
Cash Flows From Investing Activities:			
Interest earned (loss) on investments	-	(80)	-
Net cash provided (used) by investing activities	**-**	**(80)**	**-**
Net increase (decrease) in cash and cash equivalents	**-**	**-**	**38,778**
Cash and cash equivalents at July 1	-	15,100	55,891
Cash and cash equivalents at June 30	**$ -**	**$ 15,100**	**$ 94,669**
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	$ (1,436,324)	$ (273,225)	$ 192,212
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	4,680,772	85,710	-
(Increase)decrease in accounts receivable	(59,080)	(95,321)	(27,024)
(Increase)decrease in due from other funds	(16,067)	-	-
(Increase)decrease in inventory	(242,238)	93,161	-
(Increase)decrease in prepaid expenses	2,190	-	-
Increase(decrease) in accounts payable	1,063,719	(33,692)	(160,677)
Increase(decrease) in accrued salaries and benefits	27,805	(5,541)	-
Increase(decrease) in claims payable	-	-	-
Increase(decrease) in due to other funds	-	-	34,267
Increase(decrease) in deferred revenue	-	-	-
Total adjustments	**5,457,101**	**44,317**	**(153,434)**
Net cash provided (used) by operating activities	**$ 4,020,777**	**$ (228,908)**	**$ 38,778**

See Independent Auditors' Report.

Financial & HR Information Fund	Communcations & Information Technology	Fleet Fund	E-Procurement Fund
$ 5,316,814	$ 14,480,458	$ 3,579,083	$ 4,568,705
(1,697,553)	(9,699,798)	(1,659,602)	(4,605,135)
(3,329,971)	(4,407,676)	(410,538)	-
-	-	-	-
57,264	125	-	-
-	(570,250)	-	-
346,554	**(197,141)**	**1,508,943**	**(36,430)**
-	450,000	(48,129)	-
-	472,849	215,872	36,430
-	**922,849**	**167,743**	**36,430**
-	(725,708)	(1,866,427)	-
-	-	189,741	-
-	**(725,708)**	**(1,676,686)**	**-**
-	-	-	-
-	**-**	**-**	**-**
346,554	**-**	**-**	**-**
967,922	-	-	-
$ 1,314,476	**$ -**	**$ -**	**$ -**
$ 92,028	$ (696,201)	$ 100,500	$ -
5,709	838,580	1,288,092	-
20,121	242,847	220,768	(47,458)
(5,860)	-	(171,778)	15,956
-	-	-	-
-	(191,837)	-	-
188,307	(408,687)	66,344	(4,928)
46,249	74,866	5,017	-
-	-	-	-
-	-	-	-
-	(56,709)	-	-
254,526	**499,060**	**1,408,443**	**(36,430)**
$ 346,554	**$ (197,141)**	**$ 1,508,943**	**$ (36,430)**

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STATE OF VERMONT
COMBINING STATEMENT OF CASH FLOWS, Continued
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Copy Center Fund	Postage Fund	Facilities Operations Fund
Cash Flows From Operating Activities:			
Cash received from customers	$ 2,577,737	$ 3,195,119	$ 25,392,463
Cash paid to suppliers for goods and services	(1,245,358)	(2,292,245)	(16,267,449)
Cash paid to employees for services	(551,663)	(581,169)	(11,989,627)
Cash paid to claimants	-	-	-
Other operating revenues	-	-	2,024,215
Other operating expenses	-	-	-
Net cash provided (used) by operating activities	**780,716**	**321,705**	**(840,398)**
Cash Flows From Noncapital Financing Activities:			
Operating transfers	1,050,000	150,000	300,000
Interfund loans	(1,389,099)	(471,705)	760,659
Net cash provided (used) by noncapital financing activities	**(339,099)**	**(321,705)**	**1,060,659**
Cash Flows From Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(441,617)	-	(220,261)
Proceeds from sale of capital assets	-	-	-
Net cash provided (used) by capital and related financing activities	**(441,617)**	**-**	**(220,261)**
Cash Flows From Investing Activities:			
Interest earned (loss) on investments	-	-	-
Net cash provided (used) by investing activities	**-**	**-**	**-**
Net increase (decrease) in cash and cash equivalents	**-**	**-**	**-**
Cash and cash equivalents at July 1	-	-	-
Cash and cash equivalents at June 30	**$ -**	**$ -**	**$ -**
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	$ (283,032)	$ (22,926)	$ (1,443,887)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	714,675	12,481	107,791
(Increase)decrease in accounts receivable	402,264	(5,971)	1,723,362
(Increase)decrease in due from other funds	-	-	(104,514)
(Increase)decrease in inventory	-	342,047	-
(Increase)decrease in prepaid expenses	674	9,649	-
Increase(decrease) in accounts payable	(50,634)	(15,379)	(1,344,159)
Increase(decrease) in accrued salaries and benefits	(3,231)	1,804	183,681
Increase(decrease) in claims payable	-	-	-
Increase(decrease) in due to other funds	-	-	37,328
Increase(decrease) in deferred revenue	-	-	-
Total adjustments	**1,063,748**	**344,631**	**603,489**
Net cash provided (used) by operating activities	**$ 780,716**	**$ 321,705**	**$ (840,398)**

Property Management Fund	Equipment Revolving Fund	State Resource Management Fund	State Surplus Property Fund	State Liability Insurance Fund
$ 13,146,353	$ 977,559	$ 27,046	$ 1,169,246	$ 53,504
(11,516,738)	(163,659)	(842)	(1,323,900)	1,617,589
(1,135,028)	-	-	(60,901)	(320,532)
-	-	-	-	(1,563,479)
262,464	-	-	194,674	-
-	-	-	-	-
757,051	**813,900**	**26,204**	**(20,881)**	**(212,918)**
(2,495,850)	-	-	-	-
1,738,740	(813,900)	(26,204)	-	-
(757,110)	**(813,900)**	**(26,204)**	**-**	**-**
-	-	-	-	-
-	-	-	-	-
-	**-**	**-**	**-**	**-**
59	-	-	-	328,845
59	**-**	**-**	**-**	**328,845**
-	**-**	**-**	**(20,881)**	**115,927**
-	-	-	67,295	11,265,738
$ -	**$ -**	**$ -**	**$ 46,414**	**$ 11,381,665**
$ (27,973)	$ -	$ -	$ 3,256	$ (4,148,293)
822	-	-	-	-
1,012,851	800,660	26,938	(33,451)	53,504
(63,051)	-	-	-	-
-	-	-	(9,385)	-
(91,592)	-	-	-	-
(49,430)	13,240	-	(14,699)	10,792
(24,576)	-	-	2,271	-
-	-	-	-	1,024,106
-	-	(734)	21,742	2,846,973
-	-	-	9,385	-
785,024	**813,900**	**26,204**	**(24,137)**	**3,935,375**
$ 757,051	**$ 813,900**	**$ 26,204**	**$ (20,881)**	**$ (212,918)**

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STATE OF VERMONT
COMBINING STATEMENT OF CASH FLOWS, Continued
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Risk Management - All Other Fund	Workers Compensation Fund	Medical Insurance Fund
Cash Flows From Operating Activities:			
Cash received from customers	$ 2,222,348	$ 8,547,848	$ 111,041,491
Cash paid to suppliers for goods and services	(2,085,125)	(844,856)	(9,817,760)
Cash paid to employees for services	(37,174)	(1,040,478)	(998,003)
Cash paid to claimants	-	(5,861,002)	(97,169,573)
Other operating revenues	-	-	81,474
Other operating expenses	-	-	-
Net cash provided (used) by operating activities	**100,049**	**801,512**	**3,137,629**
Cash Flows From Noncapital Financing Activities:			
Operating transfers	-	-	-
Interfund loans	(100,049)	-	-
Net cash provided (used) by noncapital financing activities	**(100,049)**	**-**	**-**
Cash Flows From Capital and Related Financing Activities:			
Acquisition and construction of capital assets	-	-	-
Proceeds from sale of capital assets	-	-	-
Net cash provided (used) by capital and related financing activities	**-**	**-**	**-**
Cash Flows From Investing Activities:			
Interest earned (loss) on investments	-	602,587	598,448
Net cash provided (used) by investing activities	**-**	**602,587**	**598,448**
Net increase (decrease) in cash and cash equivalents	**-**	**1,404,099**	**3,736,077**
Cash and cash equivalents at July 1	-	15,257,429	14,364,071
Cash and cash equivalents at June 30	**$ -**	**$ 16,661,528**	**$ 18,100,148**
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	$ (21,989)	$ 377,758	$ 2,358,950
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	-	-	-
(Increase)decrease in accounts receivable	89,514	2,306	(315,520)
(Increase)decrease in due from other funds	-	(9,344)	(1,902)
(Increase)decrease in inventory	-	-	-
(Increase)decrease in prepaid expenses	-	-	-
Increase(decrease) in accounts payable	32,170	(10,492)	386,717
Increase(decrease) in accrued salaries and benefits	-	10,944	20,169
Increase(decrease) in claims payable	-	430,340	689,215
Increase(decrease) in due to other funds	354	-	-
Increase(decrease) in deferred revenue	-	-	-
Total adjustments	**122,038**	**423,754**	**778,679**
Net cash provided (used) by operating activities	**$ 100,049**	**$ 801,512**	**$ 3,137,629**

Dental Insurance Fund	Life Insurance Fund	Long-Term Disability Fund	Employees' Assistance Fund	Total Internal Service Funds
$ 4,884,307	$ 1,782,666	$ 215,764	$ 258,966	$ 221,510,317
(358,902)	(1,711,808)	(199,372)	(254,164)	(73,419,389)
(29,652)	(11,743)	-	-	(29,916,815)
(5,226,924)	-	-	-	(109,830,080)
50	153	-	-	2,692,700
-	-	-	-	(570,250)
(731,121)	**59,268**	**16,392**	**4,802**	**10,466,483**
-	-	-	-	(693,979)
-	-	-	-	1,037,420
-	**-**	**-**	**-**	**343,441**
-	-	-	-	(8,041,572)
-	-	-	-	671,684
-	**-**	**-**	**-**	**(7,369,888)**
40,857	10,818	-	-	1,581,534
40,857	**10,818**	**-**	**-**	**1,581,534**
(690,264)	**70,086**	**16,392**	**4,802**	**5,021,570**
1,331,547	239,658	33,443	69,824	43,667,918
$ 641,283	**$ 309,744**	**$ 49,835**	**$ 74,626**	**$ 48,689,488**
$ (714,021)	$ 76,600	$ 14,942	$ 2,973	$ (5,848,652)
-	-	-	-	7,734,632
4,776	(16,202)	(500)	(449)	3,998,935
(35)	(14)	-	-	(356,609)
-	-	-	-	183,585
-	-	-	-	(270,916)
(1,567)	(1,269)	1,950	2,278	(330,096)
381	153	-	-	339,992
(20,655)	-	-	-	2,123,006
-	-	-	-	2,939,930
-	-	-	-	(47,324)
(17,100)	**(17,332)**	**1,450**	**1,829**	**16,315,135**
$ (731,121)	**$ 59,268**	**$ 16,392**	**$ 4,802**	**$ 10,466,483**

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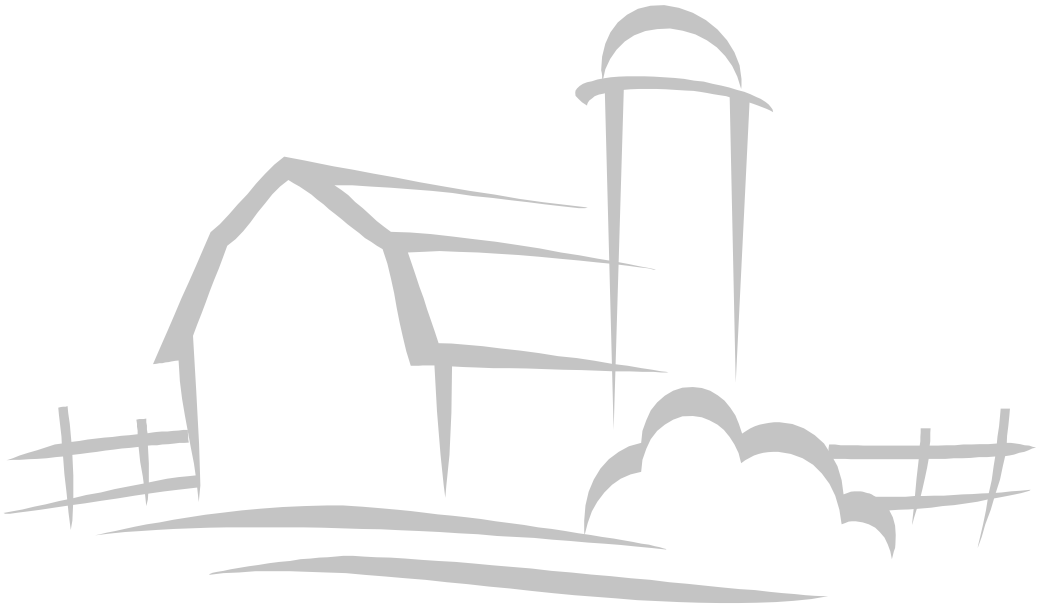

Vermont

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

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

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

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

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

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

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

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

STATE OF VERMONT
PENSION AND OTHER POSTEMPLOYMENT BENEFITS TRUST FUNDS
COMBINING STATEMENTS OF PLAN NET ASSETS
JUNE 30, 2008

	Defined Benefit Plans		
	Vermont State Retirement Fund	**State Teachers' Retirement Fund**	**Vermont Municipal Employees' Retirement Fund**
Assets:			
Cash and short term investments	$ 2,480,523	$ 3,162,383	$ 1,349,355
Receivables:			
Contributions - current	3,798,026	2,522,316	1,027,017
Contributions non-current	-	-	11,051,031
Interest and dividends	11,272	13,792	572,680
Investments sold	-	-	-
Due from other funds	149,073	-	29,889
Other	-	264,169	-
Total receivables	3,958,371	2,800,277	12,680,617
Investments at Fair value:			
Pooled investments	1,272,646,888	1,488,625,458	312,272,761
Fixed income	497	28	4,196
Equities	-	1,462	-
Real estate and venture capital	2,102,641	5,739,881	767,390
Mutual funds	-	-	-
Total investments	1,274,750,026	1,494,366,829	313,044,347
Prepaid expenses	1,424,823	1,284,417	-
Capital Assets:			
Construction in progress	994,427	1,138,877	274,194
Capital assets being depreciated:			
Equipment	68,011	79,040	36,763
Less accumulated depreciation	(26,638)	(30,957)	(14,399)
Total capital assets, net of depreciation	1,035,800	1,186,960	296,558
Total assets	**1,283,649,543**	**1,502,800,866**	**327,370,877**
Liabilities:			
Payable for investments purchased	-	-	-
Accounts payable	1,075,176	1,270,637	269,094
Retainage payable	80,495	98,357	41,681
Due to other funds	-	111,693	-
Total liabilities	**1,155,671**	**1,480,687**	**310,775**
Net assets held in trust for employees' pension and other postemployment benefits	**$ 1,282,493,872**	**$ 1,501,320,179**	**$ 327,060,102**

See Independent Auditors' Report.

Defined Contribution Plans			Other Postemployment Benefits Funds			
Vermont State Defined Contribution Fund	Single Deposit Investment Account Fund	Vermont Municipal Employees' Defined Contribution Fund	Vermont State Postemployment Benefits Trust Fund	Vermont Municipal Employees' Health Benefit Fund	Eliminations	Total
$ 284,111	$ 4,475,160	$ 66,231	$ 294,790	$ 3,029,141	$ -	$ 15,141,694
155,998	-	17,318	-	1,166,817	-	8,687,492
-	-	-	-	-	-	11,051,031
-	574,821	-	-	-	-	1,172,565
-	4,112,227	-	-	-	-	4,112,227
-	-	-	152,269	-	(178,962)	152,269
-	-	-	-	-	-	264,169
155,998	4,687,048	17,318	152,269	1,166,817	(178,962)	25,439,753
-	-	-	-	-	-	3,073,545,107
-	85,873,527	-	2,284,004	-	-	88,162,252
-	565,650	-	760,684	-	-	1,327,796
-	-	-	-	-	-	8,609,912
38,732,811	-	13,222,481	171,770	4,451,368	-	56,578,430
38,732,811	86,439,177	13,222,481	3,216,458	4,451,368	-	3,228,223,497
35,211	-	-	-	-	-	2,744,451
-	-	-	-	-	-	2,407,498
-	-	-	-	-	-	183,814
-	-	-	-	-	-	(71,994)
-	-	-	-	-	-	2,519,318
39,208,131	**95,601,385**	**13,306,030**	**3,663,517**	**8,647,326**	**(178,962)**	**3,274,068,713**
-	11,027,296	-	-	-	-	11,027,296
9,630	-	396	-	-	-	2,624,933
-	-	-	-	-	-	220,533
37,380	-	29,889	-	-	(178,962)	-
47,010	**11,027,296**	**30,285**	**-**	**-**	**(178,962)**	**13,872,762**
$ 39,161,121	**$ 84,574,089**	**$ 13,275,745**	**$ 3,663,517**	**$ 8,647,326**	**$ -**	**$ 3,260,195,951**

STATE OF VERMONT
PENSION AND OTHER POSTEMPLOYMENT BENEFITS TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Defined Benefit Plans		
	Vermont State Retirement Fund	State Teachers' Retirement Fund	Vermont Municipal Employees' Retirement Fund
Additions :			
Contributions			
Employer - pension benefit	$ 22,811,627	$ 24,299,097	$ -
Employer - healthcare benefit	16,368,196	15,250,000	-
Plan member	18,614,102	22,918,798	9,906,709
Transfers from other pension trust funds	166,746	221,773	124,132
Transfers from non-state systems	3,238	-	-
Medicare part D drug subsidy	-	1,406,469	-
Total contributions	**57,963,909**	**64,096,137**	**10,030,841**
Investment Income:			
Net appreciation (depreciation) in fair value of investments	35,834,967	38,255,622	8,147,578
Income (loss) from pooled investments	(132,073,225)	(161,803,403)	(31,438,559)
Dividends	4,513,469	5,733,058	1,033,561
Interest income	10,237,214	11,073,277	3,426,899
Securities lending income	2,220,415	2,648,751	502,161
Other income	526,239	545,228	72,972
Total investment income (loss)	**(78,740,921)**	**(103,547,467)**	**(18,255,388)**
Less Investment Expenses:			
Investment managers and consultants	4,850,023	5,798,123	1,089,451
Securities lending expenses	565,310	674,044	127,815
Total investment expenses	**5,415,333**	**6,472,167**	**1,217,266**
Net investment income (loss)	**(84,156,254)**	**(110,019,634)**	**(19,472,654)**
Total additions	**(26,192,345)**	**(45,923,497)**	**(9,441,813)**
Deductions:			
Retirement benefits	64,060,488	82,157,642	9,064,725
Other post employment benefits	16,371,373	15,081,847	-
Refunds of contributions	1,414,144	1,280,715	1,143,397
Death claims	332,573	391,483	217,602
Transfers to other pension trust funds	298,748	151,182	289,215
Depreciation	26,638	30,957	14,399
Operating expenses	1,227,939	835,516	609,220
Total deductions	**83,731,903**	**99,929,342**	**11,338,558**
Change in net assets	**(109,924,248)**	**(145,852,839)**	**(20,780,371)**
Net assets held in trust for employees' pension and other postemployment benefits:			
July 1	**1,392,418,120**	**1,647,173,018**	**347,840,473**
June 30	**$ 1,282,493,872**	**$ 1,501,320,179**	**$ 327,060,102**

See Independent Auditors' Report.

Defined Contribution Plans			Other Postemployment Benefits Funds			
Vermont State Defined Contribution Fund	Single Deposit Investment Account Fund	Vermont Municipal Employees' Defined Contribution Fund	Vermont State Postemployment Benefit Trust Fund	Vermont Municipal Employees' Health Benefit Fund	Eliminations	Total
$ 1,959,169	$ -	$ 625,539	$ -	$ -	$ -	$ 49,695,432
-	-	-	1,444,757	9,250,816	-	42,313,769
692,433	-	625,341	-	-	-	52,757,383
187,975	-	38,519	-	-	(739,145)	-
104,074	-	140,808	-	-	-	248,120
-	-	-	-	-	-	1,406,469
2,943,651	**-**	**1,430,207**	**1,444,757**	**9,250,816**	**(739,145)**	**146,421,173**
(5,305,166)	(177,201)	(1,752,734)	(114,737)	(208,779)	-	74,679,550
-	-	-	-	-	-	(325,315,187)
2,550,928	-	847,630	17,803	-	-	14,696,449
10,273	4,552,492	2,596	104,820	48,045	-	29,455,616
-	99,672	-	-	-	-	5,470,999
-	6,049	6,741	-	-	-	1,157,229
(2,743,965)	**4,481,012**	**(895,767)**	**7,886**	**(160,734)**	**-**	**(199,855,344)**
525	308,952	-	-	33,377	-	12,080,451
-	-	-	-	-	-	1,367,169
525	**308,952**	**-**	**-**	**33,377**	**-**	**13,447,620**
(2,744,490)	**4,172,060**	**(895,767)**	**7,886**	**(194,111)**	**-**	**(213,302,964)**
199,161	**4,172,060**	**534,440**	**1,452,643**	**9,056,705**	**(739,145)**	**(66,881,791)**
2,149,065	8,874,501	383,697	-	-	-	166,690,118
252,083	-	-	-	409,379	-	32,114,682
-	-	-	-	-	-	3,838,256
-	-	-	-	-	-	941,658
-	-	-	-	-	(739,145)	-
-	-	-	-	-	-	71,994
39,126	-	38,963	-	-	-	2,750,764
2,440,274	**8,874,501**	**422,660**	**-**	**409,379**	**(739,145)**	**206,407,472**
(2,241,113)	**(4,702,441)**	**111,780**	**1,452,643**	**8,647,326**	**-**	**(273,289,263)**
41,402,234	**89,276,530**	**13,163,965**	**2,210,874**	**-**	**-**	**3,533,485,214**
$ 39,161,121	**$ 84,574,089**	**$ 13,275,745**	**$ 3,663,517**	**$ 8,647,326**	**$ -**	**$ 3,260,195,951**

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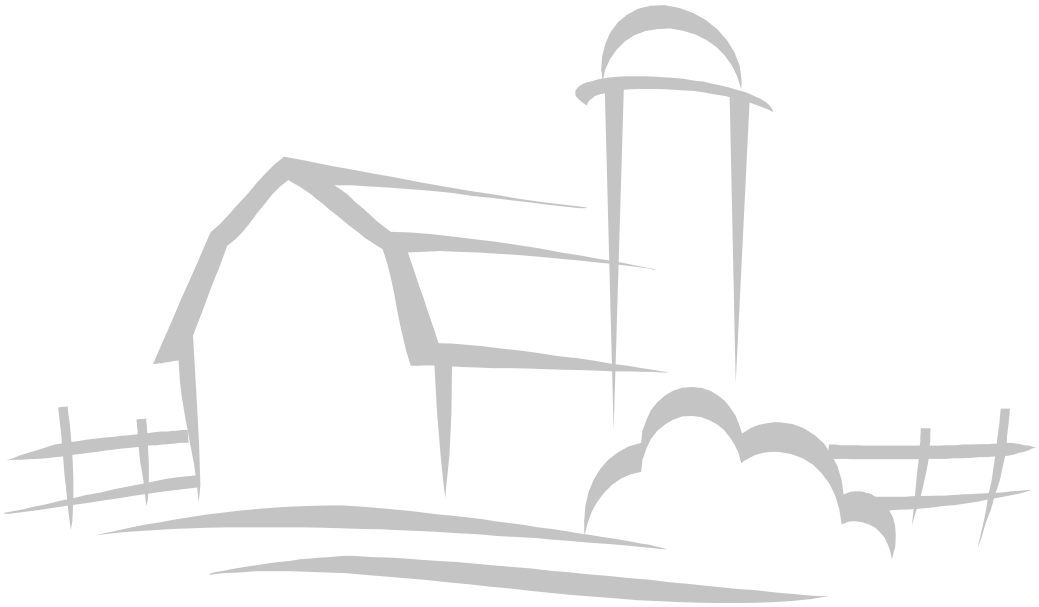

Vermont

Agency Funds' Descriptions

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

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

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

Social Security Tax Contributions and Withholdings Fund – This is the fund where employees' FICA withholdings are held until they are paid to the Federal Government.

Employees Credit Union Withholding Fund – This is the fund where employees voluntary withholdings to pay off Vermont State Employees' Credit Union (VSECU) loans or deposits to VSECU accounts (other than net pay) are held until paid to the VSECU.

Employees Insurance Contributions and Withholdings Fund – This is the fund where the State and the State's employees' share of the insurance premiums is held until distribution to the appropriate internal service fund.

Employees Deferred Income Withholdings Fund – This is the fund where the employees' voluntary deferred income withholdings are held until paid to the program administrator.

Other Employee Contributions and Withholdings Fund – This is the fund where other withholdings and contributions (charitable, savings bonds, flexible spending, etc) are held until paid to the appropriate depository.

Unidentified Receipts Fund – Many receipts ultimately get split into several funds, the Unidentified Fund is used to deposit the money immediately; later the receipt is reconciled and transferred to the correct fund.

Vendor and Other Deposits Fund – This is the fund where escrow amounts, advances, garnishments and other miscellaneous agency funds are reported.

Child Support Collections Fund – This is the fund where child support receipts are held until paid to the correct recipient.

STATE OF VERMONT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008
RETIREMENT SYSTEM CONTRIBUTIONS AND WITHHOLDINGS FUND				
ASSETS				
Cash	$ -	$ 58,009,928	$ 58,009,722	$ 206
Accounts receivable	258	-	258	-
Total assets	$ 258	$ 58,009,928	$ 58,009,980	$ 206
LIABILITIES				
Due to depositories	$ -	$ 58,009,928	$ 58,009,722	$ 206
Interfund payable	258	-	258	-
Total liabilities	$ 258	$ 58,009,928	$ 58,009,980	$ 206
FEDERAL INCOME TAX WITHHOLDINGS FUND				
ASSETS				
Cash	$ 5,075	$ 52,178,949	$ 52,178,561	$ 5,463
Total assets	$ 5,075	$ 52,178,949	$ 52,178,561	$ 5,463
LIABILITIES				
Due to depositories	$ 5,075	$ 52,178,949	$ 52,178,561	$ 5,463
Total liabilities	$ 5,075	$ 52,178,949	$ 52,178,561	$ 5,463
STATE INCOME TAX WITHHOLDINGS FUND				
ASSETS				
Cash	$ -	$ 14,860,644	$ 14,860,644	$ -
Accounts receivable	-	571	-	571
Total assets	$ -	$ 14,861,215	$ 14,860,644	$ 571
LIABILITIES				
Due to depositories	$ -	$ 14,860,644	$ 14,860,644	$ -
Interfund payable	-	571	-	571
Total liabilities	$ -	$ 14,861,215	$ 14,860,644	$ 571
SOCIAL SECURITY TAX CONTRIBUTIONS AND WITHHOLDINGS FUND				
ASSETS				
Cash	$ -	$ 68,643,797	$ 68,643,797	$ -
Total assets	$ -	$ 68,643,797	$ 68,643,797	$ -
LIABILITIES				
Due to depositories	$ -	$ 68,643,797	$ 68,643,797	$ -
Total liabilities	$ -	$ 68,643,797	$ 68,643,797	$ -
EMPLOYEES CREDIT UNION WITHHOLDING FUND				
ASSETS				
Cash	$ 286	$ 42,609,274	$ 42,609,551	$ 9
Total assets	$ 286	$ 42,609,274	$ 42,609,551	$ 9
LIABILITIES				
Due to depositories	$ 286	$ 42,609,274	$ 42,609,551	$ 9
Total liabilities	$ 286	$ 42,609,274	$ 42,609,551	$ 9

See Independent Auditors' Report.

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STATE OF VERMONT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008
EMPLOYEES INSURANCE CONTRIBUTIONS AND WITHHOLDINGS FUND				
ASSETS				
Cash	$ -	$ 95,614,566	$ 95,614,566	$ -
Accounts receivable	44	900	44	900
Total assets	$ 44	$ 95,615,466	$ 95,614,610	$ 900
LIABILITIES				
Due to depositories	$ -	$ 95,614,586	$ 95,614,566	$ 20
Interfund payable	44	880	44	880
Total liabilities	$ 44	$ 95,615,466	$ 95,614,610	$ 900
EMPLOYEES DEFERRED INCOME WITHHOLDINGS FUND				
ASSETS				
Cash	$ 100	$ 16,891,285	$ 16,891,385	$ -
Accounts receivable	-	31	-	31
Total assets	$ 100	$ 16,891,316	$ 16,891,385	$ 31
LIABILITIES				
Due to depositories	$ 100	$ 16,891,285	$ 16,891,385	$ -
Interfund payable	-	31	-	31
Total liabilities	$ 100	$ 16,891,316	$ 16,891,385	$ -
OTHER EMPLOYEE CONTRIBUTIONS AND WITHHOLDINGS FUND				
ASSETS				
Cash	$ 13,486	$ 7,099,626	$ 7,083,058	$ 30,054
Accounts receivable	576	2,755	576	2,755
Due from other funds	50,450	23,165	50,450	23,165
Total assets	$ 64,512	$ 7,125,546	$ 7,134,084	$ 55,974
LIABILITIES				
Due to depositories	$ 13,486	$ 7,113,292	$ 7,083,058	$ 43,720
Interfund payable	51,026	12,254	51,026	12,254
Total liabilities	$ 64,512	$ 7,125,546	$ 7,134,084	$ 55,974
UNIDENTIFIED RECEIPTS FUND				
ASSETS				
Cash	$ -	$ 357,996,877	$ 357,996,877	$ -
Total assets	$ -	$ 357,996,877	$ 357,996,877	$ -
LIABILITIES				
Due to other funds	$ -	$ 357,996,877	$ 357,996,877	$ -
Total liabilities	$ -	$ 357,996,877	$ 357,996,877	$ -

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STATE OF VERMONT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008
VENDOR AND OTHER DEPOSITS FUND				
ASSETS				
Cash	$ 5,388,856	$ 34,276,246	$ 35,755,606	$ 3,909,496
Taxes receivable	1,315,207	2,189,808	1,315,207	2,189,808
Accounts receivable	68,892	1,293,933	1,292,686	70,139
Total assets	$ 6,772,955	$ 37,759,987	$ 38,363,499	$ 6,169,443
LIABILITIES				
Amounts held in custody for others	$ 2,743,976	$ 10,696,586	$ 11,653,139	$ 1,787,423
Due to other funds	724,027	70,528	794,555	-
Intergovernmental payable other governments	2,175,356	20,265,744	19,346,301	3,094,799
Other liabilities	1,060,318	4,087,024	3,930,479	1,216,863
Interfund payable	69,278	70,358	69,278	70,358
Total liabilities	$ 6,772,955	$ 35,190,240	$ 35,793,752	$ 6,169,443
CHILD SUPPORT COLLECTIONS FUND				
ASSETS				
Cash	$ 451,828	$ 57,985,803	$ 57,478,294	$ 959,337
Accounts receivable	9,219	348,035	9,219	348,035
Total assets	$ 461,047	$ 58,333,838	$ 57,487,513	$ 1,307,372
LIABILITIES				
Amount held in custody for others	$ 461,047	$ 58,333,838	$ 57,487,513	$ 1,307,372
Total liabilities	$ 461,047	$ 58,333,838	$ 57,487,513	$ 1,307,372
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash	$ 5,859,631	$ 806,166,995	$ 807,122,061	$ 4,904,565
Accounts receivable	78,989	1,646,225	1,302,783	422,431
Taxes receivable	1,315,207	2,189,808	1,315,207	2,189,808
Due from other funds	50,450	23,165	50,450	23,165
Total assets	**$ 7,304,277**	**$ 810,026,193**	**$ 809,790,501**	**$ 7,539,969**
LIABILITIES				
Due to depositories	$ 18,947	$ 355,921,755	$ 355,891,284	$ 49,418
Due to other funds	724,027	358,067,405	358,791,432	-
Amounts held in custody for others	3,205,023	69,030,424	69,140,652	3,094,795
Intergovernmental payable other governments	2,175,356	20,265,744	19,346,301	3,094,799
Other liabilities	1,060,318	4,087,024	3,930,479	1,216,863
Interfund payable	120,606	84,094	120,606	84,094
Total liabilities	**$ 7,304,277**	**$ 807,456,446**	**$ 807,220,754**	**$ 7,539,969**

Vermont Economic Development Authority – This is a tax-exempt entity whose purpose is to promote economic prosperity within the State of Vermont by providing capital and direct financing to eligible borrowers.

Vermont Housing & Conservation Board – This is a not for profit entity whose mission is to create affordable housing for Vermonters and to conserve and protect agricultural, historic, natural and recreational sites within Vermont.

Vermont Sustainable Jobs Fund – This is a not for profit entity set up to implement a jobs program.

Vermont Municipal Bond Bank – The Bond Bank's purpose is to create large bond issues on behalf of the States' municipalities and loan the proceeds back to the participating municipalities.

Vermont Educational and Health Buildings Financing Agency – This purpose of this agency is to provide tax-exempt financing to libraries, educational and healthcare providers to assist in the purchase and construction of real and personal property.

Vermont Center for Geographic Information, Inc. – This not for profit organization was created to implement and maintain a geographic information system.

Vermont Veterans' Home – The Vet's home provides care to those that have given to their country and the State of Vermont.

Vermont Rehabilitation Corporation – This not for profit organization's purpose is to provide funding to farmers to reduce their investment costs in an effort to help them be successful.

Vermont Film Corporation - This is a non-profit public corporation, created for the purpose of promoting the state as a location for commercial film and television production, and to facilitate the participation of local individuals and companies in such productions.

STATE OF VERMONT
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR COMPONENT UNITS
June 30, 2008

ASSETS	Vermont Economic Development Authority 06/30/2008	Vermont Housing & Conservation Board 06/30/2008	Vermont Sustainable Jobs Fund 06/30/2008	Vermont Municipal Bond Bank 12/31/2007
Current Assets:				
Cash and cash equivalents	$ 3,805,934	$ 13,422,180	$ 113,372	$ 3,743,926
Investments	2,613,660	-	-	9,076,401
Accounts receivable (net)	-	-	-	478
Accrued interest receivable - loans	262,640	14,214,284	-	2,240,965
Loans and notes receivable - current portion	8,789,548	24,505	-	39,031,729
Other receivables	-	36,949	16,498	-
Due from federal government	-	16,543,006	-	-
Due from primary government	368,354	-	-	-
Inventories (at cost)	-	-	-	-
Other current assets	860,750	-	2,093	-
Total current assets	**16,700,886**	**44,240,924**	**131,963**	**54,093,499**
Restricted and Non-Current Assets:				
Cash	-	-	-	2,575,608
Investments	20,000,000	-	-	42,065,181
Deferred bond issue costs	-	-	-	5,883,049
Loans and notes receivable (net)	82,996,957	106,213,032	-	403,354,070
Other assets	-	-	-	-
Total restricted & noncurrent assets	**102,996,957**	**106,213,032**	**-**	**453,877,908**
Capital Assets:				
Land	250,000	-	-	-
Construction in process	-	-	-	-
Building and leasehold improvements	4,028,304	-	-	-
Equipment, furniture and fixtures	490,825	55,937	16,526	-
Accumulated depreciation	(452,697)	(50,294)	(9,787)	-
Total capital assets, net of depreciation	**4,316,432**	**5,643**	**6,739**	**-**
Total assets	**124,014,275**	**150,459,599**	**138,702**	**507,971,407**
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	870,195	285,786	6,793	20,028
Accrued interest payable	173,364	-	-	-
Bond interest payable	-	-	-	1,764,468
Deferred revenue	-	-	85,309	-
Current portion of long-term liabilities	75,954,380	-	-	42,895,678
Due to primary government	31,463	2,675,808	-	-
Escrowed cash deposits	167,000	-	-	-
Other current liabilities	782,757	13,557,696	-	-
Total current liabilities	**77,979,159**	**16,519,290**	**92,102**	**44,680,174**
Restricted and Non-Current Liabilities:				
Bonds and notes payable	10,547,329	271,695	-	439,045,337
Accrued arbitrage rebate	-	-	-	1,177,386
Other liabilities	-	-	-	26,100
Total liabilities payable from restricted assets	**10,547,329**	**271,695**	**-**	**440,248,823**
Total liabilities	**88,526,488**	**16,790,985**	**92,102**	**484,928,997**
NET ASSETS				
Invested in capital assets, net of related debt	953,743	5,643	6,739	-
Restricted	22,373,636	133,657,361	-	13,440,716
Unrestricted	12,160,408	5,610	39,861	9,601,694
Total net assets	**$ 35,487,787**	**$ 133,668,614**	**$ 46,600**	**$ 23,042,410**

See Independent Auditors' Report.

Vermont Educational and Health Buildings Financing Agency 12/31/2007	Vermont Center For Geographic Information, Inc. 06/30/2008	Vermont Veterans' Home 06/30/2008	Vermont Rehabilitation Corporation 06/30/2008	Vermont Film Corporation 06/30/2008	Vermont Telecommunication Authority 06/30/2008	Total Non-major Component Units
$ 1,276,936	$ 122,676	$ 2,062,126	$ 79,100	$ 8,479	$ 223,876	$ 24,858,605
-	-	-	-	-	-	11,690,061
42,933	14,767	1,888,597	-	470	-	1,947,245
-	-	-	5,459	-	-	16,723,348
-	-	-	21,073	-	-	47,866,855
-	8,937	-	-	-	-	62,384
-	-	1,046,547	-	-	-	17,589,553
-	-	-	-	-	-	368,354
-	-	106,740	-	-	-	106,740
-	9,795	-	-	-	3,001	875,639
1,319,869	**156,175**	**5,104,010**	**105,632**	**8,949**	**226,877**	**122,088,784**
-	-	-	-	-	-	2,575,608
-	-	-	-	-	-	62,065,181
-	-	-	-	-	-	5,883,049
-	-	-	118,927	-	-	592,682,986
-	-	5,317	-	-	-	5,317
-	**-**	**5,317**	**118,927**	**-**	**-**	**663,212,141**
-	-	313,608	-	-	-	563,608
-	-	90,673	-	-	-	90,673
-	-	15,301,034	-	-	-	19,329,338
-	155,291	2,813,671	-	-	12,271	3,544,521
-	(102,748)	(11,929,458)	-	-	(1,141)	(12,546,125)
-	**52,543**	**6,589,528**	**-**	**-**	**11,130**	**10,982,015**
1,319,869	**208,718**	**11,698,855**	**224,559**	**8,949**	**238,007**	**796,282,940**
86,500	26,888	1,643,766	-	144	42,609	2,982,709
-	-	-	-	-	-	173,364
-	-	-	-	-	-	1,764,468
-	19,900	59,948	-	-	-	165,157
-	-	-	-	-	-	118,850,058
-	-	-	-	-	-	2,707,271
-	-	-	-	-	-	167,000
-	-	70,432	-	-	-	14,410,885
86,500	**46,788**	**1,774,146**	**-**	**144**	**42,609**	**141,220,912**
-	-	-	-	-	-	449,864,361
-	-	-	-	-	-	1,177,386
-	-	4,864	-	-	-	30,964
-	**-**	**4,864**	**-**	**-**	**-**	**451,072,711**
86,500	**46,788**	**1,779,010**	**-**	**144**	**42,609**	**592,293,623**
-	52,543	6,589,528	-	-	11,130	7,619,326
-	-	-	-	-	-	169,471,713
1,233,369	109,387	3,330,317	224,559	8,805	184,268	26,898,278
$ 1,233,369	**$ 161,930**	**$ 9,919,845**	**$ 224,559**	**$ 8,805**	**$ 195,398**	**$ 203,989,317**

STATE OF VERMONT
COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2008

	Vermont Economic Development Authority 06/30/2008	Vermont Housing & Conservation Board 06/30/2008	Vermont Sustainable Jobs Fund 06/30/2008	Vermont Municipal Bond Bank 12/31/2007
Expenses:				
Salaries and benefits	$ 2,174,625	$ 2,003,459	$ 229,778	$ -
Other expenses	1,850,683	13,087,522	297,279	2,001,322
Depreciation	159,635	1,840	-	-
Interest on debt	4,225,614	-	-	20,298,905
Total expenses	8,410,557	15,092,821	527,057	22,300,227
Program Revenues:				
Charges for services	6,413,251	-	27,939	22,270,040
Operating grants and contributions	(251,952)	9,775,263	482,965	-
Captial grants and contributions	-	-	-	-
Total program revenues	6,161,299	9,775,263	510,904	22,270,040
Net revenue (expense)	(2,249,258)	(5,317,558)	(16,153)	(30,187)
General Revenues:				
Property transfer tax	-	15,483,258	-	-
Investment income	1,198,876	798,849	9,564	5,243,277
Miscellaneous	-	116,635	-	-
Total general revenues	1,198,876	16,398,742	9,564	5,243,277
Changes in net assets	(1,050,382)	11,081,184	(6,589)	5,213,090
Net assets - beginning, restated	36,538,169	122,587,430	53,189	17,829,320
Net assets - ending	$ 35,487,787	$ 133,668,614	$ 46,600	$ 23,042,410

See Independent Auditors' Report.

Vermont Educational and Health Buildings Financing Agency 12/31/2007	Vermont Center For Geographic Information, Inc. 06/30/2008	Vermont Veterans' Home 06/30/2008	Vermont Rehabilitation Corporation 06/30/2008	Vermont Film Corporation 06/30/2008	Vermont Telecommunication Authority 06/30/2008	Total Non-major Component Units
$ 46,197	$ 440,493	$ 11,707,059	$ -	$ 146,302	$ 140,297	$ 16,888,210
153,815	263,225	5,252,591	-	77,464	380,474	23,364,375
-	17,729	569,751	-	-	1,141	750,096
-	-	-	-	-	-	24,524,519
200,012	721,447	17,529,401	-	223,766	521,912	65,527,200
174,352	315,688	16,009,439	-	-	-	45,210,709
-	430,210	928,898	-	184,005	713,254	12,262,643
-	-	1,657,172	-	-	-	1,657,172
174,352	745,898	18,595,509	-	184,005	713,254	59,130,524
(25,660)	24,451	1,066,108	-	(39,761)	191,342	(6,396,676)
-	-	-	-	-	-	15,483,258
73,441	-	61	2,825	-	4,056	7,330,949
-	-	1,052,505	-	-	-	1,169,140
73,441	-	1,052,566	2,825	-	4,056	23,983,347
47,781	24,451	2,118,674	2,825	(39,761)	195,398	17,586,671
1,185,588	137,479	7,801,171	221,734	48,566	-	186,402,646
$ 1,233,369	$ 161,930	$ 9,919,845	$ 224,559	$ 8,805	$ 195,398	$ 203,989,317

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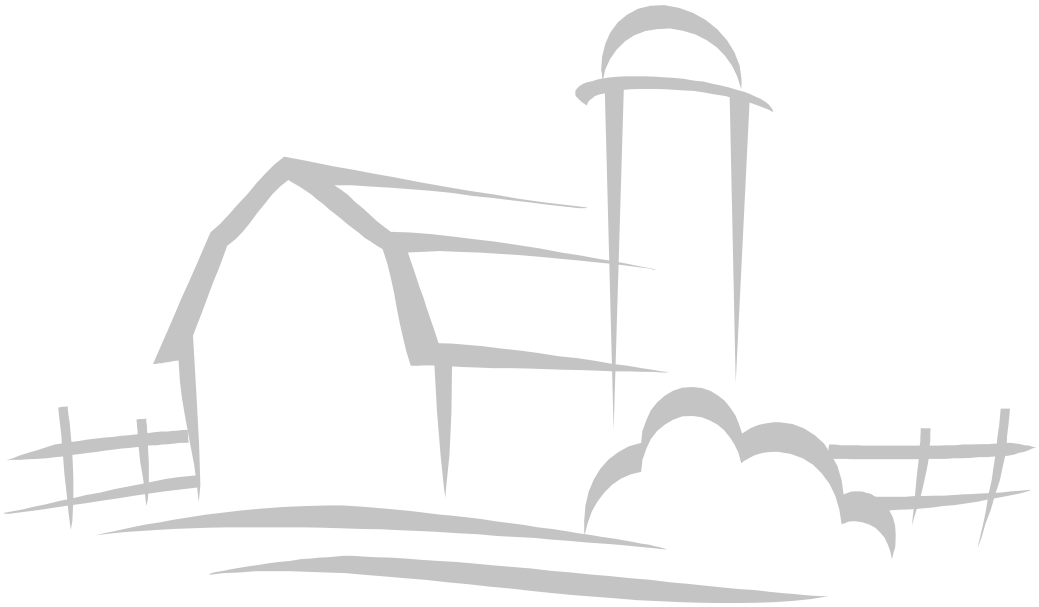

Vermont