KPMG

STATE OF VERMONT

Auditors' Report as Required by OMB Circular A-133
and Related Information

Year ended June 30, 2008

STATE OF VERMONT

Table of Contents

	Page(s)
The Report on Internal Control over Financial Reporting and on Compliance and Other Matters and Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	1 – 2
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	3 – 5
Schedule of Expenditures of Federal Awards	6 – 12
Schedule of Expenditures of Federal Awards by Vermont State Agency	13 – 20
Notes to Schedule of Expenditures of Federal Awards and Schedule of Expenditures of Federal Awards by Vermont State Agency	21 – 23
Schedule of Findings and Questioned Costs:	
Summary of Auditors' Results	24 – 26
Findings and Questioned Costs	27 – 95

KPMG LLP
P.O. Box 564
Burlington, VT 05402

Suite 400
356 Mountain View Drive
Colchester, VT 05446

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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 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 and have issued our report thereon dated December 23, 2008. Our report was modified to include a reference to other auditors and included an explanatory paragraph which stated as discussed 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. 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. Other auditors audited the financial statements and related disclosures of certain discretely component units identified in note 1A of the State's basic financial statements, 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. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

For purposes of this report, our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters did not include the University of Vermont or the Vermont Economic Development Authority which are discretely presented component units. We have issued separate reports on our consideration of internal control over financial reporting and or tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters for these entities. The findings, if any, included in those reports are not included herein.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the State's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over financial reporting.

KPMG LLP, a U.S. limited liability partnership, is the U.S. member firm of KPMG International, a Swiss cooperative.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider all the deficiencies described in findings 2008-A, 2008-B, 2008-C, and 2008-E in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. Of the significant deficiencies described above we consider all of them to be material weakness.

Compliance and Other Matters

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

We have also noted certain additional matters that we reported to management of the State in a separate letter dated December 23, 2008.

The State's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the State's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Speaker of the House of Representatives, the President Pro-Tempore of the Senate, the Governor, management of the State of Vermont and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

KPMG LLP

December 23, 2008

KPMG LLP
P.O. Box 564
Burlington, VT 05402

Suite 400
356 Mountain View Drive
Colchester, VT 05446

Report on Compliance with Requirements Applicable to Each Major Program, and Internal Control over Compliance in Accordance with OMB Circular A-133

Speaker of the House of the Representatives
President Pro-Tempore of the Senate
Governor, James H. Douglas
General Assembly, State of Vermont
State House
Montpelier, Vermont:

Compliance

We have audited the compliance of the State of Vermont (the State) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The State's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the State's management. Our responsibility is to express an opinion on the State's compliance based on our audit.

The schedule of expenditures of federal awards, the schedule of expenditures of federal awards by Vermont State Agency and our audit described below do not include expenditures of federal awards for those entities determined to be component units of the State for financial statement purposes. Each of these entities has their own independent audit in compliance with OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations.*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the State's compliance with those requirements.

KPMG LLP, a U.S. limited liability partnership, is the U.S. member firm of KPMG International, a Swiss cooperative.

KPMG

As identified below and described in the accompanying schedule of findings and questioned costs, the State did not comply with certain compliance requirements that are applicable to certain of its major federal programs. Compliance with such requirements is necessary, in our opinion, for the State to comply with requirements applicable to the identified major federal programs.

State agency/ department name	Federal program name	Compliance requirements	Finding number
Agency of Human Services	Rehabilitation Services – Vocational Rehabilitation Grants to States	Procurement	08-06
Agency of Human Services	Immunization Grants	Special Tests and Provisions	08-07
Agency of Human Services	Immunization Grants	Special Tests and Provisions	08-08
Agency of Human Services	Centers for Disease Control and Prevention – Investigations and Technical Assistance	Subrecipient Monitoring	08-09
Agency of Human Services	Child Support Enforcement	Special Tests and Provisions	08-11
Agency of Human Services	Child Support Enforcement	Special Tests and Provisions	08-12
Agency of Human Services	Child Support Enforcement	Special Tests and Provisions	08-13
Agency of Human Services	Medicaid Cluster	Allowable Costs	08-14
Agency of Human Services	Medicaid Cluster	Allowable Costs	08-15
Agency of Human Services	Medicaid Cluster	Eligibility	08-16
Agency of Human Services	Medicaid Cluster	Allowable Costs	08-17
Agency of Human Services	Medicaid Cluster	Special Tests and Provisions	08-18
Agency of Human Services	Medicaid Cluster	Allowable Costs	08-19
Agency of Human Services	Medicaid Cluster	Matching	08-20
Agency of Transportation	Disaster Grants – Public Assistance (Presidentially Declared Disaster)	Subrecipient Monitoring	08-21

In our opinion, except for the noncompliance described in the preceding paragraph, the State complied, in all material respects, with the requirements referred to above that are applicable to each of its other major federal programs for the year ended June 30, 2008. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 08-01, 08-02, 08-03, 08-04, 08-05, 08-10, and 08-22.

Internal Control over Compliance

The management of the State is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the State's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 08-01, 08-02, 08-04, 08-05, 08-06, 08-07, 08-08, 08-09, 08-11, 08-12, 08-13, 08-14, 08-15, 08-16, 08-17, 08-18, 08-19, 08-20, and 08-21 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items 08-06, 08-07, 08-08, 08-09, 08-11, 08-12, 08-13, 08-14, 08-15, 08-16, 08-17, 08-18, 08-19, 08-20, and 08-21 to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the 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 as of and for the year ended June 30, 2008, and have issued our report thereon dated December 23, 2008, which referred to the use of the reports of other auditors and to the adoption 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. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the State's basic financial statements. The accompanying schedule of expenditures of federal awards and schedule of expenditures of federal awards by Vermont State Agency are presented for purposes of additional analysis as required by OMB Circular A-133 and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The State's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the State's responses, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Speaker of the House of the Representatives, the President Pro-Tempore of the Senate, the Governor, management, the cognizant federal agency, the Office of the Inspector General, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

KPMG LLP

March 20, 2009
(except for the schedule of expenditures
of federal awards, which is as of December 23, 2008)

Vt. Reg. No. 92-0000241

STATE OF VERMONT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

CFDA number	Federal agency/program title	Expenditures	Amounts passed through to subrecipients
	U.S. Department of Agriculture:		
10.025	Plant and Animal Disease, Pest Control, and Animal Care	$ 255,062	—
10.156	Federal – State Marketing Improvement Program	3,329	—
10.163	Market Protection and Promotion	4,774	—
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	563,848	—
10.551	Supplemental Nutrition Assistance Program	10,798,473	—
10.551	Supplemental Nutrition Assistance Program (EBT)	49,187,602	—
10.553	School Breakfast Program	3,303,773	3,301,839
10.555	National School Lunch Program	9,899,573	9,899,573
10.556	Special Milk Program for Children	71,079	71,080
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	13,271,935	15,000
10.558	Child and Adult Care Food Program	4,103,498	4,049,091
10.559	Summer Food Service Program for Children	262,642	243,420
10.560	State Administrative Expenses for Child Nutrition	363,056	—
10.561	State Administrative Matching Grants for the Supplemental Nutritional Assistance Program	8,495,617	1,110,688
10.565	Commodity Supplemental Food Program	237,370	237,370
10.568	Emergency Food Assistance Program (Administrative Costs)	112,491	98,325
10.572	WIC Farmers' Market Nutrition Program (FMNP)	71,977	—
10.574	Team Nutrition Grants	53,124	1,500
10.576	Senior Farmers Market Nutrition Program	81,549	46,248
10.580	Special Nutrition Assistance Program Outreach/Participation Program	16,135	—
10.664	Cooperative Forestry Assistance	1,292,346	414,633
10.672	Rural Development, Forestry, and Communities	28,334	24,500
10.676	Forest Legacy Program	988,102	—
10.902	Soil and Water Conservation	7,063	—
10.912	Environmental Quality Incentives Program	16,730	—
10.914	Wildlife Habitat Incentive Program	2,475	—
10.999	Organic Certification – Producers	163,332	—
		103,655,289	19,513,267
	U.S. Department of Defense:		
12.002	Procurement Technical Assistance For Business Firms	256,872	—
12.100	Aquatic Plant Control	419,473	170,819
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	25,293	8,000
12.400	Military Construction, National Guard	5,530,522	—
12.401	National Guard Military Operation and Maintenance Projects	12,357,542	—
12.404	National Guard Civilian Youth Opportunities	514,793	—
		19,104,495	178,819
	U.S. Department of Housing and Urban Development:		
14.228	Community Development Block Grants / State's Program and Non-Entitlement Grants in Hawaii	9,376,712	9,332,114
14.231	Emergency Shelter Grants Program	346,512	335,210
14.239	HOME Investment Partnerships Program	3,229,138	—
14.246	Community Development Block Grants/Brownfields Economic Development Initiative	706	—
14.999	Office of Fair Housing-Assistance Grant	154,093	—
		13,107,161	9,667,324
	U.S. Department of the Interior:		
15.605	Sport Fish Restoration Program	3,754,631	—
15.608	Fish and Wildlife Management Assistance	28,378	16,442
15.611	Wildlife Restoration	1,569,774	—
15.615	Cooperative Endangered Species Conservation Fund	643,279	375,000
15.616	Clean Vessel Act	11,898	7,868
15.622	Sportfishing and Boating Safety Act	72,602	54,711
15.625	Wildlife Conservation and Restoration	3,869	—

(Continued)

STATE OF VERMONT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

CFDA number	Federal agency/program title	Expenditures	Amounts passed through to subrecipients
15.631	Partners for Fish and Wildlife	$ 37,008	5,000
15.633	Landowner Incentive Program	230,735	—
15.634	State Wildlife Grants	534,080	193,178
15.810	National Cooperative Geologic Mapping Program	67,204	9,217
15.904	Historic Preservation Fund Grants-In-Aid	513,456	34,998
15.916	Outdoor Recreation – Acquisition, Development and Planning	341,491	225,769
		7,808,405	922,183
	U.S. Department of Justice:		
16.523	Juvenile Accountability Block Grants	228,880	7,500
16.527	Supervised Visitation, Safe Havens for Children	249,702	234,266
16.540	Juvenile Justice and Delinquency Prevention – Allocation to States	629,141	463,681
16.541	Part E-Developing, Testing and Demonstrating Promising New Programs	159,093	14,236
16.547	Victims Child Abuse	42,000	—
16.550	State Justice Statistics Program for Statistical Analysis Centers	57,499	57,499
16.554	National Criminal History Improvement Program	164,213	—
16.560	National Institute of Justice Research, Evaluation and Development Project Grants	345,651	18,167
16.575	Crime Victim Assistance	1,018,040	797,416
16.576	Crime Victim Compensation	164,659	—
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	956,267	107,436
16.585	Drug Court Discretionary Grant Program	59,035	—
16.588	Violence Against Women Formula Grants	710,772	739,640
16.589	Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	428,429	406,565
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders	372,601	334,323
16.593	Residential Substance Abuse Treatment for State Prisoners	45,859	45,859
16.606	State Criminal Alien Assistance Program	44,321	—
16.607	Bulletproof Vest Partnership Program	6,939	—
16.609	Community Prosecution and Project Safe Neighborhoods	107,434	11,084
16.613	Telemarketing Fraud	81,489	—
16.710	Public Safety Partnership and Community Policing Grants	1,576,480	191,668
16.727	Enforcing Underage Drinking Laws Program	355,887	121,119
16.735	Protecting Inmates and Safeguarding Communities Discretionary Grant Program	234,032	—
16.738	Edward Byrne Memorial Justice Assistance Grant Program	1,146,397	272,970
16.740	Statewide Automated Victim Information Notification Program	90,662	—
16.743	Forensic Casework DNA Backlog Reduction Program	69,873	—
16.744	Anti-Gang Initiative	25,178	20,473
16.748	Convicted Offender and/or Arrestee DNA Backlog Reduction Program (In-House Analysis and Data Review)	11,872	—
16.999	Drug Enforcement Administration – DEA	30,052	—
16.999	Marijuana Education	18,528	—
16.999	Evidence (Asset Seizure) Forfeiture Funds (Justice & Treasury)	698,256	86,925
16.999	New England High-Intensity Drug Trafficking Areas (HIDTA)	19,058	—
16.999	U.S. Marshall's District Fugitive Task Force	3,404	—
16.999	Vermont Joint Terrorism Task Force	5,787	—
		10,157,490	3,930,827
	U.S. Department of Labor:		
17.002	Labor Force Statistics	712,825	—
17.005	Compensation and Working Conditions	25,226	—
17.207	Employment Service/Wagner Peyser Funded Activities	2,963,872	—
17.225	Unemployment Insurance	97,997,170	—
17.235	Senior Community Service Employment Program	524,004	513,804

(Continued)

STATE OF VERMONT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

CFDA number	Federal agency/program title	Expenditures	Amounts passed through to subrecipients
17.245	Trade Adjustment Assistance	$ 492,679	—
17.258	WIA Adult Program	2,109,302	—
17.259	WIA Youth Activities	2,742,837	112,113
17.260	WIA Dislocated Workers	1,000,711	—
17.261	WIA Pilots, Demonstrations and Research Projects	806,596	651,522
17.266	Work Incentive Grants	373,805	32,444
17.270	Reintegration of Ex-Offenders	406,912	347,000
17.503	Occupational Safety and Health – State Program	731,707	—
17.504	Consultation Agreements	410,429	—
17.505	OSHA Data Initiative	9,757	—
17.600	Mine Health and Safety Grants	80,285	100,664
17.720	Disability Employment Policy Development	161,372	111,747
17.801	Disabled Veterans' Outreach Program (DVOP)	120,695	—
17.804	Local Veterans' Employment Representative Program	339,002	—
		112,009,186	1,869,294
	U.S. Department of Transportation:		
20.106	Airport Improvement Program	1,574,097	—
20.205	Highway Planning and Construction	143,806,652	14,092,859
20.218	National Motor Carrier Safety	819,502	—
20.219	Recreational Trails Program	773,922	576,124
20.312	High Speed Ground Transportation/Next Generation High Speed Rail Program	336	—
20.314	Railroad Development	2,151,522	—
20.500	Federal Transit – Capital Investment Grants	530,749	530,749
20.505	Federal Transit – Metropolitan Planning Grants	329,867	246,347
20.509	Formula Grants for Other Than Urbanized Areas	10,359,130	9,909,407
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	614,886	614,887
20.514	Public Transportation Research	341,914	387,944
20.515	State Planning and Research	47,245	47,245
20.600	State and Community Highway Safety	1,240,874	1,023,197
20.601	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grant	422,860	283,835
20.602	Occupant Protection	81,705	24,944
20.603	Federal Highway Safety Data Improvement Incentive Grants	26,549	2,000
20.608	Minimum Penalties For Repeat Offenders For Driving While Intoxicated	97,312	58,824
20.610	State Traffic Safety Information System Improvement Grants	74,409	74,409
20.612	Incentive Grant Program to Increase Motorcyclist Safety	17,723	—
20.613	Child Safety and Booster Seat Incentive Grants	78,562	—
20.614	National Highway Transportation Safety Administration (NHTSA) Discretionary Safety Grants	25,732	—
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	3,255,712	3,255,712
20.999	Graduated Licensing	—	12,867
		166,671,260	31,141,350
	U.S. Department of Treasury:		
21.999	Bordergap	80	—
	U.S. Equal Employment Opportunity Commission:		
30.002	Employment Discrimination – State and Local Fair Employment Practices Agency Contracts	70,090	—
	U.S. General Services Administration:		
39.011	Election Reform Payments	550,081	190,399
	U.S. National Foundation on the Arts and the Humanities:		
45.301	Museum for America	147,264	—
45.310	Grants to States	828,697	48,119
		975,961	48,119

(Continued)

STATE OF VERMONT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

CFDA number	Federal agency/program title	Expenditures	Amounts passed through to subrecipients
	U.S. Department of Veterans Affairs:		
64.005	Grants to States for Construction of State Home Facilities	$ 976,401	—
	U.S. Environmental Protection Agency:		
66.032	State Indoor Radon Grants	118,882	22,000
66.034	Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	532,888	—
66.036	Clean School Bus USA	11,977	—
66.110	Healthy Communities Grant program	22,824	—
66.436	Surveys, Studies, Investigations, Demonstrations and Training Grants and Cooperative Agreement – Section 104(B)(3) of the Clean Water Act	6,729	—
66.454	Water Quality Management Planning	93,808	29,803
66.458	Capitalization Grants for Clean Water State Revolving Funds	898,395	—
66.467	Wastewater Operator Training Grant Program (Technical Assistance)	29,012	—
66.468	Capitalization Grants for Drinking Water State Revolving Funds	8,819,255	—
66.471	State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	192,552	13,073
66.474	Water Protection Grants to the States	59,479	—
66.481	Lake Champlain Basin Program	370,808	106,000
66.511	Office of Research and Development Consolidated Research/Training/Fellowships	90,677	—
66.605	Performance Partnership Grants	4,044,061	216,265
66.606	Surveys, Studies, Investigations and Special Purpose Grants	25,495	16,200
66.608	Environmental Information Exchange Network Grant Program and Related Assistance	93,320	—
66.611	Environmental Policy and Innovation Grants	3,150	—
66.641	Wetlands Protection State Development	66,507	—
66.700	Consolidated Pesticide Enforcement Cooperative Agreements	360,061	—
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements	20,954	—
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	149,215	—
66.802	Superfund State, Political Subdivision and Indian Tribe Site-Specific Cooperative Agreements	45,533	—
66.804	State and Tribal Underground Storage Tanks Program	58,839	—
66.805	Leaking Underground Storage Tank Trust Fund Program	719,138	—
66.808	Solid Waste Management Assistance Grants	1,748	—
66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements	129,767	—
66.817	State and Tribal Response Program Grants	716,764	40,696
		17,681,838	444,037
	U.S. Department of Energy:		
81.041	State Energy Program	635,431	467,698
81.042	Weatherization Assistance for Low-Income Persons	1,021,529	997,461
		1,656,960	1,465,159
	U.S. Department of Education:		
84.002	Adult Education – Basic Grants to States	1,039,152	875,661
84.010	Title I Grants to Local Educational Agencies	28,594,689	28,164,657
84.011	Migrant Education – State Grant Program	678,933	555,494
84.013	Title I Program for Neglected and Delinquent Children	534,640	527,888
84.027	Special Education – Grants to States	23,013,538	21,273,767
84.048	Career and Technical Education – Basic Grants to States	4,080,711	3,630,568
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States	10,485,769	310,864
84.169	Independent Living – State Grants	220,953	134,192
84.173	Special Education – Preschool Grants	798,630	635,682
84.177	Rehabilitation Services – Independent Living Services for Older Individuals Who are Blind	304,976	168,750
84.181	Special Education – Grants for Infants and Families	2,138,714	1,595,937
84.185	Byrd Honors Scholarships	75,000	75,000
84.186	Safe and Drug-Free Schools and Communities – State Grants	1,674,109	1,615,765
84.187	Supported Employment Services for Individuals with Significant Disabilities	248,454	—
84.196	Education for Homeless Children and Youth	171,064	140,192

(Continued)

STATE OF VERMONT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

CFDA number	Federal agency/program title	Expenditures	Amounts passed through to subrecipients
84.213	Even Start – State Educational Agencies	$ 396,538	372,415
84.215	Fund for the Improvement of Education	—	5,222
84.224	Assistive Technology	457,120	—
84.235	Rehabilitation Services Demonstration and Training Programs	64,769	1,693
84.243	Tech-Prep Education	505,617	492,273
84.265	Rehabilitation Training – State Vocational Rehabilitation Unit In-Service Training	83,299	—
84.287	Twenty-First Century Community Learning Centers	4,627,098	4,407,408
84.298	State Grants for Innovative Programs	476,833	447,276
84.318	Education Technology State Grants	1,141,537	1,066,155
84.323	Special Education – State Personnel Development	261,098	148,718
84.330	Advanced Placement Program	24,277	—
84.357	Reading First State Grants	2,713,837	2,540,273
84.365	English Language Acquisition Grants	442,549	296,518
84.366	Mathematics and Science Partnerships	922,183	876,809
84.367	Improving Teacher Quality State Grants	12,797,902	12,474,289
84.369	Grants for State Assessments and Related Activities	3,573,713	—
84.377	School Improvement Grants	357	—
		102,548,059	82,833,466
	U.S. Department of Health and Human Services:		
93.041	Special Programs for the Aging – Title VII, Chapter 3 – Programs for Prevention of Elder Abuse, Neglect, and Exploitation	25,489	25,489
93.042	Special Programs for the Aging – Title VII, Chapter 2 – Long Term Care Ombudsman Services for Older Individuals	73,168	73,168
93.043	Special Programs for the Aging-Title III, Part D – Disease Prevention and Health Promotion Services	80,555	80,555
93.044	Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers	1,837,261	1,837,261
93.045	Special Programs for the Aging – Title III, Part C -Nutrition Services	2,963,718	2,963,718
93.048	Special Programs for the Aging – Title IV and Title II – Discretionary Projects	190,433	—
93.051	Alzheimer's Disease Demonstration Grants to States	321,143	252,413
93.052	National Family Caregiver Support, Title III, Part E	802,993	408,506
93.053	Nutrition Services Incentive Program	637,393	637,393
93.110	Maternal and Child Health Federal Consolidated Programs	263,843	13,869
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	133,011	12,000
93.127	Emergency Medical Services for Children	112,055	—
93.130	Cooperative Agreements to State/Territories for the Coordination and Development of Primary Care Offices	110,870	5,000
93.136	Injury Prevention and Control Research and State and Community Based Programs	131,759	37,164
93.150	Projects for Assistance in Transition from Homelessness (PATH)	332,806	289,810
93.197	Childhood Lead Poisoning Prevention Projects-State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	398,871	—
93.217	Family Planning – Services	818,429	757,758
93.230	Consolidated Knowledge Development and Application Program	186,661	—
93.234	Traumatic Brain Injury – State Demonstration Grant Program	194,005	—
93.236	Grants for Dental Public Health Residency Training	117,141	96,050
93.241	State Rural Hospital Flexibility Program	313,291	198,643
93.243	Substance Abuse and Mental Health Services – Projects of Regional and National Significance	3,624,789	1,570,267
93.268	Immunization Grants	1,921,473	10,000
93.283	Centers for Disease Control and Prevention – Investigations and Technical Assistance	10,824,745	750,420
93.301	Small Rural Hospital Improvement Grant Program	88,902	84,879
93.556	Promoting Safe and Stable Families	431,897	299,926
93.558	Temporary Assistance for Needy Families	33,610,172	1,442,714
93.563	Child Support Enforcement	5,981,848	—
93.566	Refugee and Entrant Assistance – State Administered Programs	367,016	153,624

(Continued)

STATE OF VERMONT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

CFDA number	Federal agency/program title	Expenditures	Amounts passed through to subrecipients
93.568	Low-Income Home Energy Assistance Program	$ 18,949,701	2,248,180
93.569	Community Services Block Grant	3,464,665	3,362,942
93.575	Child Care and Development Block Grant	12,130,988	2,538,967
93.576	Refugee and Entrant Assistance – Discretionary Grants	155,466	154,537
93.586	State Court Improvement Program	163,796	—
93.590	Community-Based Child Abuse Prevention Grants	392,260	392,260
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	6,767,658	171,693
93.597	Grants to States for Access and Visitation Programs	64,727	62,969
93.599	Chafee Education and Training Vouchers Program (ETV)	127,107	127,107
93.600	Head Start	113,716	46,627
93.617	Voting Access for Individuals with Disabilities – Grants to States	39,526	31,671
93.630	Developmental Disabilities Basic Support and Advocacy Grants	397,288	146,418
93.631	Developmental Disabilities Projects of National Significance	277,740	227,367
93.643	Children's Justice Grants to States	91,403	51,500
93.645	Child Welfare Services – State Grants	811,968	69,092
93.658	Foster Care – Title IV-E	11,060,331	906,361
93.659	Adoption Assistance	7,354,636	—
93.667	Social Services Block Grant	8,231,651	887,672
93.669	Child Abuse and Neglect State Grants	180,170	3,500
93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters – Grants to States and Indian Tribes	681,832	695,109
93.674	Chafee Foster Care Independence Program	502,142	502,142
93.767	State Children's Insurance Program	6,316,428	—
93.768	Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities	708,624	110,381
93.775	State Medicaid Fraud Control Units	398,345	—
93.777	State Survey and Certification of Health Care Providers and Suppliers	1,049,792	—
93.778	Medical Assistance Program	646,789,849	38,546,918
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	1,346,958	225,602
93.889	National Bioterrorism Hospital Preparedness Program	1,608,179	1,076,075
93.913	Grants to States for Operation of Offices of Rural Health	153,950	14,000
93.917	HIV Care Formula Grants	809,040	474,813
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	428,572	135,480
93.940	HIV Prevention Activities – Health Department Based	1,381,657	640,421
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	80,292	—
93.958	Block Grants for Community Mental Health Services	839,151	348,847
93.959	Block Grants for Prevention and Treatment of Substance Abuse	5,088,653	5,088,653
93.977	Preventive Health Services – Sexually Transmitted Diseases Control Grants	198,288	42,000
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	276,573	33,426
93.991	Preventive Health and Health Services Block Grant	268,740	71,440
93.994	Maternal and Child Health Services Block Grant to the States	1,705,771	703,125
93.999	ADAP Data Collection	32,296	—
		808,335,666	72,137,922
	U.S. Corporation for National Community Service:		
94.003	State Commissions	122,001	—
94.006	AmeriCorps	928,611	936,955
94.007	Planning and Program Development Grants	37,944	—
94.009	Training and Technical Assistance	74,680	—
		1,163,236	936,955
	U.S. Social Security Administration:		
96.001	Social Security – Disability Insurance	3,451,528	—
96.008	Social Security – Work Incentives Planning and Assistance Program	108,231	18,161
		3,559,759	18,161

(Continued)

STATE OF VERMONT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

CFDA number	Federal agency/program title	Expenditures	Amounts passed through to subrecipients
	U.S. Department of Homeland Security:		
97.004	State Domestic Preparedness Equipment Support Program	$ 189,162	45,239
97.012	Boating Safety Financial Assistance	676,207	220,000
97.017	Pre Disaster Mitigation Competitive	452,184	445,666
97.023	Community Assistance Program State Support Services Element (CAP – SSSE)	127,758	—
97.029	Flood Mitigation Assistance	137,709	135,730
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disaster)	6,810,698	6,730,569
97.039	Hazard Mitigation Grant	44,025	20,786
97.041	National Dam Safety Program	19,952	—
97.042	Emergency Management Performance Grants	1,731,952	354,639
97.043	State Fire Training Systems Grants	14,947	—
97.067	Homeland Security Grant Program	3,814,772	1,824,193
97.070	Map Modernization Management Support	120,131	6,000
97.078	Buffer Zone Protection Program	260,583	187,292
97.090	Law Enforcement Officer Reimbursement Agreement Program	47,798	38,596
		14,447,878	10,008,710
	Total monetary federal financial assistance	1,384,479,295	235,305,992
	Nonmonetary Awards:		
10.555	National School Lunch Program – Commodities	2,042,241	2,042,241
10.558	Child and Adult Care Food Program – Commodities	18,666	18,666
10.569	Emergency Food Assistance Program (Food Commodities)	2,249,107	—
39.003	Donation of Federal Surplus Personal Property	715,440	—
93.268	Immunization Grants	5,949,336	—
	Total nonmonetary federal financial assistance	10,974,790	2,060,907
	Total federal financial aid expended	$ 1,395,454,085	237,366,899

See accompanying notes to schedule of expenditures of federal awards and schedule of expenditures of federal awards by Vermont State Agency.

State of Vermont
Schedule of Expenditures of Federal Awards
by State of Vermont Agency
Year ended June 30, 2008

Vermont agency	CFDA number	Federal agency/program title	Expenditures	Amounts passed through to subrecipients 7/1/07-6/30/08
Agriculture	10.025	Plant and Animal Disease, Pest Control and Animal Care	$ 255,062	-
Agriculture	10.156	Federal-State Marketing Improvement Program	3,329	-
Agriculture	10.163	Market Protection and Promotion	4,774	-
Agriculture	10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	563,848	-
Agriculture	10.912	Environmental Quality Incentive program	16,730	-
Agriculture	10.999	Organic Certification - Producers	163,332	-
Agriculture	66.700	Consolidated Pesticide Enforcement Cooperative Agreements	360,061	-
Agriculture Total			**1,367,136**	**-**
Attorney General	16.613	Telemarketing fraud	81,489	-
Attorney General	30.002	Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	70,090	-
Attorney General	93.775	State Medicaid Fraud Control Units	398,345	-
Attorney General Total			**549,924**	**-**
Buildings & General Services	14.246	Community Development Block Grants/Brownfields Economic Development Initiative	706	-
Buildings & General Services	64.005	Grants to States for Construction of State Home Facilities	976,401	-
Buildings & General Services	39.003	Donation of Federal Surplus Personal Property	715,440	-
Buildings & General Services Total			**1,692,547**	**-**
Commerce	12.002	Procurement Technical Assistance For Business Firms	256,872	-
Commerce	14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	9,376,712	9,332,114
Commerce	14.239	HOME Investment Partnerships Program	3,229,138	
Commerce	15.904	Historic Preservation Fund Grants-In-Aid	513,456	34,998
Commerce	45.301	Museum for America	147,264	
Commerce	66.110	Healthy Communities Grant Program	22,824	
Commerce	97.039	Hazard Mitigation Grant	23,239	
Commerce Total			**13,569,505**	**9,367,112**
Ctr. for Crime Victims Services	16.575	Crime Victim Assistance	1,018,040	797,416
Ctr. for Crime Victims Services	16.576	Crime Victim Compensation	164,659	-
Ctr. for Crime Victims Services	16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	101,003	101,177
Ctr. for Crime Victims Services	16.588	Violence Against Women Formula Grants	710,772	739,640
Ctr. for Crime Victims Services	16.589	Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	428,429	406,565
Ctr. for Crime Victims Services	16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders	372,601	334,323
Ctr. for Crime Victims Services	93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters - Grants to States and Indian Tribes	681,832	695,109
Ctr. for Crime Victims Services Total			**3,477,336**	**3,074,230**
Education	10.553	School Breakfast Program	3,303,773	3,301,839
Education	10.555	National School Lunch Program - Commodities	2,042,241	2,042,241
Education	10.555	National School Lunch Program	9,899,573	9,899,573
Education	10.556	Special Milk Program for Children	71,079	71,080
Education	10.558	Child and Adult Care Food Program - Commodities	18,666	18,666
Education	10.558	Child and Adult Care Food Program	4,103,498	4,049,091
Education	10.559	Summer Food Service Program for Children	262,642	243,420
Education	10.560	State Administrative Expenses for Child Nutrition	318,824	-
Education	10.574	Team Nutrition Grants	53,124	1,500
Education	84.002	Adult Education - Basic Grants to States	1,039,152	875,661
Education	84.010	Title I Grants to Local Educational Agencies	28,594,689	28,164,657
Education	84.011	Migrant Education - State Grant Program	678,933	555,494
Education	84.013	Title I Program for Neglected and Delinquent Children	534,640	527,888
Education	84.027	Special Education - Grants to States	23,013,538	21,273,767

State of Vermont
Schedule of Expenditures of Federal Awards
by State of Vermont Agency
Year ended June 30, 2008

Vermont agency	CFDA number	Federal agency/program title	Expenditures	Amounts passed through to subrecipients 7/1/07-6/30/08
Education	84.048	Career and Technical Education - Basic Grants to States	$ 4,080,711	3,630,568
Education	84.173	Special Education - Preschool Grants	798,630	635,682
Education	84.185	Byrd Honors Scholarships	75,000	75,000
Education	84.186	Safe and Drug-Free Schools and Communities - State Grants	1,460,474	1,411,483
Education	84.196	Education for Homeless Children and Youth	171,064	140,192
Education	84.213	Even Start - State Educational Agencies	396,538	372,415
Education	84.215	Fund for the Improvement of Education	-	5,222
Education	84.243	Tech-Prep Education	505,617	492,273
Education	84.287	Twenty-First Century Community Learning Centers	4,627,098	4,407,408
Education	84.298	State Grants for Innovative Programs	476,833	447,276
Education	84.318	Education Technology State Grants	1,141,537	1,066,155
Education	84.323	Special Education - State Personnel Development	261,098	148,718
Education	84.330	Advanced Placement Program	24,277	-
Education	84.357	Reading First State Grants	2,713,837	2,540,273
Education	84.365	English Language Acquisition Grants	442,549	296,518
Education	84.366	Mathematics and Science Partnerships	922,183	876,809
Education	84.367	Improving Teacher Quality State Grants	12,797,902	12,474,289
Education	84.369	Grants for State Assessments and Related Activities	3,573,713	-
Education	84.377	School Improvement Grants	357	-
Education	93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	428,572	135,480
Education Total			**108,832,362**	**100,180,638**
Executive	94.003	State Commissions	122,001	-
Executive	94.006	AmeriCorps	928,611	936,955
Executive	94.007	Planning and Program Development Grants	37,944	-
Executive	94.009	Training and Technical Assistance	74,680	-
Executive Total			**1,163,236**	**936,955**
Human Rights Commission	14.999	Office of Fair Housing-Assistance Grant	154,093	-
Human Rights Commission Total			**154,093**	**-**
Human Services	10.551	Supplemental Nutritional Assistance Program	10,798,473	-
Human Services	10.551	Supplemental Nutritional Assistance Program (EBT)	49,187,602	-
Human Services	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	13,271,935	15,000
Human Services	10.560	State Administrative Expenses for Child Nutrition	44,232	-
Human Services	10.561	State Administrative Matching Grants for the Supplemental Nutritional Assistance Program	8,495,617	1,110,688
Human Services	10.565	Commodity Supplemental Food Program	237,370	237,370
Human Services	10.568	Emergency Food Assistance Program (Administrative Costs)	112,491	98,325
Human Services	10.569	Emergency Food Assistance Program (Food Commodities)	2,249,107	-
Human Services	10.572	WIC Farmers' Market Nutrition Program (FMNP)	71,977	-
Human Services	10.576	Senior Farmers Market Nutrition Program	81,549	46,248
Human Services	10.580	Special Nutrition Assistance Program Outreach/Participation program	16,135	-
Human Services	14.231	Emergency Shelter Grants Program	346,512	335,210
Human Services	16.523	Juvenile Accountability Block Grants	228,880	7,500
Human Services	16.527	Supervised Visitation, Safe Havens for Children	249,702	234,266
Human Services	16.540	Juvenile Justice and Delinquency Prevention - Allocation to States	629,141	463,681
Human Services	16.541	Part E - Developing, Testing and Demonstrating Promising New Programs	159,093	14,236
Human Services	16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	124,877	-
Human Services	16.606	State Criminal Alien Assistance Program	44,321	-
Human Services	16.727	Enforcing Underage Drinking Laws Program	355,887	121,119

State of Vermont
Schedule of Expenditures of Federal Awards
by State of Vermont Agency
Year ended June 30, 2008

Vermont agency	CFDA number	Federal agency/program title	Expenditures	Amounts passed through to subrecipients 7/1/07-6/30/08
Human Services	16.735	Protecting Inmates and Safeguarding Communities Discretionary Grant Program	$ 234,032	-
Human Services	16.740	Statewide Automated Victim Information Notification Program	90,662	-
Human Services	17.235	Senior Community Service Employment Program	524,004	513,804
Human Services	17.270	Reintegration of Ex-Offenders	406,912	347,000
Human Services	66.032	State Indoor Radon Grants	118,882	22,000
Human Services	66.606	Surveys, Studies, Investigations and Special Purpose Grants	25,495	16,200
Human Services	66.701	Toxic Substance Compliance Monitoring Cooperative Agreements	20,954	-
Human Services	66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	149,215	-
Human Services	81.042	Weatherization Assistance for Low - Income Persons	1,021,529	997,461
Human Services	84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	10,485,769	310,864
Human Services	84.169	Independent Living - State Grants	220,953	134,192
Human Services	84.177	Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	304,976	168,750
Human Services	84.181	Special Education - Grants for Infants and Families	2,138,714	1,595,937
Human Services	84.186	Safe and Drug-Free Schools and Communities - State Grants	213,635	204,282
Human Services	84.187	Supported Employment Services for Individuals with Significant Disabilities	248,454	-
Human Services	84.224	Assistive Technology	457,120	-
Human Services	84.235	Rehabilitation Services Demonstration and Training Programs	64,769	1,693
Human Services	84.265	Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	83,299	-
Human Services	93.041	Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	25,489	25,489
Human Services	93.042	Special Programs for the Aging - Title VII, Chapter2 - Long Term Care Ombudsman Services for Older Individuals	73,168	73,168
Human Services	93.043	Special Programs for the Aging-Title III, Part D - Disease Prevention and Health Promotion Services	80,555	80,555
Human Services	93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	1,837,261	1,837,261
Human Services	93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services	2,963,718	2,963,718
Human Services	93.048	Special Programs for the Aging - Title IV and Title II - Discretionary Projects	190,433	-
Human Services	93.051	Alzheimer's Disease Demonstration Grants to States	321,143	252,413
Human Services	93.052	National Family Caregiver Support, Title III, Part E	802,993	408,506
Human Services	93.053	Nutrition Services Incentive Program	637,393	637,393
Human Services	93.110	Maternal and Child Health Federal Consolidated Programs	263,843	13,869
Human Services	93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	133,011	12,000
Human Services	93.127	Emergency Medical Services for Children	112,055	-
Human Services	93.130	Cooperative Agreements to State/Territories for the Coordination and Development of Primary Care Offices	110,870	5,000
Human Services	93.136	Injury Prevention and Control Research and State and Community Based Programs	131,759	37,164
Human Services	93.150	Projects for Assistance in Transition from Homelessness (PATH)	332,806	289,810
Human Services	93.197	Childhood Lead Poisoning Prevention Projects-State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	398,871	-

State of Vermont
Schedule of Expenditures of Federal Awards
by State of Vermont Agency
Year ended June 30, 2008

Vermont agency	CFDA number	Federal agency/program title	Expenditures	Amounts passed through to subrecipients 7/1/07-6/30/08
Human Services	93.217	Family Planning - Services	$ 818,429	757,758
Human Services	93.230	Consolidated Knowledge Development and Application Program	186,661	-
Human Services	93.234	Traumatic Brain Injury - State Demonstration Grant Program	194,005	-
Human Services	93.236	Grants for Dental Public Health Residency Training	117,141	96,050
Human Services	93.241	State Rural Hospital Flexibility Program	313,291	198,643
Human Services	93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance	3,624,789	1,570,267
Human Services	93.268	Immunization Grants	7,870,809	10,000
Human Services	93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	10,824,745	750,420
Human Services	93.301	Small Rural Hospital Improvement Grant Program	88,902	84,879
Human Services	93.556	Promoting Safe and Stable Families	431,897	299,926
Human Services	93.558	Temporary Assistance for Needy Families	33,610,172	1,442,714
Human Services	93.563	Child Support Enforcement	5,981,848	-
Human Services	93.566	Refugee and Entrant Assistance - State Administered Programs	367,016	153,624
Human Services	93.568	Low-Income Home Energy Assistance Program	18,949,701	2,248,180
Human Services	93.569	Community Services Block Grant	3,464,665	3,362,942
Human Services	93.575	Child Care and Development Block Grant	12,130,988	2,538,967
Human Services	93.576	Refugee and Entrant Assistance - Discretionary Grants	155,466	154,537
Human Services	93.590	Community-Based Child Abuse Prevention Grants	392,260	392,260
Human Services	93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	6,767,658	171,693
Human Services	93.597	Grants to States for Access and Visitation Programs	64,727	62,969
Human Services	93.599	Chafee Education and Training Vouchers Program (ETV)	127,107	127,107
Human Services	93.600	Head Start	113,716	46,627
Human Services	93.630	Developmental Disabilities Basic Support and Advocacy Grants	397,288	146,418
Human Services	93.631	Developmental Disabilities Projects of National Significance	277,740	227,367
Human Services	93.643	Children's Justice Grants to States	91,403	51,500
Human Services	93.645	Child Welfare Services - State Grants	811,968	69,092
Human Services	93.658	Foster Care - Title IV-E	11,060,331	906,361
Human Services	93.659	Adoption Assistance	7,354,636	-
Human Services	93.667	Social Services Block Grant	8,231,651	887,672
Human Services	93.669	Child Abuse and Neglect State Grants	180,170	3,500
Human Services	93.674	Chafee Foster Care Independence Program	502,142	502,142
Human Services	93.767	State Children's Insurance Program	6,316,428	-
Human Services	93.768	Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities	708,624	110,381
Human Services	93.777	State Survey and Certification of Health Care Providers and Suppliers	1,049,792	-
Human Services	93.778	Medical Assistance Program	646,789,849	38,546,918
Human Services	93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	1,346,958	225,602
Human Services	93.889	National Bioterrorism Hospital Preparedness Program	1,608,179	1,076,075
Human Services	93.913	Grants to States for Operation of Offices of Rural Health	153,950	14,000
Human Services	93.917	HIV Care Formula Grants	809,040	474,813
Human Services	93.940	HIV Prevention Activities - Health Department Based	1,381,657	640,421
Human Services	93.944	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	80,292	-
Human Services	93.958	Block Grants for Community Mental Health Services	839,151	348,847
Human Services	93.959	Block Grants for Prevention and Treatment of Substance Abuse	5,088,653	5,088,653

State of Vermont
Schedule of Expenditures of Federal Awards
by State of Vermont Agency
Year ended June 30, 2008

Vermont agency	CFDA number	Federal agency/program title	Expenditures	Amounts passed through to subrecipients 7/1/07-6/30/08
Human Services	93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants	$ 198,288	42,000
Human Services	93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	276,573	33,426
Human Services	93.991	Preventive Health and Health Services Block Grant	268,740	71,440
Human Services	93.994	Maternal and Child Health Services Block Grant to the States	1,705,771	703,125
Human Services	93.999	ADAP Data Collection	32,296	-
Human Services	96.001	Social Security - Disability Insurance	3,451,528	-
Human Services	96.008	Social Security - Work Incentives Planning and Assistance Program	108,231	18,161
Human Services Total			**919,646,965**	**78,289,649**
Judiciary	16.547	Victims Child Abuse	42,000	-
Judiciary	16.585	Drug Court Discretionary Grant Program	59,035	-
Judiciary	93.586	State Court Improvement Program	163,796	-
Judiciary Total			**264,831**	**-**
Labor	16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grant Program	-	6,259
Labor	17.002	Labor Force Statistics	712,825	-
Labor	17.005	Compensation and Working Conditions	25,226	-
Labor	17.207	Employment Service/Wagner Peyer Funded Activities	2,963,872	-
Labor	17.225	Unemployment Insurance	97,997,170	-
Labor	17.245	Trade Adjustment Assistance	492,679	-
Labor	17.258	WIA Adult Program	2,109,302	-
Labor	17.259	WIA Youth Activities	2,742,837	112,113
Labor	17.260	WIA Dislocated Workers	1,000,711	-
Labor	17.261	WIA Pilots, Demonstrations and Research Projects	806,596	651,522
Labor	17.266	Work Incentives Grants	373,805	32,444
Labor	17.503	Occupational Safety and Health - State Program	731,707	-
Labor	17.504	Consultation Agreements	410,429	-
Labor	17.505	OSHA Data Initiative	9,757	-
Labor	17.720	Employment Programs for People With Disabilities	161,372	111,747
Labor	17.600	Mine Health and Safety Grants	80,285	100,664
Labor	17.801	Disabled Veterans' Outreach Program (DVOP)	120,695	-
Labor	17.804	Local Veterans' Employment Representative Program	339,002	-
Labor Total			**111,078,270**	**1,014,749**
Libraries	45.310	Grants to States	828,697	48,119
Libraries Total			**828,697**	**48,119**
Military	12.400	Military Construction, National Guard	5,530,522	-
Military	12.401	National Guard Military Operation and Maintenance Projects	12,357,542	-
Military	12.404	National Guard Civilian Youth Operations	514,793	-
Military Total			**18,402,857**	**-**
Natural Resources-Forset, Parks, and Recreation	10.664	Cooperative Forestry Assistance	1,292,346	414,633
Natural Resources-Forset, Parks, and Recreation	10.672	Rural Development, Forestry, and Communication	28,334	24,500
Natural Resources-Forset, Parks, and Recreation	10.676	Forest Legacy Program	988,102	-
Natural Resources-Forset, Parks, and Recreation	15.608	Fish and Wildlife Management Assistance	6,980	-
Natural Resources-Forset, Parks, and Recreation	15.916	Outdoor Recreation - Acquisition, Development and Planning	341,491	225,769
Natural Resources-Forset, Parks, and Recreation	20.219	Recreational Trails Program	773,922	576,124
Natural Resources-Forset, Parks, and Recreation Total			**3,431,175**	**1,241,026**
Natural Resources-Fish and Wildlife	15.605	Sport Fish Restoration Program	3,754,631	-
Natural Resources-Fish and Wildlife	15.611	Wildlife Restoration	1,569,774	-
Natural Resources-Fish and Wildlife	15.615	Cooperative Endangered Species Conservation Fund	643,279	375,000

State of Vermont
Schedule of Expenditures of Federal Awards
by State of Vermont Agency
Year ended June 30, 2008

Vermont agency	CFDA number	Federal agency/program title	Expenditures	Amounts passed through to subrecipients 7/1/07-6/30/08
Natural Resources-Fish and Wildlife	15.616	Clean Vessel Act	$ 11,898	7,868
Natural Resources-Fish and Wildlife	15.622	Sportfishing and Boating Safety Act	72,602	54,711
Natural Resources-Fish and Wildlife	15.625	Wildlife Conservation and Restoration	3,869	-
Natural Resources-Fish and Wildlife	15.633	Landowner Incentive Program	230,735	-
Natural Resources-Fish and Wildlife	15.634	State Wildlife Grants	534,080	193,178
Natural Resources-Fish and Wildlife	66.641	Wetlands Protection State Development	66,507	-
Natural Resources-Fish and Wildlife Total			**6,887,375**	**630,757**
Natural Resources-Dept. of Environmental Conservation	10.902	Soil and Water Conservation	7,063	-
Natural Resources-Dept. of Environmental Conservation	10.914	Wildlife Habitat Incentive Program	2,475	-
Natural Resources-Dept. of Environmental Conservation	12.100	Aquatic Plant Control	419,473	170,819
Natural Resources-Dept. of Environmental Conservation	12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	25,293	8,000
Natural Resources-Dept. of Environmental Conservation	15.608	Fish and Wildlife Management Assistance	21,398	16,442
Natural Resources-Dept. of Environmental Conservation	15.631	Partners for Fish and Wildlife	37,008	5,000
Natural Resources-Dept. of Environmental Conservation	15.810	National Cooperative Geologic Mapping Program	67,204	9,217
Natural Resources-Dept. of Environmental Conservation	66.034	Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	532,888	-
Natural Resources-Dept. of Environmental Conservation	66.036	Clean School Bus USA	11,977	-
Natural Resources-Dept. of Environmental Conservation	66.436	Surveys, Studies, Investigations, Demonstrations and Training Grants and Cooperative Agreement - Section 104(B)(3) of the Clean Water Act	6,729	-
Natural Resources-Dept. of Environmental Conservation	66.454	Water Quality Management Planning	93,808	29,803
Natural Resources-Dept. of Environmental Conservation	66.458	Capitalization Grants for Clean Water State Revolving Funds	898,395	-
Natural Resources-Dept. of Environmental Conservation	66.467	Wastewater Operator Training Grant Program (Technical Assistance)	29,012	-
Natural Resources-Dept. of Environmental Conservation	66.468	Capitalization Grants for Drinking Water State Revolving Funds	8,819,255	-
Natural Resources-Dept. of Environmental Conservation	66.471	State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	192,552	13,073
Natural Resources-Dept. of Environmental Conservation	66.474	Water Protection Grants to the States	59,479	-
Natural Resources-Dept. of Environmental Conservation	66.481	Lake Champlain Basin Program	370,808	106,000
Natural Resources-Dept. of Environmental Conservation	66.511	Office of Research and Development Consolidated Research/Training/Fellowships	90,677	-
Natural Resources-Dept. of Environmental Conservation	66.605	Performance Partnership Grants	4,044,061	216,265
Natural Resources-Dept. of Environmental Conservation	66.608	Environmental Information Exchange Network Grant Program and Related Assistance	93,320	-
Natural Resources-Dept. of Environmental Conservation	66.611	Environmental Policy and Innovation Grants	3,150	-
Natural Resources-Dept. of Environmental Conservation	66.802	Superfund State, Political Subdivision and Indian Tribe Site-Specific Cooperative Agreements	45,533	-
Natural Resources-Dept. of Environmental Conservation	66.804	State and Tribal Underground Storage Tanks Program	58,839	-
Natural Resources-Dept. of Environmental Conservation	66.805	Leaking Underground Storage Tank Trust Fund Program	719,138	-
Natural Resources-Dept. of Environmental Conservation	66.808	Solid Waste Management Assistance Grants	1,748	-
Natural Resources-Dept. of Environmental Conservation	66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements	129,767	-
Natural Resources-Dept. of Environmental Conservation	66.817	State and Tribal Response Program Grants	716,764	40,696
Natural Resources-Dept. of Environmental Conservation	97.023	Community Assistance Program -State Support Services Element (CAP - SSSE)	127,758	-
Natural Resources-Dept. of Environmental Conservation	97.041	National Dam Safety Program	19,952	-
Natural Resources-Dept. of Environmental Conservation	97.070	Map Modernization Management Support	120,131	6,000
Natural Resources-Department of Environmental Conservation Total			**17,765,655**	**621,315**
Public Safety	16.550	State Justice Statistics Program for Statistical Analysis Centers	57,499	57,499
Public Safety	16.554	National Criminal History Improvement Program	164,213	-
Public Safety	16.560	National Institute of Justice Research, Evaluation and Development Project Grants	345,651	18,167

State of Vermont
Schedule of Expenditures of Federal Awards
by State of Vermont Agency
Year ended June 30, 2008

Vermont agency	CFDA number	Federal agency/program title	Expenditures	Amounts passed through to subrecipients 7/1/07-6/30/08
Public Safety	16.580	Edward Bryne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	$ 730,387	-
Public Safety	16.593	Residential Substance Abuse Treatment for State Prisoners	45,859	45,859
Public Safety	16.607	Bulletproof Vest Partnership Program	6,939	
Public Safety	16.609	Community Prosecution and Project Safe Neighborhoods	107,434	11,084
Public Safety	16.710	Public Safety Partnership and Community Policing Grants	1,576,480	191,668
Public Safety	16.738	Edward Byrne Memorial Justice Assistance Grant Program	1,146,397	272,970
Public Safety	16.743	Forensic Casework DNA Backlog Reduction Program	69,873	-
Public Safety	16.744	Anti-Gang Initiatives	25,178	20,473
Public Safety	16.748	Convicted Offender and/or Arrestee DNA Backlog Reduction Program (In-House Analysis and Data Review)	11,872	-
Public Safety	16.999	Drug Enforcement Administration - DEA	30,052	-
Public Safety	16.999	Marijuana Education	18,528	-
Public Safety	16.999	Evidence (Asset Seizure) Forfeiture Funds (Justice & Treasury)	688,819	86,925
Public Safety	16.999	New England High-Intensity Drug Trafficking Areas (HIDTA)	19,058	-
Public Safety	16.999	US Marshall's District Fugitive Task Force	3,404	-
Public Safety	16.999	Vermont Joint Terrorism Task Force	5,787	-
Public Safety	20.600	State and Community Highway Safety	1,240,874	1,023,197
Public Safety	20.601	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grant	422,860	283,835
Public Safety	20.602	Occupant Protection	81,705	24,944
Public Safety	20.603	Federal Highway Safety Data Improvement Incentive Grants	26,549	2,000
Public Safety	20.610	State Traffic Safety Information System Improvement Grants	74,409	74,409
Public Safety	20.612	Incentive Grant Program to Increase Motorcyclist Safety	17,723	-
Public Safety	20.613	Child Safety and Booster Seat Incentive Grants	78,562	-
Public Safety	20.614	National Highway Transportation Safety Administration (NHTSA) Discretionary Safety Grants	25,732	-
Public Safety	20.608	Minimum Penalties For Repeat Offenders For Driving While Intoxicated	97,312	58,824
Public Safety	20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	3,255,712	3,255,712
Public Safety	20.999	Graduated Licensing	-	12,867
Public Safety	21.999	Bordergap	80	-
Public Safety	97.004	State Domestic Preparedness Equipment Support Program	189,162	45,239
Public Safety	97.012	Boating Safety Financial Assistance	676,207	220,000
Public Safety	97.017	Pre Disaster Mitigation Competitive	452,184	445,666
Public Safety	97.029	Flood Mitigation Assistance	137,709	135,730
Public Safety	97.039	Hazard Mitigation Grant	20,786	20,786
Public Safety	97.042	Emergency Management Performance Grants	1,731,952	354,639
Public Safety	97.043	State Fire Training Systems Grants	14,947	-
Public Safety	97.067	Homeland Security Grant Program	3,814,772	1,824,193
Public Safety	97.078	Buffer Zone Protection Program	260,583	187,292
Public Safety Total			**17,673,250**	**8,673,978**
Public Service	81.041	State Energy Program	635,431	467,698
Public Service Total			**635,431**	**467,698**
Secretary of State's Office	39.011	Election Reform Payments	550,081	190,399

State of Vermont
Schedule of Expenditures of Federal Awards
by State of Vermont Agency
Year ended June 30, 2008

Vermont agency	CFDA number	Federal agency/program title	Expenditures	Amounts passed through to subrecipients 7/1/07-6/30/08
Secretary of State's Office	93.617	Voting Access for Individuals with Disabilities - Grants to States	$ 39,526	31,671
Secretary of State's Office Total			**589,607**	**222,070**
State's Attorney's & Sheriffs	16.999	Evidence (Asset Seizure) Forfeiture Funds (Justice & Treasury)	9,437	
State's Attorney's & Sheriffs Total			**9,437**	**-**
Transportation	20.106	Airport Improvement Program	1,574,097	-
Transportation	20.205	Highway Planning and Construction	143,806,652	14,092,859
Transportation	20.218	National Motor Carrier Safety	819,502	-
Transportation	20.312	High Speed Ground Trans/Next Generation High Speed Rail Program	336	-
Transportation	20.314	Railroad Development	2,151,522	-
Transportation	20.500	Federal Transit - Capital Investment Grants	530,749	530,749
Transportation	20.505	Federal Transit - Metropolitan Planning Grants	329,867	246,347
Transportation	20.509	Formula Grants for Other Than Urbanized Areas	10,359,130	9,909,407
Transportation	20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	614,886	614,887
Transportation	20.514	Public Transportation Research	341,914	387,944
Transportation	20.515	State Planning and Research	47,245	47,245
Transportation	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disaster)	6,810,698	6,730,569
Transportation	97.090	Law Enforcement Officer Reimbursement Agreement Program	47,798	38,596
Transportation Total			**167,434,396**	**32,598,603**
Grand Total			**$ 1,395,454,085**	**237,366,899**

See accompanying notes to schedule of expenditures of federal awards and schedule of expenditures of federal awards by Vermont State Agency.

STATE OF VERMONT

Notes to Schedule of Expenditures of Federal Awards and
Schedule of Expenditures of Federal Awards by Vermont State Agency

June 30, 2008

(1) Summary of Significant Accounting Policies

The accounting and reporting policies of the State of Vermont (the State) applied in the preparation of the schedule of expenditures of federal awards and schedule of expenditures of federal awards by Vermont State Agency (the Schedules) are set forth below:

(a) Single Audit Reporting Entity

For purposes of complying with the Single Audit Act Amendments of 1996, the State includes all entities that are considered part of the primary government, as described in the basic financial statements as of and for the year ended June 30, 2008. The Schedules do not include component units identified in the notes to the basic financial statements issued by KPMG, LLP.

The entities listed below are Discretely Presented Component Units in the State's basic financial statements, which received federal financial assistance for the year ended June 30, 2008. Each of these entities is subject to separate audits in compliance with Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.*

The federal transactions of the following entities are not reflected in these Schedules:

Vermont Student Assistance Corporation
University of Vermont
Vermont State College System
Vermont Educational and Health Buildings Financing Agency
Vermont Housing and Conservation Board
Vermont Economic Development Authority
Vermont Municipal Bond Bank
Vermont Center for Geographic Information
Vermont Sustainable Jobs Fund, Inc
Vermont Transportation Authority
Vermont Veterans' Home
Vermont Rehabilitation Corporation
Vermont Film Corporation
Vermont Telecommunications Authority

(b) Basis of Presentation

The information in the accompanying Schedules is presented in accordance with OMB Circular A-133.

1. *Federal Awards* – Pursuant to the Single Audit Act Amendments of 1996 and OMB Circular A-133, federal awards are defined as assistance that nonfederal entities receive or administer in the form of grants, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, food commodities, direct appropriations, or other assistance and, therefore, are reported on the Schedules. Federal awards do not include direct federal cash payments to individuals.

2. *Type A and Type B Programs* – OMB Circular A-133 establishes the levels of expenditures to be used in defining Type A and Type B federal programs. Type A programs for the State are those programs, or clusters of programs, which equal or exceed $4,186,362 in expenditures, distributions, or issuances for the fiscal year ended June 30, 2008.

(Continued)

(c) ***Basis of Accounting***

The accompanying Schedules were prepared on the modified accrual basis of accounting.

(d) ***Matching Costs***

Matching costs, i.e., the nonfederal share of certain program costs, are not included in the accompanying Schedules.

(2) Categorization of Expenditures

The categorization of expenditures by program included in the Schedules is based upon the Catalog of Federal Domestic Assistance (CFDA). Changes in the categorization of expenditures occur based upon revisions to the CFDA.

(3) Relationship to Federal Financial Reports

The regulations and guidelines governing the preparation of federal financial reports vary by federal agency and among programs administered by the same agency.

(4) Unemployment Insurance (CFDA #17.225)

State unemployment tax revenues must be deposited to the Unemployment Trust Fund in the U.S. Treasury and may only be used to pay benefits under the federally approved State unemployment law. OMB *Circular A-133 Compliance Supplement* requires that State Unemployment Insurance Funds, as well as federal funds, be included in the total expenditures of CFDA #17.225. Unemployment insurance expenditures are classified out as follows:

State	$ 89,123,734
Federal	8,873,436
	$ 97,997,170

(5) Airport Improvement Program (CFDA #20.106)

The State receives Federal Aviation Administration, (FAA) funds from the U.S. Department of Transportation. The State excludes from its Schedule FAA funds received on behalf of the City of Burlington, Vermont (the City), because the State does not perform any program responsibilities or oversight of these funds. Rather, its sole function is to act as a conduit between the federal awarding agency and the City, who owns and operates the airport.

(6) Nonmonetary Federal Financial Assistance

The State is the recipient of federal programs that do not result in cash receipts or disbursements. Noncash awards included in the Schedules are as follows:

(a) National School Lunch Program (CFDA #10.555)

The National School Lunch Program assists states in providing a nutritious food service program for low-income children through cash grants and food commodities, such as bread, meat, and other commodities. Total federal expenditures included in the Schedules for the National School Lunch Program represent the federal government's acquisition value of the food commodities provided to the State.

(b) Child and Adult Food Care Program (CFDA #10.558)

The Child and Adult Food Care Program assists states through grants-in-aid and other means to initiate and maintain nonprofit food service programs for children, elderly or impaired adults in nonresidential day care facilities, and children in emergency shelters. Total federal expenditures included in the Schedules for the Child and Adult Food Care Program represent the federal government's acquisition value of the food commodities provided to the State.

(c) Emergency Food Assistance Program (CFDA #10.569)

The Emergency Food Assistance Program helps supplement the diets of low-income Americans by providing them with food and nutrition assistance at no cost. Under this program, commodity foods are made available by the U.S. Department of Agriculture to States. States provide the food to local agencies that they have selected, usually food banks, which in turn distribute the food to soup kitchens and pantries that directly serve the public. Total federal expenditures included in the Schedules for the Emergency Food Assistance Program represent the federal government's acquisition value of the food commodities provided to the State.

(d) Donation of Federal Surplus Personal Property (CFDA #39.003)

The State obtains surplus property from various federal agencies at no cost. The property is then sold by the State to eligible organizations for a nominal service charge. Total federal expenditures included in the Schedules for Donation of Federal Surplus Personal Property represent the federal government's acquisition value of the federal property sold by the State.

(e) Immunization Grants (CFDA #93.268)

To assist in establishing and maintaining preventive health service programs to immunize individuals against vaccine-preventable diseases, the State provides vaccines to local healthcare providers throughout the year in an effort to ensure that all residents have been properly immunized. Total federal expenditures included in the Schedules for Immunization Grants represent the federal government's acquisition value of the vaccines provided to the State.

STATE OF VERMONT

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

(1) Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified	
Internal control over financial reporting:		
• Material weakness(es) identified?	_X_ yes	____ no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	____ yes	_X_ none reported
Noncompliance material to financial statements noted?	____ yes	_X_ no

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified?	_X_ yes	____ no
• Significant deficiency(ies) identified that are reported not considered to be material weaknesses?	_X_ yes	____ none
Type of auditors' report issued on compliance for major programs:	Unqualified except for:	

Qualified Opinion

Rehabilitation Services – Vocational Rehabilitation Grants to States (CFDA #84.126)
Immunization Grants (CFDA #93.268)
Centers for Disease Control and Prevention – Investigations and Technical Assistance (CFDA #92.283)
Child Support Enforcement (CFDA #93.563)
Medicaid Cluster (CFDA #93.775, #93.777, and #93.778)
Disaster Grants – Public Assistance (Presidentially Declared Disaster)(CFDA #97.036)

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	_X_ yes	____ no

(Continued)

STATE OF VERMONT

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Identification of Major Programs

CFDA number	Name of federal program
WIA Cluster:	
17.258	WIA Adult Program
17.259	WIA Youth Activities
17.260	WIA Dislocated Workers
Highway Planning and Construction Cluster:	
20.205	Highway Planning and Construction
Special Education Cluster:	
82.027	Special Education – Grants to States
84.173	Special Education – Preschool Grants
Medicaid Cluster:	
93.775	State Medicaid Fraud Control Units
93.777	State Survey and Certification of Health Care Providers and Suppliers
93.778	Medical Assistance Program
Other programs:	
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
84.048	Career and Technical Education – Basic Grants to States
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States
84.287	Twenty-First Century Community Learning Centers
93.268	Immunization Grants
93.283	Centers for Disease Control and Prevention – Investigations and Technical Assistance
93.563	Child Support Enforcement
93.767	State Children's Insurance Program
93.959	Block Grants for Prevention and Treatment of Substance Abuse
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disaster)

Dollar threshold used to distinguish between type A and type B programs: $4,186,362

Auditee qualified as a low-risk auditee? _____ yes __X__ no

(Continued)

(2) Findings Related to the Basic Financial Statements Reported in Accordance with *Government Auditing Standards*

2008-A – Key Dependency in the Compilation and Review of the Comprehensive Annual Financial Report

Background

There are five members of the Department of Finance and Management's (the Department) Statewide Reporting group, which is primarily responsible for the activities related to the compilation and review of the Comprehensive Annual Financial Report (CAFR). The Director of Statewide reporting is actively involved in the day-to-day operations involved in the preparation of the CAFR and related reports to support the amounts and disclosures in the CAFR. Further, the Governmental Accounting Standards Board (GASB) continues to issue increasingly complex accounting and financial reporting standards that the State must implement. These new standards will require significant time and effort of Department personnel.

Finding

While the Department has continued to improve the operation of the Statewide Reporting Group by adding additional staff to allow for more delegation of financial reporting responsibilities, the Department continues to rely heavily on the Director of Statewide Reporting (the Director) for the compilation and review of the annual financial statements. The amount of responsibility placed on the Director and the centralized role the Director plays in compiling, preparing, analyzing and reviewing the year end financial statements is a risk to the State in the event the Director is unavailable for a length of time given the Directors institutional knowledge, strategic oversight and the Director's responsibilities for the critical day-to-day operations of the Statewide Reporting Group.

Recommendation

The Department should continue to look at its existing resources within the Statewide Reporting Group to ensure that the Director has appropriate resources to delegate responsibilities and transfer knowledge of the State's financial reporting processes.

Management's Response

1. As reported in prior years, the Department of Finance & Management has in place a knowledge transfer training program aimed at distributing key CAFR component preparation from the Director of State-Wide Reporting to the State-Wide reporting staff. Great strides have been made in this area and more will come as we continue with our training efforts. For the FY2008 CAFR we met our goal of having the staff develop all statements and footnotes and the Director performing a review role only.

2. The Department of Finance & Management will begin the process of recruiting for the vacant Assistant Director of State-Wide Reporting position shortly. This position will report to the Director of State-Wide Reporting. The ideal candidate will be one who is qualified to assume the bulk of the CAFR review process and to expand training opportunities for the Reporting Division staff. The added position will offer the Director of State-Wide Reporting the opportunity to dedicate significantly more time to analyzing the complex accounting and financial reporting standards that the State must implement.

(Continued)

2008-B – Review and Analysis of Financial Data

Background

The State's accounting process is very decentralized and relies heavily on the individual departments and agencies to properly and accurately record activity on a timely basis in the State's VISION accounting system as well as provided year end closing information to the Department of Finance and Management (Department) in the form of the year end closing packages. The Department also provided the individual departments and agencies with annual guidance and training on generally accepted accounting principals and the form and content of the information that is required in the year end closing packages.

Finding

Despite the Department's efforts to educate and communicate with the individual departments and agencies we noted certain adjustments that were more than inconsequential that were necessary to be made to the State's financial statements. These adjustments are as follows:

- The Tax Department made an error in their allowance for doubtful accounts calculation. Management established the allowance for doubtful accounts equal to 90% of the estimated personal income, meals and room and sales and use tax balances at June 30, 2008. In calculating the additional adjustment to meet this threshold, a formula error was made in a spreadsheet resulting in an understatement in the allowance totaling $9,446,289.
- The VISION system allows users to manually input capital asset data instead of utilizing the system's automatic integration functionality with the VISION accounts payable module. Because of this, the Agency of Human Services made a $10,995,358 error when inputting a capital asset transaction separate from the payment of the invoice. The error was subsequently found by the Agency and a correction was made, however, the correction was entered into the next fiscal year. The Agency did not notify the Department of Finance & Management of the error or that the correction was made in the subsequent fiscal year.
- Property tax revenue and education expenditures in the Education Fund were understated by $117,984,744 as a result of a duplicate entry recorded by the Department of Finance and Management. The Department of Education is responsible for recording the statewide property tax revenue in the State's general ledger system and recorded the statewide property tax revenue net of income sensitivity credits. The Department of Finance and Management recorded the duplicate entry believing that the statewide property taxes were recorded gross of credits and were unaware that the Department of Education had already made the entry to reclass the income sensitivity payments from an expense to a contra-revenue.
- The Treasurer's Office caused a debt service payment to be input into VISION incorrectly. The Treasurer's Office incorrectly posted a $822,015 principal payment
- The Department of Finance and Management incorrectly identified a $10,900 voucher as a 2008 expense when it should have been treated as a prepaid asset in the government –wide financial statements
- The Department of Corrections incorrectly identified a $1,156,744 voucher as a 2008 accounts payable/expenditure when the amount should have been deferred as a fiscal year 2009 expenditure.

(Continued)

While the Department is primarily responsible for the preparation of the State's financial statements, there does not appear to be adequate state-wide internal controls in place over the financial reporting process to ensure information in the financial statements is properly analyzed or accurate. These adjustments were noted across multiple agencies and departments. These adjustments indicate the need for further understanding of the financial accounting and reporting concepts across state government.

Recommendation

The Department should continue to educate State departments and agencies to provide them with the knowledge and guidance of financial accounting and reporting concepts, including internal controls, such that the State's financial statements are complete and accurate. Further, communication between Departments should be improved such that non-routine transactions are recorded in the financial statements properly.

Management's Response

We concur with this finding. The Department intends to continue to educate State departments and agencies. The Department conducts an annual internal control survey, with follow-up sample testing of a compliance with State and department specific accounting procedures and internal controls. The Department provides ongoing training to State accounting personnel in the proper use of the accounting system. The Department issues a quarterly internal control newsletter which provides State accounting personnel with suggested best practices, good internal controls, information on changes to policies, procedures, and forms. The Department is working with the Summit to develop accounting for VISION training.

2008-C – Information Technology Internal Controls

Background

The State relies heavily on information technology (IT) systems to process, account for, and report on its financial activities. The State's VISION system serves as the State's principal financial system and is used to prepare the State's financial statements. Although the VISION system is the State's principal financial system, many of the actual financial activities are originated in other Departmental systems. During the fiscal year 2008 audit, an IT general controls (ITGC) review was performed over certain critical IT system. The ITGC reviews were designed to ascertain if IT controls were appropriately designed and if so operating effectively. In addition, prior year findings were followed up on to ascertain if the identified control deficiencies had been corrected. Our review covered the following computer systems at the respective agencies:

IT Application Name	Agency Responsible	Purpose of IT Application	Type of review performed in FY 2008
VISION	Department of Finance and Management	State-wide accounting system	ITGC
Human Capital Management (HCM)	Department of Human Resources	State-wide human resource system	ITGC
ACCESS	Agency of Human Services (AHS)	Benefit and Eligibility System for Human Service Cash Assistance Programs	ITGC
VIRCS and RRAS	Department of Taxes	VIRCS administers personal income and business trust taxes and RRAS manages all tax receipt deposits	Follow up on prior year's findings
VABS and CATS	Department of Labor	VABS is the Unemployment Insurance Benefit and Eligibility System and CATS is the Employer Contribution Tax System.	Follow up on prior year's findings
STARS	Department of Transportation	Project Cost Accounting System for Transportation Construction Projects	Follow up on prior year's findings
BFIS	Agency of Human Services (AHS)	A system for Human Services Child Care Subsidy Payments	Follow up on prior year's findings
SSMIS	Agency of Human Services (AHS)	A benefit and eligibility system for Foster Care, Adoption Assistance and Social Services Block Grant Programs	Follow up on prior year's findings
VRS	State Treasurer's Office	A system that houses and tracks active and retired members and administers pension payroll and data collection.	Follow up on prior year's findings
GovNet Network	Department of Innovation and Information (DII)	State-wide area network	ITGC

(Continued)

The purpose of a review of IT general controls is to gain an understanding of the IT general controls that are in place and to test the design and operating effectiveness of those controls to determine whether or not the controls are designed and operating effectively to ensure that the financial statements are material stated. During an IT general controls review, the following control objectives are reviewed:

Access to Programs and Data: Determines whether adequate controls for access to programs and data have been established by management to restrict access to properly authorized individuals.

Program Changes: Determines whether adequate controls for program changes have been established by management to help ensure that changes to existing systems/applications are authorized, tested, approved, properly implemented, and documented.

Program Development: Determine whether adequate controls for program development have been established by management to ensure that new systems/applications which are developed or acquired are authorized, tested, approved, properly implemented and documented.

Computer Operations: Determine whether adequate controls for computer operations have been established by management to ensure that system/application processing is appropriately authorized and scheduled and deviations from scheduled processing are identified and resolved.

Finding

The results of the IT general controls reviewed performed over the above identified computer systems indicated various control deficiencies of various severity in the internal control environments of these IT systems. We shared specific control deficiencies for each IT system with Department management while generally we noted the following:

- Departments generally did not ensure that information and information systems are protected during and after personnel actions, such as transfers and terminations. In addition, the State's password policy requires that when user access is no longer a business requirement, that such access be disabled. Not all of the State IT environments reviewed had a policy or procedure in place to conduct regularly scheduled reviews of user access to identify and remove unauthorized or inappropriate access. The absence of periodic reviews of system or application access increases the risk that unauthorized individuals may retain inappropriate access to key system, application, and data assets.
- A lack of controls over changes to application and system software help to ensure that only authorized programs and authorized modifications are implemented. Such controls include authorization of changes, testing, and migration into the production environment. Without such controls, there is a risk that processing regularizes could be inadvertently or deliberately introduced.
- A lack of controls over computer operations that protected against losing the capability to process, retrieve and protect information maintained electronically. There was a general lack of a process in place to ensure that there is a routine back up of data files, application programs, systems, software, database software and copies of other information or supplies that may be needed to maintain operations.

(Continued)

The table below summaries the control deficiencies found in each of the above defined control objectives for each computer system reviewed:

	Control Objectives			
IT System	**Access to Programs and Data**	**Program Changes**	**Program Development**	**Computer Operations**
VISION	✓	✓		✓
HCM	✓			✓
ACCESS	✓	✓		✓
VIRCS and RRAS	✓	✓		✓
VABS and CATS	✓	✓		✓
STARS	✓			✓
BFIS	✓	✓		✓
SSMIS	✓	✓		✓
VRS	✓	✓		✓
GovNet Network	✓	✓		✓
✓ – indicates control deficiency(ies) identified for this control objective				

Given the reliance placed by the State on these computer systems, it is essential that the State have effective information technology (IT) controls in order to provide reasonable assurance that the State's financial information and financial assets are adequately safeguarded from inadvertent or deliberate misuse, fraudulent use, improper disclosure or destruction. Ineffective IT controls can result in information that is untimely, inaccurate and/or incomplete, which increase the risk that the financial statements are not materially stated.

Recommendations

We recommend that the State develop an action plan to address immediately the control deficiencies related to its IT environment. This action plan should include tasks and objectives, milestones and planed resources to be used. Policies and procedures should be implemented and distributed to agencies and departments that will allow them to evaluate existing computer systems and related IT environments. In addition, we recommend that the State evaluate and analyze the skills and resources needed for the State's IT security, and if applicable, develop a plan for achieving the necessary skills and resources.

Management Responses

The following is an update on progress in the area of statewide information security policies and practices. In 2008, the State hired a new Security Director who has adjusted strategies slightly over the 2008 report. Following is a list of those initiatives:

(Continued)

Step 1: Establish Agency/Department Level Security Programs

The approach that is being taken, at this time, is to establish a baseline of where security stands at the Agency level. A three phased risk assessment has been started. Phase I is complete with results ready for review as of March 2009. The data gathered in this Phase relates to systems, applications, inventory and licensing. Phase II will involve greater detail of how systems are being secured, dates of implementation of systems, renewal dates, etc. Phase II, while important, is the least important data concerning data owners, methodology for documentation of data, review of databases.

Phase III will also include data classification. Because a formal data classification document does not yet exist, this is another reason review of database content will be Phase III. A data classification Standard is being worked on currently.

Once the data from the risk assessment has been evaluated, a baseline can be established and a plan for continuous improvement will be developed and implemented. Annual reviews of improvement will be conducted by the Security Director's Office.

Step 2: Policies

The method for policy approval is being reviewed and will be streamlined in the coming weeks.

Policy Status:

- Digital media and Hardware Disposal Policy, Standard and related documents – reviewed and ready for approval
- Physical Security for Computer Protection Policy – ready for review
- Password Policy – being reviewed
- Data Classification Standard – being worked on in the collaboration with the Records Department
- Information Security Policy – rough draft complete
- Wireless Voice and Data Services Policy – being updated
- Encryption Policy – rough draft being worked on

All existing policies have been reviewed. Those that require rewriting have been made note of. Updates and modifications to some policy will be made.

Step 3: Re-establish CSIRT

At this time, CSIRT is not high on the priority list. The security Director has been working with the Fusion Center as well as Homeland Security on emergency response and the role DII will play in that process.

Step 4: Employee Training and Awareness

A new employee training program will be available on the State's new State Security website. This program needs to be tested and modified to meet the needs of the State. The training program was created

(Continued)

by the MS-ISAC and covers all areas of information security. This program is slated to be ready for employee use within the next month.

A new Information Security website was launched three weeks ago. The purpose of this site is to educate both employees and citizens in concerns of computer and information security.

Step 5: Enterprise Architecture Program

Each new IT project/application is being reviewed for compliance with policy and industry "best practice"...

Step 6: Data Centers and Server Consolidation

The State has consolidated roughly 100 servers (>10%) in the past year into the Montpelier, Burlington or Waterbury Data Centers. We plan to continue on this path in 2009 with a target of another 100 servers for consolidation.

2008-D – Succession Planning

Background

The State is a multi-billion dollar enterprise that has many diverse and complex business functions and decentralized operations. The State also operates in a dynamic environment and is exposed to many different risks and challenges. The average age of the State's workforce, like many other governments in the Country, continues to age and move towards retirement. Many of these employees who are near retirement are key employees who have essential institutional knowledge.

Finding

The State of Vermont currently does not have a personnel succession plan in place in order to transfer essential institutional knowledge to other employees. The lack of a personnel succession plan could lead to improperly skilled or insufficient number of skilled financial resources around the State. Such a plan will help ensure that adequate resources, in both financial and operational areas, are available in the future to adequately meet the ever increasing financial, operational and accountability demands being placed on the State.

Recommendation

We recommend that the State develop a personnel succession plan. Such a plan needs to ensure that all key departmental roles are identified and reviewed to determine how best to plan for personnel replacements.

Management's Response

The Summit – Center for State Employee Development is the State's training facility offering courses to employees on a wide range of subjects, under the Department of Human Resources, Workforce Development and Wellness Division. The Summit is currently searching for an instructor to teach a course on succession planning. The Director of the Workforce Development and Wellness Division will be attending a 2-day symposium on succession planning March 23-24, 2009; development of the course to be offered by The summit will begin thereafter. In addition, a "Workforce Planning Tool Kit" is in the final development and approval stages and will be online in the near future; one of the topic areas that the Kit covers is succession planning.

(Continued)

2008-E – Global Commitment to Health Section 1115 Demonstration Waiver

Background

The State's Global Commitment to Health section 1115 demonstration waiver (Global Commitment) represents a material change in how Medicaid is funded in the State of Vermont. To implement the demonstration waiver, the State designated the Office of Vermont Health Access (OVHA) as a managed care organization (MCO). OVHA's parent agency, the Agency of Human Services (AHS) entered into an intergovernmental agreement with OVHA. Under this agreement, AHS makes a monthly capitation payments to OVHA based upon an actuarial certified premium rate and the anticipated number of Medicaid beneficiaries in the month. AHS receives federal Medicaid matching funds for the capitation payments it makes to OVHA. The monthly capitation payment is intended to cover the medical costs and administration expenses of serving enrolled beneficiaries for that month. If the capitation payment to OVHA is less than the cost of providing services to enrolled Medicaid beneficiaries during the month, the State may not seek additional reimbursement from CMS. If the capitation payment to OVHA is greater than the cost of providing services to Medicaid beneficiaries, the State may use the excess to fund health care programs and initiative that meet waiver conditions (called MCO Investments).

Finding

In exchange for greater flexibility in use of federal Medicaid funds for other health-related programs, the State took on financial risk by agreeing to a maximum funding amount it could receive during the five years of the waiver period. However, the State has taken actions that have further increased the financial risks associated with this agreement. Specifically, it made certain significant decisions that are not explicitly covered by the terms of the waiver:

- To use Global Commitment funding from the federal government to pay for claims with dates of service prior to the start of the waiver period (pre-Global Commitment claims); and
- To anticipate that additional federal funding will be forthcoming for claims with dates of service during Global Commitment, but paid subsequent to the end of the waiver term.

In addition, the State's accounting and financial reporting for Global Commitment was influenced by these decisions, which caused it to struggle with deciding on the most appropriate accounting treatment.

The standard terms and conditions of the waiver state that the project is approved for expenditures applicable to services rendered during the demonstration period. As a result, we are unable to conclude that it was reasonable for management to decide to pay for costs incurred prior to the start of the waiver using Global Commitment funds.

The standard terms and conditions also outline that the capitation payment received each month is intended to cover the costs of service incurred for that particular month. a result, it is unclear that the State will be able to recover costs incurred related to claims that are paid subsequent to the end of the waiver term.

(Continued)

In addition, the State has not set the premium paid to the MCO that incorporates the cost of paying pre-Global Commitment claims with Global Commitment funds. Instead, the premium has been set only to cover the costs of services provided during the waiver period plus spending for various state health programs. As a result, the premiums received since inception of the waiver have been less than costs incurred during the waiver period.

Section 40 of the waiver agreement states that any revenue from capitation payments made to OVHA in excess of claims paid on behalf of Medicaid eligible recipients may be invested in state health care programs and services as allowed by the waiver agreement. Such "MCO Investments" may be used to (1) reduce the rate of the uninsured or underinsured in Vermont, (2) increase the access of quality health care to the uninsured, underinsured, and Medicaid beneficiaries, (3) provide public health approaches to improve the health outcomes and quality of life for the uninsured, underinsured, and Medicaid beneficiaries, and (4) encourage the formation and maintenance of public-private partnerships in health care. As identified during the Single Audit of the Medicaid program, OVHA and AHS do not have procedures in place to adequately document how each MCO Investment made meets the above outlined criteria, nor is there adequate documentation to support the amounts allocated and paid by MCO investments. As a result, there is a risk that these costs could be disallowed by the federal government

Recommendation

We recommend that the State develop policies and procedures that requires organizations to certify in writing the terms and conditions as documented in Federal grant arrangements represent the entire agreement between parties and that there are no unwritten arrangements. We further recommend that AHS and OVHA continue to work with the Federal government to clarify the existing terms and conditions to specifically address the following:

- The ability to use federal funds received under Global Commitment to pay for pre-Global Commitment claims; and
- Whether the State may seek reimbursement for claims incurred during the Global Commitment waiver term, but paid subsequent to the expiration of the waiver term.

Finally, AHS and OVHA should develop written procedures for documenting the rationale for MCO Investments along with the types of records that will be maintained to support the cost allocated to each MCO Investment.

(Continued)

Management's Response

AHS does have procedures in place to adequately document how each MCO Investment made meets the criteria established in the Waiver. The auditor has construed the criteria as narrowly pertaining to medical care. One of the purposes of the Waiver is to demonstrate that investments in services other than medical care can have a profound and money-saving effect on health care costs. AHS is confident that the evaluation of the demonstration will substantiate its position and CMS original decision to waive Medicaid requirements in order to demonstrate this. AHS and the MCO have made and continue to make improvements in the documentation of the costs of these investments. As stated in the response to the audit finding cited above, AHS has generally relied on the generally extensive preexisting reporting and audits of the organizations in which investments have been made. AHS will augment that documentation with analytical procedures to provide further assurance.

It was recognized and agreed previously that the transition from a cash-basis state program within a cash-basis federal program to an accrual-basis state program within a cash-basis federal program has presented challenges in both accounting and reporting. Unsurprisingly these challenges were not all anticipated by either the State or CMS. Although there is not complete clarity as to how this particular issue will be resolved, both parties are committed to the success of the waiver. There is no reason to believe that CMS will fail to pay the federal share of benefits that the State has provided under the Medicaid program. The State has submitted a Waiver amendment to resolve this issue. We anticipate a positive response from CMS.

The agreement that is the subject of this finding is the Special Terms and Conditions of the Global Commitment to Health Section 1115 Demonstration. It is a document of the Centers for Medicare and Medicaid Services that authorizes the demonstration. The State of Vermont vigorously negotiated a set of Special Terms and Conditions that best represented the State's interests and provided the State with flexibility to develop a sustainable program for its neediest residents. However, the negotiation process has inherent limitations and Vermont did not have unlimited bargaining power to effect changes in the Special Terms and Conditions.

We agree in concept with the Auditor's recommendation and strive to clarify terms and conditions, in writing, wherever possible and in the best interests of the State. Given this is a new demonstration project, the State of Vermont and the federal government frequently find themselves working through issues prior to establishing written policies and procedures. In these circumstances the State frequently finds itself unable to secure clarification in writing. In these cases the benefits and risks must be weighed to determine whether to proceed. In the case of the Global Commitment Demonstration we believe that the program's benefits far outweigh its associated risks.

With regard to the completeness of a written agreement, to a large degree the language of the *State of Vermont Standard Contract for Services* provides the needed protection, it reads: "6. Amendment. No changes, modifications, or amendments in the terms and conditions of this contract shall be effective unless reduced to writing, numbered and signed by the duly authorized representative of the State and Contractor." However, Finance & Management has already had Central Purchasing add more specific language concerning entirety of the agreement to the standard contract language.

(3) Findings and Questioned Costs Relating to Federal Awards

Finding 08-01

U.S. Agency of Transportation

Program Name and CFDA Number

Highway Planning and Construction CFDA #20.205

Federal Award Numbers and Award Years

Award # : 0113040,	Fiscal year 2008	Award # : 2503001,	Fiscal year 2008
Award # : 0114002,	Fiscal year 2008	Award # : 2507001,	Fiscal year 2008
Award # : 0142010,	Fiscal year 2008	Award # : 2609001,	Fiscal year 2008
Award # : 0188007,	Fiscal year 2008	Award # : 2619001,	Fiscal year 2008
Award # : 0191053,	Fiscal year 2008	Award # : CULV009,	Fiscal year 2008
Award # : 0211022,	Fiscal year 2008	Award # : MARK107,	Fiscal year 2008
Award # : 0302017,	Fiscal year 2008	Award # : PARK021,	Fiscal year 2008
Award # : 0302019,	Fiscal year 2008	Award # : SURF004,	Fiscal year 2008
Award # : 0891052,	Fiscal year 2008	Award # : 1442029,	Fiscal year 2008
Award # : 0911055,	Fiscal year 2008	Award # : 2606001,	Fiscal year 2008
Award # : 1442030,	Fiscal year 2008	Award # : 5600006,	Fiscal year 2008
Award # : 2203001,	Fiscal year 2008	Award # : 0107008,	Fiscal year 2008
Award # : 2215001,	Fiscal year 2008	Award # : CULV005,	Fiscal year 2008
Award # : 2326001,	Fiscal year 2008		

Criteria

When required by the Davis-Bacon Act, the Department of Labor's (DOL) governmentwide implementation of the Davis-Bacon Act, or by federal program legislation, all laborers and mechanics employed by the contractors or subcontractors to work on construction contracts in excess of $2,000 financed by federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the DOL (40 USC 266a-276A-7).

Nonfederal entities shall include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractors comply with the requirement of the Davis-Bacon Act and the DOL regulations (29 CFR part 5, *Labor Standards Provision Applicable to Contracts Governing Federally Financed and Assisted Construction*). This regulation includes a requirement for the contractor or subcontractor to submit to the nonfederal entity weekly, for each week in which any contract work is performed, a copy of the payroll and related statement of compliance.

Condition Found

Contractors are required to submit weekly certified payroll reports to the Resident Engineer (RE) on the construction site. As the payroll reports are received, the RE manually enters the payroll information onto a checklist entitled "Submission of Payroll with Required Certifications." The checklist indicates the project name, number, and the prime-or subcontractor. The checklist also includes columns to enter the payroll report in chronological order, the pay period ending date, the date the payroll report was received, the date

(Continued)

that the payroll report was forwarded to the Office of Civil Rights and Labor Compliance within the Agency of Transportation (the Agency), and the date the employee (or payroll) was paid. Prior to sending the payroll reports to the Office of Civil Rights and Labor Compliance, the RE signs a form, certifying that the Agency has reviewed the payroll report noting any discrepancies and any missing wage rate classifications.

During state fiscal year 2008, the Agency implemented a corrective action plan to address the noncompliance issues noted during the prior year related to Davis-Bacon Act noncompliance; the corrective action plan included, among other things, an update to the checklist described above (called the Submission of Payroll and Required Certifications) to incorporate the date the payroll is paid. This new checklist was implemented in March of 2008. The Office of Civil Rights and Labor Rights also created a cover sheet to be submitted with the certified payrolls submitted by the contractor, which required the contractor to indicate the payroll end date and the date the payroll was paid.

Despite these corrective actions, the results of our testwork for those sample items selected subsequent to the date of corrective action continued to show that the Agency was not in compliance with federal requirements. Specifically, we noted that 26 out of the 40 items selected for testwork related to payroll dates that occurred subsequent to the date of corrective action; 14 of the payroll reports were received from the contractor after the required date of submission; similarly, we noted 14 out of the forty items selected for testwork related to payroll dates that occurred prior to the date of corrective action; 13 of the payroll reports were received from the contractor after the required date of submission.

Cause

The cause of the above condition found is a lack of control and monitoring procedures to ensure that contractors submit the required payroll reports in the time period specified by federal regulations.

Effect

The effect of the condition found is that payroll reports are not received from the contractor within the required time period. This could lead to noncompliance by the contractor regarding the prevailing wage rates paid to its employees, and the Agency would not be able to detect the noncompliance timely.

The condition found appears to be systemic in nature, and this is considered to be a significant deficiency in internal controls.

Questioned Costs

None identified.

Recommendation

We recommend that the Agency implement the necessary control policies and procedures to ensure that all required payroll reports are received and reviewed timely by the RE.

Management's Response and Corrective Action Plan

The Agency agrees that an issue still exists concerning the timeliness for submission of payroll data by contractors to the VTrans offices of Construction and Civil Rights. However, we are assured through our

Office of Civil Rights and Labor Compliance reviews, that compensation paid to employees is correct and in full compliance with the law. The late submission of payroll information has not been an obstacle to the Office of Civil Rights and Labor Compliance in assuring that requirements of the Davis-Bacon Act are met. We understand that there is discussion at the national level to revise the audit compliance supplement for the Davis-Bacon Act. We believe that such a revision would increase credibility of the audit and management processes, and promote consistency of application among all State department of Transportation.

To improve the timeliness of payroll documentation submission by contractors to the Agency, we are working with our Information Technology (IT) Section to ultimately develop a web-based system for collection and maintenance of the payrolls. Until that can occur, however, it is contemplated that payrolls will be submitted electronically to the Construction Section.

Scheduled Completion Date:

Electronic transfer of payroll data to the Construction Section – April 30, 2009.

Web-based database to record, accumulate, and report on contractor's payroll information – Operational as soon as it can be developed by IT.

Contact Persons: Marlene McIntyre, Financial Operations Manager,
Agency of Transportation, 802-828-3444

Lori Valburn, Civil Rights Compliance Manager,
Agency of Transportation, 802-828-5561

David Hoyne, Administrative Civil Engineer,
Agency of Transportation, 802-828-3593

Finding 08-02

U.S. Agency of Transportation

Program Name and CFDA Number

Highway Planning and Construction CFDA #20.205

Federal Award Numbers and Award Years

Award #: Winooski STP 2306(i), Fiscal year 2008

Award #: Leicester BRF0160(3), Fiscal year 2008

Award #: Pownal STP RS 0107(8), Fiscal year 2008

Criteria

A state department of transportation must have a sampling and testing program for construction projects to ensure that materials and workmanship generally conform to approved plans and specifications (23 CFR section 637.205). 23 CFR Subpart B, Section 637.207(a)(3) states that the preparation of a materials certification, conforming in substance to Appendix A of this subpart, shall be submitted to the Federal Highway Administration (FHWA) Division Administrator for each construction project that is subject to FHWA construction oversight activities.

Condition Found

As required by 23 CFR section 637.207 for full oversite projects and through an Agency of Transportation internal procedure for nonfull oversite projects, a letter of justification is required to be completed for each material sampling test explaining the use of any material that deviates from the required specifications per the material sampling plan. Deviations could consist of items such as materials for which insufficient tests were performed, the use of a product for which failing results were obtained, material substitutions, and acceptance of minor quantities, among other items. During our testwork over the material sampling process, we noted that for three out of seventeen items selected for testwork a letter of justification could not be located.

Cause

The cause of the above condition found is a lack of controls in place to ensure that a letter of justification is properly completed and maintained by the Agency of Transportation.

Effect

The effect of the condition found is that there is no documentation to support the conclusion and approval of material sampling tests being performed.

The condition found appears to be systemic in nature, and this is considered to be a significant deficiency in internal controls.

Questioned Costs

None identified.

Recommendation

We recommend that the Agency of Transportation implement the necessary control policies and procedures to ensure that all material sample testing is performed as required and that all deviations from specifications are documented properly.

Management's Response and Corrective Action Plan

In one case, project STP RS 0107(8), there was a request to test a material against two pay item specifications, which was done. The material was tested against the original contract item with a failure resulting. The Independent Assurance (IA) sample confirmed the accuracy of the test results. This is a satisfactory result for IA, but identifies an issue for acceptance. The same sample test data was submitted for dense graded crushed gravel and passed; this sample was wrongly recorded in the materials record in anticipation of a change order that was not submitted.

In two other cases, the quantities associated with the sample were small which resulted in the absence of sampling. For project STP 2306(1), two tons (approx 1.5 cy) of crushed gravel was incorporated into the project. Such a small quantity could not be sampled because its use was severely limited from the projected contract amount of 110 tons, nor should it be as the cost to sample and test it would have exceeded the product cost by a factor of two. For project BRF 0160(3), 14.5 cubic meters of aggregate was placed without testing as a shoulder to the roadway.

The maximum value associated with the unsampled materials was approximately $1000; the threshold for acceptance by waiver for certified materials is $2500. The material's use was not a critical contributor to project function, and both pay items are suitable for gross determination by visual inspection.

All material certifications that are issued after November 15, 2008 will identify even minor materials-related deviations as exceptions to the plans. As a means of expeditiously preparing these certifications, reasonable changes that were explained had been omitted from the exceptions listing. In order to assure that exception decisions are fully reviewed in the future, all exceptions will be attached to the materials certification.

In addition, the Materials and Research Section is examining a linked digital materials record this winter. The advantage of an all digital system is that the notification component of the Site Manager software could be deployed to highlight insufficient testing during each project. This would further strengthen the control. This would also allow routine review of project testing status through routine electronic query.

Scheduled Completion Date: April 30, 2009.

Contact Persons: Marlene McIntyre, Financial Operations Manager,
Agency of Transportation, 802-828-3444

Bill Ahearn, AOT Manager IV,
Agency of Transportation, 802-828-2561

(Continued)

Finding 08-03

U.S. Agency of Transportation

Program Name and CFDA Number

Highway Planning and Construction CFDA #20.205

Federal Award Numbers and Award Years

Award #: BBRP007, Fiscal year 2008

Award #: 0000022, Fiscal year 2008

Award #: SSMG023, Fiscal year 2008

Criteria

A pass-through entity is responsible for monitoring the subrecipient's use of federal awards through site visits or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

Condition Found

The Agency of Transportation (the Agency) enters into various grant agreements with subrecipients to provide services related to highway planning and construction projects. During our testwork over the Agency's subrecipient monitoring process, we noted that for three of thirty grants selected for testwork, there was insufficient documentation maintained in the grant files indicating that during-the-award monitoring over the subrecipients had occurred. The three grants had been assigned to a grant manager who retired, and the Agency was unable to locate the monitoring records. Based upon our review of the existing grant files held by a newly assigned grant manager, there is no significant record or documentation that the new grant manager is actively monitoring these grants.

Cause

The cause of the above condition found is a lack of procedures in place to ensure that subrecipient monitoring requirements are properly communicated to all personnel at the time of employee transition.

Effect

The effect of the condition found is that subrecipients were not properly monitored as required by federal regulations. The instances above related to one grant manager and did not appear to be systemic throughout the Agency.

Questioned Costs

None identified.

Recommendation

We recommend that the Agency review its existing policies surrounding subrecipient monitoring and ensure that all subrecipient monitoring requirements are properly communicated to its employees on a timely basis.

Management's Response and Corrective Action Plan

The issue in this finding directly relates to the failure to maintain and transfer adequate subrecipient monitoring documentation relating to emergency relief projects to a new program manager upon retirement.

Financial Operations will work with the new emergency relief program manager to assure that the new program manager fully understands the record-keeping requirements. We will also include a segment in future program manager training sessions on the need for an orderly transfer of all documentation, even for small projects. We do note that the Federal Highway Administration project involving the Montpelier ledge failure was well documented. By February 1, 2009, we will schedule an internal review of subrecipient monitoring throughout the Agency, with completion by April 30, 2009, to assure compliance with our established subrecipient monitoring procedures.

Scheduled Completion Date: April 30, 2009.

Contact Persons: Marlene McIntyre, Financial Operations Manager,
Agency of Transportation, 802-828-3444

Alec Portalupi, AOT Manager III,
Agency of Transportation, 802-828-3889

Finding 08-04

U.S. Department of Education

Program Name and CFDA Number

Rehabilitation Services – Vocational Rehabilitation Grants To States CFDA #84.126

Federal Award Numbers and Award Years

Award #: H126A080067C, 10/1/2007 – 9/30/2009

Award #: H126A070067E, 10/1/2006 – 9/30/2008

Award #: H126A080068C, 10/1/2007 – 9/30/2009

Award #: H126A070068E, 10/1/2006 – 9/30/2008

Criteria

Services provided under the Vocational Rehabilitation (VR) program are any services described in an Individual Plan for Employment (IPE) necessary to assist an individual with a disability in preparing for, securing, retaining, or regaining an employment outcome that is consistent with the strengths, resources, priorities, concerns, abilities, capabilities, interests, and informed choice of the individual. Section 103(a) 29 USC 723(a) contains examples of the types of services that can be provided.

Entities are required to provide reasonable assurance that federal awards are expended only for allowable activities and that the costs of goods and services charged to federal awards are allowable and in accordance with the applicable cost principles.

Condition Found

The Department of Aging and Independent Living requires all participants to sign Form VR 47 to verify that they understand the IPE process. The participant and counselor are then required to sign Form VR 48, which documents the participant's IPE and the allowable services that will be provided to the participant.

As services are provided to eligible participants based upon the approved IPE, counselors are required to sign invoices related to participant expenses as an indication that the cost has been approved and is allowable under federal regulations. At times when a participant needs something immediately, the district office will confirm with a vendor the cost of the item and write a check from the imprest cash account. An individual grant or cash reimbursement form that replaces the vendor invoice must be signed by the counselor. If it is a consumer grant, then the imprest form is signed by the counselor, and an invoice is kept on file as support. The counselor completes an imprest reimbursement form and indicates the method used to verify the amount of money given. This verification may not be made until a later time and can consist of a receipt, the check being written directly to the vendor, seeing the item, or speaking to someone with knowledge of the purchase.

(Continued)

During our testwork over allowable costs, we noted the following:

A. One of forty expenditures selected for testwork was for significant costs paid on behalf of the participant prior to the IPE being completed, and the costs did not appear to be assessment related, which are allowable under federal regulations. We further noted that this participant had been determined eligible for this program for over a year, and there was no documentation to support why an IPE had not been completed timely.

B. One of forty expenditures selected for testwork was for costs paid on behalf of a participant prior to the participant being determined eligible for the program.

C. Two of thirty expenditures selected for testwork were for consumer grant payments and each payment did not have any documentation to support the amount paid, such as an invoice or some other form of verification of the amount paid.

D. One of thirty expenditures selected for testwork was not signed and approved by the counselor.

Cause

The cause of the condition found is that there were insufficient controls over the review of expenses by counselors.

Effect

The effect of the condition found is that costs were paid on behalf of this program that were not approved. The lack of controls in place to ensure all costs are allowable could result in improper costs being charged to the program.

The condition found appears to be systemic in nature, and this is considered to be a significant deficiency in internal controls.

Questioned Costs

Not determinable.

Recommendation

We recommend that the Department of Aging and Independent Living review its existing policies and procedures and implement controls to ensure that all expenses charged to the program are approved prior to payment and that all cost are properly supported by external documentation. In addition, the Department of Aging and Independent Living should review its existing policies and procedures and implement controls to ensure that all participant costs charged to the program relate to participants who have been determined eligible for services and have an approved IPE for those costs that are nonassessment related.

Management's Response and Corrective Action Plan

We concur with the above condition found.

The VR counselor or a regional manager must sign off invoices for consumer services. In circumstances where there are multiple consumers on an individual bill such as supported employment or VABIR, the regional manager will sign off the invoice.

The VR counselor must collect receipts for consumer grants and use of imprest cash. Receipts are always the preferred method of verification. However, if after multiple attempts the consumer is unable to provide a receipt, the VR counselor must provide written verification that the moneys were expended on the appropriate service.

Expenses authorized prior to certification of eligibility may only be for the purpose of determining eligibility. If sufficient existing data is not available to make an eligibility determination, the VR counselor may authorize the provision of VR services to gather additional assessment data. These services may include trial work experiences, assistive technology, personal assistance services, and any other support services that are necessary to determine eligibility. The VR counselor's case notes must clearly demonstrate why the said services are necessary to help determine eligibility.

Expenses authorized prior to IPE completion may only be for assessments intended to inform IPE development. The regulations provide wide latitude to VR counselor to provide VR services to conduct a comprehensive assessment of the consumer's interest and needs. The case record must demonstrate how the VR services are informing the IPE development process.

Regional managers will use the monthly tracking reports to conduct case reviews. In particular, the managers will focus on required time lines, the appropriateness of case expenditures, and case notes regarding exceptions.

On January 8, 2009 and January 16, 2009, Department of VR will conduct a mandatory training for all counselors, case aides, and administrative staff. James Smith, the Budget and Policy Manager, and Susan Seymour, the Department Financial Administrator, will conduct the trainings.

Scheduled Completion Date: March 1, 2009.

Contact Person: Jan Westervelt, Audit Chief, Agency of Human Services, 802-241-1091

(Continued)

Finding 08-05

U.S. Department of Education

Program Name and CFDA Number

Rehabilitation Services – Vocational Rehabilitation Grants To States CFDA #84.126

Federal Award Numbers and Award Years

Award #: H126A080067C, 10/1/2007 – 9/30/2009

Award #: H126A070067E, 10/1/2006 – 9/30/2008

Award #: H126A080068C, 10/1/2007 – 9/30/2009

Award #: H126A070068E, 10/1/2006 – 9/30/2008

Criteria

All State Vocational Rehabilitation (VR) Agency must determine whether an individual is eligible for VR services within a reasonable period of time, not to exceed 60 days, after the individual has submitted an application for the services unless (Section 102(a)(6) of 29 USC 722(a)(6)):

a. Exceptional and unforeseen circumstances beyond the control of the State VR Agency preclude making an eligibility determination within 60 days and the State VR Agency and the individual agree to a specific extension of time; or

b. The State VR Agency is exploring an individual's abilities, capabilities, and capacity to perform in work situations through trial work experiences in order to determine the eligibility of the individual or the existence of clear and convincing evidence that the individual is incapable of benefiting in terms of an employment outcome from VR services.

An individualized plan for employment (IPE) meeting the requirements of Section 102(b) of the Act and 34 CFR 361.45 and .46 is developed and implemented in a timely manner for each individual determined to be eligible for VR services, except if the State has implemented an order of selection, an IPE is developed and implemented for each individual to whom the designated state unit is able to provide VR services.

Services to an eligible individual are provided in accordance with the provisions of the IPE.

The IPE is to be developed within 90 days of the person being found eligible for services. Delays in the development of the IPE must be explained in the case record. (VR Policy Manual)

Condition Found

During our testwork over the eligibility process, we noted that the eligibility determination was made more than 60 days after the application date for three of forty participants. There was no documentation noted within the case notes that would support why the determination had been delayed beyond the federal requirements.

(Continued)

In addition to the above, during our testwork over the completion of the participant's IPE, we noted the following:

A. One of forty participants did not have an IPE completed.

B. Two of forty participants' IPEs were completed more than 90 days after the participants were determined to be eligible, and there was no documentation to justify the delay within the case notes.

Cause

The cause of the condition found is that at times a counselor cannot determine eligibility within the 60-day requirement due to the participant not being available. If this is the case, the counselor must then request more time to determine the participant's eligibility. In addition, while the Department of Aging and Independent Living has procedures in place for developing IPEs, these procedures were not followed, or there was no documentation to support why such delays occurred.

Effect

The effect of the condition found is that eligibility determination and IPEs were not completed timely. The time delay could impact the participant's opportunity to receive VR services allowed under the federal program on a timely basis.

The condition found appears to be systemic in nature, and this is considered to be a significant deficiency in internal controls.

Questioned Costs

None noted.

Recommendation

We recommend that the Department of Aging and Independent Living review its existing policies and procedures and implement controls to ensure that all eligibility determinations are made timely and IPEs are developed in accordance with federal regulations. In addition, controls and procedures should be implemented to ensure that all facts associated with a participant's case are properly documented within the case notes.

Management's Response and Corrective Action Plan

We concur with the above condition found.

The Department of Vocational Rehabilitation (DVR) regulations require the certification of eligibility be completed within 60 days. If certification of eligibility cannot be completed within the 60-day time frame, the VR counselor must include a case note describing the "exceptional and unforeseen circumstances" that precluded the determination.

DVR has developed a standard case record checklist. DVR will require the checklist to be attached to the inside cover of all case records and used to track compliance with DVR Policies and Procedures.

Federal regulations require that an IPE be developed in a "timely manner." The Vermont DVR policy and procedure manual defines timely as within 90 days of certification of eligibility.

Federal regulations require that an IPE for in-school youth be developed prior to high school exit.

Delays in development of an IPE must be explained in the case note.

The DVR Program Evaluation will generate monthly reports for the DVR regional offices tracking application dates, certification dates, and IPE dates. These reports will help alert counselors and regional managers regarding case time lines.

The DVR regional managers will use the monthly tracking reports to conduct case reviews. In particular, the managers will focus on required time lines, the appropriateness of case expenditures, and case notes regarding exceptions.

On January 8, 2009 and January 16, 2009, DVR will conduct a mandatory training for all counselors, case aides, and administrative staff. James Smith, the Budget and Policy Manager, and Susan Seymour, the Department Financial Administrator, will conduct the trainings.

Scheduled Completion Date: March 1, 2009.

Contact Person: Jan Westervelt, Audit Chief, Agency of Human Services, 802-241-1091

(Continued)

Finding 08-06

U.S. Department of Education

Program Name and CFDA Number

Rehabilitation Services – Vocational Rehabilitation Grants To States CFDA #84.126

Federal Award Numbers and Award Years

Award #: H126A080067C, 10/1/2007 – 9/30/2009

Award #: H126A070067E, 10/1/2006 – 9/30/2008

Award #: H126A080068C, 10/1/2007 – 9/30/2009

Award #: H126A070068E, 10/1/2006 – 9/30/2008

Criteria

States, and governmental subrecipients of states, shall use the same state policies and procedures used for procurements from nonfederal funds. They also shall ensure that every purchase order or other contract includes any clauses required by federal statutes and executive orders and their implementing regulations.

Condition Found

During our testwork over vendor grant payments, we noted that the Department of Aging and Independent Living (the Department) enters into agreements referred to as vendor grant agreements whereby the vendor provides services during their normal course of business. Per review of each vendor grant agreement, the agreement specifically stated it was not a grant agreement.

State Bulletin 3.5, which outlines the State of Vermont's procurement policy, requires the Department to either go through a formal bid process for these services or document why the vendor agreement qualified as a sole source agreement. We were unable to find any bid documents or verify that these were approved as a sole source agreement as required by State Bulletin 3.5 for all nine vendor grants selected for testwork.

Cause

The cause of the condition found is that the Department used a vendor grant agreement that was commonly used throughout the Agency of Human Services, and it was believed that this was an alternative agreement that did not require compliance with State Bulletin 3.5.

Effect

The effect of the condition found is that the Department has not complied with the State of Vermont's procurement policy and, therefore, is in direct violation of both federal and state requirements. In addition, the Department is unable to conclude whether or not money could have been saved by using an alternative vendor since no bids were solicited for the work to be performed.

The condition found appears to be systemic in nature, and this is considered to be a material weakness in internal controls.

(Continued)

Questioned Cost

None noted.

Recommendation

We recommend that the Department develop controls and procedures to ensure that all of its awards for services are awarded in accordance with State Bulletin 3.5.

Management's Response and Corrective Action Plan

We concur with the above condition found.

State Bulletin 3.5 provides for the Secretary of the Agency of Administration (AoA) to approve contracting plans for the administration of procurement actions for which the State Bulletin's procedures are not suited. The AoA has approved a contracting plan under which vendor grants such as those identified in this finding will be administered.

Scheduled Completion Date: November 18, 2008.

Contact Person: Jan Westervelt, Audit Chief, Agency of Human Services, 802-241-1091

Finding 08-07

U.S. Department of Health and Human Services

Program Name and CFDA Number

Immunization Grants CFDA #93.268

Federal Award Numbers and Award Years

Award #: 2H23IP122529-06, 1/1/2008 – 12/31/2008

Award #: 5H23CCH122529-05, 1/1/2007 – 12/31/2007

Criteria

Effective control and accountability must be maintained for all vaccines. Vaccines must be adequately safeguarded and used solely for authorized purposes (A-102 Common Rule).

Condition Found

The Department of Health (the Department) enters into provider agreements with healthcare providers to administer vaccines funded under the Immunization Grants program. Healthcare providers who participate in this program receive vaccines directly from the federal government. On an annual basis, the Department performs monitoring over each healthcare provider to ensure that the vaccines received under this program are properly safeguarded, accounted for, and administered to individuals eligible to receive vaccine under this program. During our testwork over the provider monitoring performed by the Department, we noted the following:

A. For all thirty providers selected for testwork, it does not appear that the Department evaluated the healthcare providers' safeguarding techniques as part of the monitoring review.

B. For eight of thirty providers selected for testwork, the chart review checklist completed by the Department indicated that not all patients were verified as being eligible to receive vaccines under this program, and no corrective action was required for these providers to correct the deficiency.

C. For nine of thirty providers selected for testwork, the Department identified issues that needed correction as part of its monitoring review; however, there was no documentation to support that the Department had followed up to ensure that the corrective actions had been implemented by the healthcare provider. In total, nine providers had ten exceptions that required corrective actions and, for each exception, we noted the following during our review:

    1. For four of ten exceptions, the reviewer at the Department indicated that a corrective action plan (CAP) was necessary, but the healthcare provider's CAP could not be provided.

    2. For five of ten exceptions, the reviewer at the Department identified a deficiency during the review that did not require a CAP plan. However, there was no documentation provided to ensure that the deficiency that needed correcting had been corrected by the healthcare provider.

(Continued)

3. For one of ten exceptions, the healthcare provider submitted a CAP, but there was no evidence to support that the Department had followed up with the healthcare provider to ensure that the plan had been implemented and the deficiency corrected.

Cause

The cause of the condition found is that there are no procedures performed during the monitoring review to ensure the reviews are complete, deficiencies are followed up on to ensure that they are corrected by the healthcare provider as well as to determine whether or not there is sufficient documentation to support the procedures, and conclusions reached.

Effect

The effect of the condition found is that the results of monitoring reviews are not properly documented and the Department is not able to adequately follow up with healthcare providers to ensure that all deficiencies are corrected. This could result in vaccines not being properly safeguarded and vaccines being provided to individuals that are not eligible to receive vaccine under this program.

This condition found appears to be systemic in nature, and this is considered to be a material weakness in internal controls.

Questioned Cost

None noted.

Recommendation

We recommend that the Department review its existing policies and procedures to ensure that there is an adequate review performed over the documentation that is prepared to record the results of each healthcare provider monitoring visit. This should include documentation of all activities performed during the monitoring visit. As part of those monitoring procedures, the Department should ensure that it is adequately reviewing the healthcare provider's process for safeguarding vaccines received under this program. In addition, we recommend that the Department implement procedures to track the results of its monitoring visits to ensure it has adequately followed up on all deficiencies noted during the monitoring visit to ensure that the healthcare provider has taken the necessary steps to correct the identified deficiencies.

Management's Response and Corrective Action Plan

We concur with the above condition found.

CAPs are written for providers when needed and are followed up upon. The change to the Department's procedures to address this will be to add a responsibility to the Vaccine for Children (VFC) coordinator's position to check the visits to make sure this is happening. This check will be documented. This action will begin with the 2009 correct visits.

While the deadline for adding a safeguarding of vaccines section to the Centers for Disease Control (CDC) approved questionnaire has passed for the current cycle, it will be added to the 2009 CDC-approved site

visit questionnaire. Safeguarding of vaccines protocol is being added for the current site visits and will be documented through internal communication to all personnel responsible for site visits.

While the program staff will continue in its efforts to obtain CDC certification of the 90% standard for verification of patient eligibility, any eligibility issue that arises from site visits of less than 100% will be added to the provider's CAP regardless of the CDC-approved standard.

The AHS Internal Audit Group (IAG) will work with the Immunization Grant program staff to organize a standard monitoring program. This will include selecting a number of practices to be monitored annually so that all practices will be visited at least once every three years and practices with findings will be visited annually until the finding is corrected. The monitoring program will include a standard list of compliance requirements and a checklist to document the practice's compliance. Each checklist will provide for the program's monitor to sign and date indicating performance of the monitoring visit. This program will be in place by January 31, 2009. The IAG will monitor performance of the program thereafter and report that performance to the Vermont Department of Health chiefs of fiscal and administrative operations.

Scheduled Completion Date: January 31, 2009.

Contact Person: Jan Westervelt, Audit Chief, Agency of Human Services, 802-241-1091

Finding 08-08

U.S. Department of Health and Human Services

Program Name and CFDA Number

Immunization Grants CFDA #93.268

Federal Award Numbers and Award Years

Award #: 2H23IP122529-06, 1/1/2008 – 12/31/2008

Award #: 5H23CCH122529-05, 1/1/2007 – 12/31/2007

Criteria

A record of vaccine administered shall be made in each person's permanent medical record (or in a permanent office log or file to which a legal representative shall have access upon request) (42 USC 300aa-25), which includes:

a. Date of administration of the vaccine

b. Vaccine manufacturer and lot number of the vaccine

c. Name and address and, if appropriate, the title of the healthcare provider administering the vaccine

Condition Found

The Department of Health (the Department) enters into provider agreements with healthcare providers to administer vaccines funded under the Immunization Grants program. Healthcare providers who participate in this program receive vaccines directly from the federal government. On an annual basis, the Department performs monitoring over each healthcare provider to ensure that the healthcare provider has complied with federal requirements for this program. As part of this monitoring review, the Department completes a chart review to ensure that the healthcare provider has the information required as part of the vaccine record. During our testwork over the Department's monitoring reviews, we noted the following:

A. For ten of thirty providers selected for testwork, the Department noted during the chart review that not all patients' records contained all the information required as part of the vaccine record. There was no documentation to support that the Department had followed up with the healthcare provider to ensure that the deficiency was corrected.

B. For two of thirty providers selected for testwork, there was no evidence to support that the Department had completed the chart review during the monitoring review.

Cause

The cause of the condition found is that monitoring review procedures performed were not complete and there is insufficient documentation to support the procedures and conclusions reached.

Effect

The effect of the condition found is that vaccine records are not complete and in accordance with federal regulations.

This condition found is considered to be systemic in nature, and this is considered to be a material weakness in internal controls.

Questioned Cost

None noted.

Recommendation

We recommend that the Department review its existing policies and procedures and implement the necessary procedures and controls to ensure that all monitoring visits performed over healthcare providers include a chart review and that this chart review is properly documented. In addition, procedures and controls should be implemented to ensure that all deficiencies noted during its review of providers records are communicated to the healthcare provider and that those deficiencies are monitored to ensure that the healthcare provider corrects the matter.

Management's Response and Corrective Action Plan

We concur with the above condition found.

The Agency of Human Service Internal Audit Group (IAG) will work with the Immunization Grant program staff to organize a standard monitoring program. This will include selecting a number of practices to be monitored annually so that all practices will be visited at least once every three years and practices with findings will be visited annually until the finding is corrected. The monitoring program will include a standard list of compliance requirements and a checklist to document the practice's compliance. Each checklist will provide for the program's monitor to sign and date indicating performance of the monitoring visit. This program will be in place by January 31, 2009. The IAG will monitor performance of the program thereafter and report that performance to the Vermont Department of Health chiefs of fiscal and administrative operations.

Scheduled Completion Date: January 31, 2009.

Contact Person: Jan Westervelt, Audit Chief, Agency of Human Services, 802-241-1091

(Continued)

Finding 08-09

U.S. Department of Health and Human Services

Program Name and CFDA Number

Centers for Disease Control and Prevention – Investigations and Technical Assistance CFDA #93.283

Federal Award Numbers and Award Years

Award #: 5 UPO TP116970-07, 7/1/07 – 6/30/08

Award #: 1 U58DP0008000-1, 7/1/07 – 6/30/08

Award #: 3 U58DP122788-05UU1, 7/1/07 – 6/30/08

Criteria

A pass-through entity is responsible to identifying to the subrecipient the federal award information (e.g. CFDA title and number, award name, name of federal agency, etc.) and applicable compliance requirements at the time of granting the award to the subrecipient.

A pass-through entity is responsible for monitoring the subrecipient's use of federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

Condition Found

During our testwork over the Department of Health's (the Department) subrecipient monitoring process, we noted the following:

A. For fourteen of twenty subrecipients selected for testwork, the grant agreement did not adequately identify the compliance requirements (i.e., allowable costs, subrecipient monitoring, etc.) that were applicable to the spending of federal awards by the subrecipient.

B. For two of twenty subrecipients selected for testwork, the Department either did not obtain the required program and/or financial reports from the subrecipient or did not document that the reports submitted were adequately reviewed to ensure that the subrecipient was properly using the federal funds based upon federal requirements and that performance goals were being achieved.

C. For one of the twenty subrecipients selected for testwork, there was no documentation of any site visits that were performed over the subrecipient during the grant period to monitor the subrecipient's activities and use of federal funds. We noted that seven of the twenty grants selected for testwork were considered to be large (greater than $50,000) grants and the Department's subrecipient monitoring policy requires that at least one site visit is performed for large grants.

D. As part of the Department's subrecipient monitoring process, the grant administrator utilizes a "subrecipient monitoring" checklist to ensure that all monitoring activities are performed over the subrecipient. The grant administrator will check off date and sign the checklist each time a monitoring activity is performed and when required reports are submitted by the subrecipient.

(Continued)

We noted that for two of twenty subrecipients selected for testwork the Department did not complete the "subrecipient monitoring" checklist to document the monitoring activities performed over the subrecipient.

Cause

The cause of the condition found is that the Department's subrecipient monitoring policy was not properly followed.

Effect

The effect of the condition found is inadequate monitoring of subrecipients and ultimately inappropriate costs could be paid by the Department.

The condition found appears to be systemic in nature, and this is considered to be a material weakness in internal controls.

Questioned Costs

None noted.

Recommendation

We recommend that the Department review its existing subrecipient monitoring procedures and controls to ensure that uniform subrecipient monitoring procedures are performed across the entire Department and that those procedures are adequately documented. In addition, we recommend that the Department review its procedures for drafting a grant agreement to ensure that the required data has been included.

Management's Response and Corrective Active Plan

We concur with the above condition found.

The Department has implemented a program of appropriate controls and procedures to include subrecipient monitoring requirements. To this end, program managers have been instructed by Department management of the necessity of completing and documenting subrecipient monitoring. Program managers who require training in this area due to staff turnover and other events will be identified and training will be provided.

At the department level, the Administration Fiscal Operations Director and Business Office managers lead this effort. Other department staff involved includes both divisional staff including the Deputy Commissioner for Health Protection and Disease Prevention and the directors and chiefs responsible for the Centers for Disease Control programs.

The Internal Audit Group (IAG) will perform tests, starting on a monthly basis, of records and will report results to Department and agency management in order to ensure compliance. These tests will begin no later than December 2008.

Scheduled Completion Date: Ongoing IAG monitoring of compliance. The IAG has been working with the Department following the June 30, 2007 audit to improve its performance through education and process review. This process will continue until the matter has been corrected.

STATE OF VERMONT

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Contact Person: Jan Westervelt, Audit Chief, Agency of Human Services, 802-241-1091

(Continued)

Finding 08-10

U.S. Department of Health and Human Services

Program Name and CFDA Number

Centers for Disease Control and Prevention – Investigations and Technical Assistance CFDA #93.283

Federal Award Number and Award Year

Award #: 3 058DP122788-05UU1, 7/1/07 – 6/30/08

Criteria

Cost must be reasonable and necessary for the performance and administration of federal awards. Costs must be allocable to the federal awards under the provisions of the cost principles or Cost Accounting Standards Board (CASB) Standards, as applicable. A cost is allocable to a particular cost objective (e.g., a specific function, program, project, department, or the like) if the goods or services involved are charged or assigned to such cost objectives in accordance with relative benefits received.

Condition Found

The Department of Health requires all programs requesting a payment for services or goods to complete and sign a coding/cover sheet in order for a payment to be paid. This sheet contains the account code to be charged, along with the fund, department identification number, program code, and the project grant code. The program director/program chief for each program is responsible for reviewing the invoice and requesting the coding/cover sheet to be completed if the costs are appropriate and allowable under the grant. Once the coding/cover sheet has been completed, it is required to be signed indicating that the cost has been approved prior to being sent to the Business Office for payment processing within the VISION system.

During our testwork over nonpersonal expenditures, we noted that one of thirty coding/cover sheet and supporting invoices selected was coded to the improper expenditure account. As a result, the cost was incorrectly charged to this program and should have been charged to another federal program.

Cause

The cause of the condition found was due to a transposition error of the program number between approval by the program manager and system input by accounts payable.

Effect

The effect of the condition found is that the transposition error led to unallowable costs being charged against the program.

Questioned Costs

$11,525 – the value of the invoice identified above.

Recommendation

We recommend that the Department of Health implement the necessary policies and procedures to ensure that costs charged to federal programs are in compliance with Office of Management and Budget (OMB) Circular A-87, *Cost Principles for States, Local and Indian Tribal Governments*.

Management's Response and Corrective Action Plan

We agree with the condition found.

Program and divisional managers will become the primary check on controls to insure that VISION codes are properly entered. This is done by verification by the program manager that the department "coding sheet" has been properly filled out, including that the appropriate VISION program code has been entered correctly. This policy is effective from November 2008.

The agency through the Internal Audit Group (IAG) will do testwork starting monthly to insure that controls are effective. These tests will begin no later than December 2008.

Scheduled Completion Date: Ongoing IAG monitoring of compliance. The Department believes that this is an isolated instance. The IAG will work with the Department to substantiate this claim. If the Department is not correct, the IAG will work with the Department to establish procedures to reduce the error rate. At this time, we are not able to determine when the process will be completed.

Contact Person: Jan Westervelt, Audit Chief, Agency of Human Services, 802-241-1091

Finding 08-11

U.S. Department of Health and Human Services

Program Name and CFDA Number

Child Support Enforcement CFDA #93.563

Federal Award Numbers and Award Years

Award #: 0704VT4004, 10/1/06 – 9/30/07

Award #: 0804VT4004, 10/1/07 – 9/30/08

Criteria

The IV-D agency must attempt to establish paternity and a support obligation for children born out of wedlock. The agency must establish a support obligation when paternity is not an issue. These services must be provided for any child in cases referred to the IV-D agency or to individuals applying for services under 45 CFR section 302.33 or 45 CFR section 309.65(a)(2) for whom paternity or a support obligation had not been established (45 CFR sections 303.4 and 303.5, 309.100, and 309.105). For State IV-D agencies, these services must be provided within the time frames specified in 45 CFR sections 303.3(b)(3), 303.3(b)(5), 303.3(c), and 303.4(d).

45 CFR section 303.4(d) states "Within 90 calendar days of locating the alleged father or the noncustodial parent, regardless of whether paternity has been established, establish an order for support or complete service of process necessary to commence proceedings to establish a support order, and if necessary, paternity (or document unsuccessful attempts to serve process in accordance with the State's guidelines defining diligent efforts under 45 CFR section 303.3(c).

45 CFR section 303.3(b)(1) indicates that for all cases referred to the IV-D agency or applying for services, the IV-D agency must attempt to locate all noncustodial parents. 45 CFR section 303.3(b)(3) indicates that within no more than 75 calendar days of determining that location is necessary, access all appropriate location sources. Under the regulations of 45 CFR 303.3(c) Location of Noncustodial Parents, the State must establish guidelines defining diligent efforts to serve process. These guidelines are an integral part of many of the sections of the compliance requirements which the IV-D agency must meet. Diligent efforts are referred to in 45 CFR sections 303.4 and 303.6.

Condition Found

During our testwork over the Office of Child Support's compliance with federal requirements over the establishment of paternity and support obligations, we noted the following:

A. For five of forty cases selected for testwork, the 90-day threshold to establish an order for support or complete the service of process necessary to commence proceedings to establish a support order was not met.

(Continued)

B. The Office of Child Support does not define diligent efforts as required by 45 CFR section 303.4 and as such, we were unable to verify that the Office of Child Support was in compliance with this requirement.

C. The Office of Child Support relies on a variety of IT controls to help monitor its compliance with federal regulations. A test of design over IT general controls was completed for the year ended June 30, 2008 over the ACCESS system, the Office of Child Support's due diligence system, and the results of the test of design indicated several material weaknesses in internal control as identified in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements performed in accordance with *Government Auditing Standards*, finding 2008-C. As a result, we are not able to rely on any system controls over this process. We were unable to identify any additional manual controls over this compliance requirement and, as a result, we were unable to perform any test, controls related to this compliance requirement.

Cause

The cause of the condition found is that the progression of each case was not monitored due to insufficient staff to implement the current procedures in place that are required to be followed by the Office of Child Support.

Effect

The effect of the condition found is the lack of compliance with federal time periods and paternity and support obligations not being established in a timely basis.

The condition found appears to be systemic in nature, and this is considered to be a material weakness in internal controls.

Questioned Costs

None identified.

Recommendation

We recommend that the Office of Child Support review its existing control procedures to ensure that procedures and controls are implemented to ensure that the Office of Child Support complies with the time requirements outlined in the federal regulations concerning the establishment of support obligations. We further recommend that the Office of Child Support review its existing procedures to ensure it to includes a definition of what diligent effort is and the types of activities that are performed to meet the diligent efforts requirement. In addition, we recommend that the Office of Child Support and the AHS review their control procedures for both manual and IT controls to ensure that there are adequate controls in place to ensure compliance with all federal requirements.

Management's Response and Corrective Action Plan

The Office of Child Support (OCS) concurs there were five errors out of the forty cases reviewed, which is an 87% accuracy rate for OCS. The federal child support requirement for substantial program compliance during an internal federal review is 75%, which we far exceed.

(Continued)

Also, it was a recommendation that OCS establish guidelines defining diligent efforts to serve process. This will be incorporated into OCS procedures documentation. OCS does not agree this must be accomplished by incorporating into the state plan. Our guidelines will be established in procedure.

Methods for Improvement

The finding demonstrated a need for:

- Programming enhancements
  - (Example) The mainframe (ACCESS) should show workers the number of days to the end of the time line. Worker's daily messages (DAIL) do not state how many days until the end of a process.
  - In finding 08-12, ACCESS is not generating required notices.
- Training improvements
- Staff performance

Ultimately, if our mainframe computer system were programmed to assist staff with its work flow for casework, there would be less reliance on the need for improvement of training or staff performance. Staff each have in excess of 700 cases in which both parties in a case have case processing needs going on simultaneously.

As an interim step before mainframe programming occurs, OCS has begun to utilize our data warehouse to focus on more high-risk cases and to monitor specific time lines. Reports will assist managers in monitoring performance more closely.

OCS will pursue additional training and staff performance during this year. However, improved programming is the primary solution to successfully working with overwhelming caseloads.

Scheduled Completion Date: December 2009.

Contact Persons: Jan Westervelt, Audit Chief, Agency of Human Services, 802-241-1091

Christine Cassel, OCS Federal Program Chief,
Agency of Human Services, 802-241-1539

(Continued)

Finding 08-12

U.S. Department of Health and Human Services

Program Name and CFDA Number

Child Support Enforcement CFDA #93.563

Federal Award Numbers and Award Years

Award #: 0704VT4004, 10/1/06 – 9/30/07

Award #: 0804VT4004, 10/1/07 – 9/30/08

Criteria

For all cases in which an obligation to support and the amount of the obligation has been established, the agency must maintain a system for (a) monitoring compliance with the support obligation; (b) identifying on the date the parent fails to make payments in an amount equal to support payable for one month, or an earlier date in accordance with state or tribal law, those cases in which there is a failure to comply with the support obligation; and (c) enforcing the obligation. To enforce the obligation the agency must initiate income withholding, if required by and in accordance with 45 CFR section 303.100 or 45 CFR section 309.110. State IV-D agencies must initiate any other enforcement action, unless service of process is necessary, within 30 calendar days of identification of the delinquency or other support-related noncompliance, or location of the absent parent, whichever occurs later. If service of process is necessary, service must be completed and enforcement action taken within 60 calendar days of identification of the delinquency or other noncompliance, or the location of the absent parent, whichever occurs later. If service of process is unsuccessful, unsuccessful attempts must be documented and meet the State's guidelines defining diligent efforts. If enforcement attempts are unsuccessful, the state IV-D agency should determine when it would be appropriate to take an enforcement action in the future and take it at that time (45 CFR section 303.6). Optional enforcement techniques available for use by the States are found at 45 CFR sections 303.71, 303.73, and 303.104.

Condition Found

During our testwork over enforcement of child support obligations, we noted the following:

A. For seven of forty cases selected for testwork enforcement actions were completed but the action was not within the 30-or 60-day requirement as defined above.

B. For five of forty cases, an enforcement action was required, but no enforcement action was taken.

C. The Office of Child Support (OCS) relies on a variety of IT controls to help monitor their compliance with federal regulations. A test of design over IT general controls was completed for the year ended June 30, 2008 over the ACCESS system, the OCS's due diligence system, and the results of the test of design indicated several material weaknesses in internal control as identified in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements performed in accordance with *Government Auditing Standards*, finding 2008-C. As a result, we are not able to rely on any system controls over this process. We

were unable to identify any additional manual controls over this compliance requirement, and as a result, we were unable to perform any tests controls related to this compliance requirement.

Cause

The cause of the condition found is that the progression of each case was not monitored due to insufficient staff to implement the current procedures in place that are required to be followed by the OCS.

Effect

The effect of the condition found is the lack of compliance with federal time periods and requirements for enforcement support orders.

The condition found appears to be systemic in nature, and this is considered to be a material weakness in internal controls.

Questioned Costs

None noted.

Recommendation

We recommend that management strengthen the organization's processes and implement both IT and manual controls to help to ensure that enforcement is taken on those cases identified as needing enforcement within the guidelines as established by the code.

Management's Response and Corrective Action Plan

OCS concurs there were 12 errors out of the 40 cases reviewed, which is a 70% accuracy rate is for OCS. We understand this is below the federal child support program requirement for substantial program compliance of 75% that is measured during an internal federal review.

Methods for Improvement

The finding demonstrated a need for:

- Programming enhancements
  - (Example) The mainframe (ACCESS) should show workers the number of days to the end of the time line. Worker's daily messages (DAIL) do not state how many days until the end of a process.
  - ACCESS is not generating required notices.
- Training improvements
- Staff performance

Ultimately, if our mainframe computer system were programmed to assist staff with its work flow for casework, there would be less reliance on the need for improvement of training or staff performance. Staff each have in excess of 700 cases in which both parties in a case have case processing needs going on simultaneously.

As an interim step before mainframe programming occurs, OCS has begun to utilize our data warehouse to focus on more high-risk cases and to monitor specific time lines. Reports will assist managers in monitoring performance more closely.

OCS will pursue additional training and staff performance during this year. However, improved programming is the primary solution to successfully working with overwhelming caseloads.

Scheduled Completion Date: Ongoing. While the Agency of Human Services, the State of Vermont House and Senate are aware of the inadequacies of the ACCESS system, without an increase in funding we are not able to establish a timeline to correct the problems with the ACCESS system. To place a date for our scheduled completion date would be misleading.

Contact Person: Jan Westervelt, Audit Chief, Agency of Human Services, 802-241-1091

(Continued)

Finding 08-13

U.S. Department of Health and Human Services

Program Name and CFDA Number

Child Support Enforcement CFDA #93.563

Federal Award Numbers and Award Years

Award #: 0704VT4004, 10/1/06 – 9/30/07

Award #: 0804VT4004, 10/1/07 – 9/30/08

Criteria

Per 45 CFR section 303.7 (b)(2), except as provided under the long arm statute, within 20 calendar days of determining that the noncustodial parent is in another state, and if appropriate, receipt of any necessary information needed to process the case, the State is required to refer the case to the appropriate out-of-state interstate registry for action including requests for location, document verification, administrative reviews in federal income tax refund offset cases, income withholding, and state income tax refund offset.

Per 45 CFR section 303.7 (b)(4), within 30 calendar days of receipt of a request for information, provide the IV-D agency or central registry in the responding state with any requested additional information or notify the responding state when the information will be provided.

Condition Found

During our testwork over compliance with interstate cases, we noted the following:

A. Three of twenty-four cases selected for Initiating Interstate testwork were not referred to the registry within twenty calendar days of determining that the noncustodial parent was in another state or upon receipt of any necessary information needed to process the case.

B. One of twenty-four cases selected for Initiating Interstate testwork had a request for information from the other state agency that was not responded to within thirty calendar days.

C. The Office of Child Support (OCS) relies on a variety of IT controls to help monitor their compliance with federal regulations. A test of design over IT general controls was completed for the year ended June 30, 2008 over the ACCESS system, the OCS's due diligence system, and the results of the test of design indicated several material weaknesses in internal control as identified in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements performed in accordance with *Government Auditing Standards*, finding 2008-C. As a result, we are not able to rely on any system controls over this process. We were unable to identify any additional manual controls over this compliance requirement, and as a result, we were unable to perform any tests controls related to this compliance requirement.

Cause

The cause of the condition found is that the progression of each case is not monitored due to insufficient staff to implement the current procedures in place that are required to be followed by the OCS.

Effect

The effect of the condition found is the lack of compliance with federal time periods and requirements for interstate cases.

The condition found appears to be systemic in nature, and this is considered to be a material weakness in internal controls.

Questioned Costs

None noted.

Recommendation

We recommend that management strengthen the organization's processes and implement both manual and IT controls to help to ensure that information that needs to be sent to the registry or another state agency is properly sent within the necessary time requirement.

Management's Response and Corrective Action Plan

We concur there were 4 errors out of the 24 cases reviewed which is an 83% accuracy rate for the Office of Child Support (OCS). The federal child support program requirement for substantial compliance is 75% for an internal federal review, which we have exceeded for this audit.

Methods for Improvement

The finding demonstrated a need for:

- Programming enhancements
  - (Example) The mainframe (ACCESS) should show workers the number of days to the end of the time line. Worker's daily messages (DAIL) do not state how many days until the end of a process.
  - In finding 08-12, ACCESS is not generating required notices.
- Training improvements
- Staff performance

Ultimately, if our mainframe computer system were programmed to assist staff with its work flow for casework, there would be less reliance on the need for improvement of training or staff performance. Staff each have in excess of 700 cases in which both parties in a case have case processing needs going on simultaneously.

As an interim step before mainframe programming occurs, OCS has begun to utilize our data warehouse to focus on more high-risk cases and to monitor specific time lines. Reports will assist managers in monitoring performance more closely.

OCS will pursue additional training and staff performance during this year. However, improved programming is the primary solution to successfully working with overwhelming caseloads.

Scheduled Completion Date: December 2009.

Contact Persons: Jan Westervelt, Audit Chief, Agency of Human Services, 802-241-1091

Christine Cassel, OCS Federal Program Chief,
Agency of Human Services, 802-241-1539

(Continued)

Finding 08-14

U.S. Department of Health and Human Services

Program Name and CFDA Number

Medical Assistance Program CFDA #93.775

Federal Award Numbers and Award Years

Award #: 11-W-00191/1, 10/1/05 – 9/30/10

Award #: 11-W-00194/1, 10/1/05 – 9/30/10

Criteria

Within 30 days of receipt of the utilization data from the State, the manufacturers are required to pay the rebate or provide the State with notice of disputed items not paid because of discrepancies found.

Condition Found

During our testwork over drug rebates, we noted that the State of Vermont did not receive payment for thirteen of thirty drug rebates selected for testwork within 30 days of the invoice date.

Cause

The cause of the condition found is that while there are controls in place to monitor any uncollected amounts after 30 days, the State is unable to ensure that the manufacturer pays or disputes the invoiced amount within the required time period.

Effect

The effect of the condition found is that the State is not in compliance with the federal requirements, and the drug rebate amount is not collected timely to offset current expenses incurred under the Medical Assistance program.

The condition found appears to be systemic in nature, and this is considered to be a material weakness in internal control.

Questioned Costs

None.

Recommendation

We recommend that the State of Vermont review its procedures over collections from manufacturers and implement controls and procedures to ensure that the State of Vermont collects timely the amount owed by the manufacturer in an effort to timely offset its current expenses incurred under the Medical Assistance program.

(Continued)

Management's Response and Corrective Action

We concur with the condition found.

The Office of Vermont Access (OVHA) and Electronic Data Service (EDS), its Medicaid Management Information System (MMIS) contractor, implemented a procedure in the third quarter of 2008 to track manufacturer compliance with the 30-response requirement and to assess interest for payment determined to be late under Medicaid regulations.

Scheduled Completion Date: March 31, 2009.

Contact Person: Jan Westervelt, Audit Chief, Agency of Human Services, 802-241-1091

Finding 08-15

U.S. Department of Health and Human Services

Program Name and CFDA Number

Medical Assistance Program CFDA #93.775

Federal Award Number and Award Year

Award #: 75X0512, 7/1/07 – 6/30/08

Criteria

Federal financial participation is available for aggregate payments to hospitals that serve a disproportionate number of low-income patients with special needs. The State plan must specifically define a disproportionate share hospital and the method of calculating the rate for these hospitals. Specific limits for the total disproportionate share hospital (DSH) payments for the State and the individual hospitals are contained in the legislation (Section 1923 of the Social Security Act and 42 USC 1396(r)).

Condition Found

During our testwork over DSH payments, we noted the following:

A. Under 42 USC 1396(r), in order to qualify as an eligible hospital to receive a DSH payment, the following criteria must be met:

   1. Each hospital must generally have at least two obstetricians who have staff privileges at the hospital and who have agreed to provide nonemergency obstetric services to Medicaid patients

   2. Each hospital must have a Medicaid inpatient utilization rate (MIUR) of at least 1%

   3. Each hospital must have a low income utilization rate (LIUR) that exceeds 25%

   The State currently does not solicit the necessary information to ensure that DSH payments are only made to hospitals with the required number of obstetricians and does not calculate the hospital's MIUR or LIUR calculation. The State in practice has defined DSH-eligible hospitals more broadly by including in the definition to include general hospitals otherwise not qualifying for DHS payments and does not perform any tests to ensure it is actually paying an eligible DSH hospital. As a result, the State does not appear to be in compliance with this requirement.

B. 45 CFR Section 413.80(c) prohibits the inclusion of bad debts in the calculation of the DSH payment to be made to a hospital as bad debts are a reduction in revenue and are not an allowable cost. As required by the Medicaid state plan, the State currently includes bad debts as part of its DSH calculation. As a result, the State does not appear to be in compliance with this requirement.

C. 42 USC 1396(r) provides that states are limited in the amount that they can pay a hospital by the hospital-specific DSH cap. This cap is defined in statute as the costs incurred during the year of furnishing hospital services (net of Medicaid payments (other than DSH) and payments by uninsured patients) by the hospital to individuals who are Medicaid-eligible or have no health insurance or

(Continued)

other source of third-party coverage. The Medicaid state plan in Vermont does not address hospital-specific DSH payment limits and the limits are not calculated in practice. As a result, we do not have any evidence to support that a limit was taken into consideration to the payments made to each hospital and we are not able to conclude whether or not hospitals received more than what they were entitled to. As a result, we can not conclude that the State is in compliance with this requirement.

D. 42 USC 1396(r) requires states to complete an annual report to the federal government concerning the DSH payments made. For the year ended June 30, 2008, the State did not submit this report nor has the State ever submitted the required report. As a result, the State is not in compliance with this requirement.

Cause

The State has been aware of this error for two years and has been in the process of developing a new methodology for calculating DHS payments that was implemented for state fiscal year 2009.

Effect

The effect of the condition found is that there were no procedures to ensure that DSH payments are calculated and paid to eligible hospitals in accordance with federal regulations, which could result in unallowable payments being made.

The condition found appears to be systemic in nature, and this is considered to be a material weakness in internal controls.

Questioned Costs

Not determinable.

Recommendation

We recommend that the State review its Medicaid state plan and the above cited federal regulations and implement the necessary controls to ensure that the State has properly identified eligible hospitals, that DSH payments are calculated correctly, and that the required federal reports are filed on an annual basis.

Management's Response and Corrective Action Plan

We concur with the condition found.

Prior to the payments in the fiscal year ending June 30, 2009, Office of Vermont Health Access (OVHA) employed an expert in DSH payments to review and revise the process by which the Vermont Medicaid program computes and pays the payments. The state fiscal year 2009 payments were made in accordance with that revised process and we believe that they were made in accordance with the applicable federal requirements.

Scheduled Completion Date: July 1, 2008.

Contact Person: Jan Westervelt, Audit Chief, Agency of Human Services, 802-241-1091

Finding 08-16

U.S. Department of Health and Human Services

Program Name and CFDA Number

Medical Assistance Program CFDA #93.775

Federal Award Numbers and Award Years

Award #: 11-W-00194/1, 10/1/05 – 9/30/10

Award #: 11-W-00191/1, 10/1/05 – 9/30/10

Criteria

Each State shall participate in the Income Eligibility and Verification System (IEVS) required by section 1137 of the Social Security Act as amended. Under the State Plan the State is required to coordinate data exchanges with other federally assisted benefit programs, request and use income and benefit information when making eligibility determinations, and adhere to standardized formats and procedures in exchanging information with other programs and agencies. The State is required to request and obtain information regarding unearned income from the Internal Revenue Service (IRS) as follows (42 USC 1320b-7; 45 CFR section 205.55).

Condition Found

Information is received from the IRS regarding income reported in Form 1099. This information is uploaded into the ACCESS system, the State of Vermont's benefit eligibility system, to perform data matches with information reported from recipients that have applied for Medicaid services. We noted that the information has not been updated in ACCESS from the IRS since June 2007.

Cause

In discussing this with Computer Services (Agency of Human Services), the IRS has changed the method in which the State receives the information. The information used to be delivered by tape, but now it is being delivered with an online transmission. With the online transmission, there are specific security measures the State needs to ensure. The security measures are being researched to ensure they meet the IRS specification, which are currently in progress.

Effect

The effect of the condition found is that applicants could be providing inaccurate information related to unearned income that would impact an applicant's eligibility for the Medical Assistance Program, and the AHS would not be able to timely identify the matter, and benefits could be paid on behalf of individuals not eligible for the program.

The condition found appears to be systemic in nature, and this is considered to be a material weakness in internal controls.

Questioned Costs

None.

Recommendation

We recommend that the AHS review its procedures over the IRS date matches to ensure the IRS information is uploaded into ACCESS, and it is uploaded timely to ensure the validity of the unearned income information used to determine the eligibility of its participants in the Medicaid program.

Management's Response and Corrective Action Plan

We concur with the condition found.

The State of Vermont (the State) ceased performing the Form 1099 match following its signing a memorandum of understanding (MOU) governing the data transfer with the IRS. That agreement contained IT security requirements as embodied in IRS Publication 1075 and Presidential Directive M-06-16. The State determined that it could not meet all of those requirements. It is for that reason that the State ceased performing the Form 1099 match even though it could physically perform the transfer required.

We are simultaneously taking long-term as well as immediate steps to comply with the requirement that we perform the match. We are assessing and documenting the tasks that must be accomplished in order to be in complete compliance with the security requirements that prevent us from being able to operate under the MOU. We are also reopening discussion of the MOU with the IRS to determine if there is a way we can meet sufficient security standards that we can proceed to perform the match. This discussion will include requesting funding to perform the tasks if that is available.

Scheduled Completion Date: As resources permit. The compliance failure is a result of the inability to meet the ADP system security requirements as stated in finding 08-18. While it may be feasible to meet these requirements as of June 30, 2010, it is unclear at this time if this timeline is realistic.

Contact Person: Jan Westervelt, Audit Chief, Agency of Human Services, 802-241-1091

Finding 08-17

U.S. Department of Health and Human Services

Program Name and CFDA Number

Medical Assistance Program CFDA # 93.775

Federal Award Number and Award Year

Award #: 11-W-00194/1, 10/1/05 – 9/30/10

Criteria

The State of Vermont has entered into an 1115 demonstration waiver under the Medicaid program, referred to as Global Commitment to Health. As part of this 1115 demonstration waiver, the AHS of the State of Vermont has entered into an intergovernmental agreement with the Office of Vermont Health Access, whereby the Office of Vermont Health Access services as the managed care organization for the State of Vermont under the 1115 demonstration waiver. Section 3.2 of the intergovernmental agreement between the Office of Vermont Health Access and the AHS states that the AHS will establish fixed rates (capitation payments) for monthly payments for global commitment enrollees. The capitation payments will be based on the fee-for-service equivalent cost for the package of services that are administered through the Office of Vermont Health Access.

Condition Found

During our testwork over capitated payments made to the Office of Vermont Health Access, we noted that the AHS did not pay the Office of Vermont Health Access in accordance with the intergovernmental agreement, but instead the AHS paid the Office of Vermont Health Access one-twelfth of the annual appropriation (which includes both federal and state dollars) on a monthly basis. As a result, we are unable to conclude that the capitated payment was calculated correctly.

Cause

The cause of the condition found is that the AHS has not received final approval from the Center for Medicaid Services for the capitated rates to be used for current year. As of June 30, 2008, the AHS has only received approval for the rates that were used for 2006.

Effect

The effect of the condition found is that the Office of Vermont Health Access may not be paid accurately based on the actual enrolled participants and actuarially determined rate. The AHS does not appear to have any procedures or controls in place to approximate a monthly payment to the Office of Vermont Health Access based on the requirements of the terms and conditions of the federal 1115 demonstration waiver and the intergovernmental agreement.

The condition found appears to be systemic in nature, and this is considered to be a material weakness in internal controls.

Questioned Costs

Not determinable.

Recommendation

We recommend that the AHS review its existing procedures and implement controls and procedures to ensure that the Office of Vermont Health Access is paid consistently throughout the year based on the requirements of the terms and conditions of the 1115 demonstration waiver and the intergovernmental agreement.

Management's Response and Corrective Action Plan

We concur with the condition found.

The Agency has established procedures that meet the requirements of the Medicaid 1115 demonstration waiver for the computation and payment of the managed care organization premium payment. They are being implemented in the calendar quarter ending March 31, 2009.

Scheduled Completion Date: March 31, 2009.

Contact Person: Jan Westervelt, Audit Chief, Agency of Human Services, 802-241-1091

(Continued)

Finding 08-18

U.S. Department of Health and Human Services

Program Name and CFDA Number

Medical Assistance Program CFDA #93.775

Federal Award Numbers and Award Years

Award #: 11-W-00194/1, 10/1/05 – 9/30/10

Award #: 11-W-00191/1, 10/1/05 – 9/30/10

Criteria

State Automated Data Processing (ADP) security programs shall include the following components (1) a security plan and appropriate policies and procedures to address various areas, such as physical security, telecommunications security, and contingency plans, (2) periodic risk analyses to ensure that appropriate, cost effective safeguards are incorporated into new and existing systems, and (3) biennial ADP system security reviews of installations involved in the administration of Health and Human Services (HHS) programs, which cover, at a minimum, an evaluation of physical and data security operating procedures and personnel practices (45 CFR section 95.621).

Condition Found

The Agency of Human Services (AHS) is the designated single state Medicaid agency. Within AHS, the Office of Vermont Health Access (OVHA) has been designated as the medical assistance unit and the Department of Children and Families (DCF) is responsible for determining client eligibility. In addition, other AHS organizations, such as the Departments of Health and Aging and Independent Living play significant roles in the Medicaid program. While Medicaid eligibility is determined by AHS, claims processing is performed through a combination of State and contractor systems and resources. For example, OVHA contracts with Electronic Data Services (EDS) to process all Medicaid claims for payment. In addition, MedMetrics Health Partners, Inc. serves as the State's pharmacy benefit manager. MedMetrics, in turn, subcontracts with SXC Health Solutions Inc. for the IT aspects of the pharmacy claims approval process. The State itself is also a major control point for ensuring the integrity of claims processing. For example, the State controls access to the claims processing system by State personnel and approves changes to the system.

AHS does not meet the federal ADP security program requirements because there are significant elements of the requirements that have not been completed or were completed for some, but not all, of the applicable state or service provider entities. Specifically,

- *Security Plan.* AHS is in the process of developing a Medicaid security plan. Various pieces of the plan are in draft, but significant elements have not yet been initiated.
- *Risk Assessment.* Risk assessments have been performed by EDS and AHS for the Medicaid claims processing and eligibility systems, respectively. However, a risk assessment has not been performed for critical elements of the Medicaid program as a whole, such as for the pharmacy IT service provider,

SXC Health Solutions, Inc. and the State's internal operations related to claims processing. In addition, a mechanism to track whether the weaknesses identified in the AHS eligibility system risk assessment have been, or are being, fixed has not been established. In contrast, AHS, OVHA, and EDS have established such a mechanism to track the correction of weaknesses found in the EDS risk assessment, which provides sustained attention to this important area.

- *System Security Review.* Independent examinations of the effectiveness of controls (also known as SAS 70 type II reports) serve as the system security reviews for the EDS and SXC Health Solutions systems and processes. However, these reports do not include an assessment of the effectiveness of the State's security controls related to the Medicaid program; so, by themselves, they only partially satisfy the federal requirement for biennial system security reviews. Indeed, the importance of the State's security controls is recognized in both SAS 70 reports, which indicate that the auditor's opinions are based upon the application of relevant controls at the user organizations (i.e., the State).

Each of the major elements of the federal system security requirements – security planning, risk assessments, and security reviews – is an important component of a strong IT security program. Moreover, if all aspects of the Medicaid program – whether conducted by service providers or state agencies – are not considered in the execution of these requirements, then critical security weaknesses may not be identified and corrected.

Cause

The cause of the condition found is a lack of a defined system security plan.

Effect

The effect of the condition found is that critical security weaknesses may not be identified and corrected, and this could impact the integrity of the data used to process claims and determine program eligibility, as well as provide security to personal identifying information that is maintained in the system.

The condition found appears to be systemic in nature, and this is considered to be a material weakness in internal control.

Questioned Costs

None.

Recommendation

We recommend that AHS develop a security plan for the Medicaid program that encompasses both eligibility and claims processing. The AHS should perform a comprehensive risk assessment of the Medicaid systems and control processes that includes all major state and contractor organizations. The AHS should develop action plans or processes to track the activities, milestones, and resources needed to fix the weaknesses found in the risk assessment of the Medicaid eligibility system. Finally, the AHS should perform a comprehensive ADP system security review of the Medicaid program which includes all major state and contractor organizations, and establish a process to complete such reviews biennially.

(Continued)

Management's Response and Corrective Action Plan

We concur with the condition found.

The finding recommends four actions to bring AHS into compliance with 45 CFR section 95.621.

1. Develop an ADP security plan that encompasses all the ADP systems involved in Medicaid eligibility determination and claims processing

2. Perform a comprehensive risk assessment of the system composed of the identified ADP systems

3. Develop a plan to mitigate unacceptable levels of risk that are identified in the system risk assessment

4. Perform the biennial risk assessments specifically identified in 45 CFR section 95.621

The Agency agrees with the recommendations and is in process of implementing the actions. At this time progress toward completing the process is uneven. In some areas like the Medicaid Management Information System (MMIS) operated by EDS, the process is quite mature and complete. In other areas AHS is just at the point of identifying the ADP systems that must be included in the plan and gathering documentation of its security risks and plans. Generally, it is fair to say that the more integral the ADP system is to claims processing, the more complete the processes. It becomes less complete as the ADP systems become less directly involved with claims processing and eligibility determination.

The following is an assessment of the present status of this work:

- *Security plan.* AHS is in the process of developing a Medicaid security plan. Various pieces of the plan are in draft, but significant elements have not yet been initiated.

  Here are the six portions of the Medicaid Security Plan and status for each (as of December 17, 2008):

  - MMIS security plan (EDS portion) – a comprehensive MMIS security plan based on NIST 800-18 for the EDS portion of the MMIS has been delivered by EDS to the State in final form on December 11, 2008. (100% complete)
  - MMIS security plan (State portion) – AHS has written a draft MMIS security plan that covers the Vermont portion of the MMIS based on NIST 800-18. A section on change control/management is being added. (estimate: 90% complete)
  - Pharmacy security plan (SXC portion) – the SXC/Medmetrics security plan is being requested from the vendor. (0% complete)
  - Pharmacy security plan (Vermont portion) – this will be initiated within next six months. (0% complete)
  - Access security plan (DII portion) – the DII Security Director is currently updating the existing outdated DII mainframe security plan. (estimate: 5% complete)
  - Access security plan (State portion) – DCF has a formal ACCESS security document that AHS is in the process of converting into a security plan based on NIST 800-18. (estimate: 20% complete)

- *Risk Assessment.* Risk assessments have been performed by EDS and AHS for the Medicaid claims processing and eligibility systems, respectively. However, a risk assessment has not been performed for critical elements of the Medicaid program as a whole, such as for the pharmacy IT service provider, SXC Health Solutions, Inc. and the State's internal operations related to claims processing. In addition, a mechanism to track whether the weaknesses identified in the AHS eligibility system risk assessment have been, or are being, fixed has not been established. In contrast, AHS, OVHA, and EDS have established such a mechanism to track the correction of weaknesses found in the EDS risk assessment, which provides sustained attention to this important area.

  The SXC/Medmetrics risk assessment has been received from the vendor, December 17, 2008.

  The mechanism to track status of items identified in the AHS eligibility system will be enhanced in the next month to better facilitate risk management.

- *System Security Review.* Independent examinations of the effectiveness of controls (also known as SAS 70 type II reports) serve as the system security reviews for the EDS and SXC Health Solutions systems and processes. However, these reports do not include an assessment of the effectiveness of the State's security controls related to the Medicaid program; so, by themselves, they only partially satisfy the Federal requirement for biennial system security reviews. Indeed, the importance of the State's security controls is recognized in both SAS 70 reports, which indicate that the auditor's opinions are based upon the application of relevant controls at the user organizations (i.e., the State).

AHS conducted an internal security controls review for the Access system in 2007 but not the State of Vermont portions of the MMIS or Pharmacy systems. AHS will start an internal controls review for the State of Vermont portions of the MMIS and Pharmacy systems within the next six months. (33% complete)

Scheduled Completion Date: AHS is continuing in its efforts to meet the required standards of ADP security. This is an ongoing program since both the systems and the requirements are always evolving. AHS is working with the ADP system operations within that universe to establish their compliance. This process will begin in fiscal year 2009. If it is feasible, it will be completed in 2010, but it is unclear at this time if this timeline can be met.

Contact Person: Jan Westervelt, Audit Chief, Agency of Human Services, 802-241-1091

(Continued)

Finding 08-19

U.S. Department of Health and Human Services

Program Name and CFDA Number

Medical Assistance Program CFDA #93.775

Federal Award Number and Award Year

Award #: 11-W-00194/1, (10/1/05 – 9/30/10)

Criteria

Per review of the 1115 demonstration Waiver Global Commitment to Health (the Waiver), the Waiver provides that if the Managed Care Organization's (MCO) contractual obligation to the population covered under the Waiver is met, any revenue from capitation payments related to the beneficiaries covered under the Waiver must be used to (1) reduce the rate of uninsured and/or underinsured in the State of Vermont; (2) increase the access of quality healthcare to uninsured, underinsured, and Medicaid beneficiaries, (3) provide public health approaches to improve the health outcomes and the quality of life for the uninsured, underinsured and Medicaid beneficiaries; and (4) encourage the formation and maintenance of public-private partnerships in healthcare. This revenue is referred to as MCO Investments.

Condition Found

During our testwork over the allowability of MCO Investment payments, we selected MCO Investment payments of approximately $38.0 million out of a total of $58.6 million MCO Investment payments made for the year ended June 30, 3008 and noted the following:

A. MCO Investments totaling $8 million were used to fund school health services provided by the Department of Education through various local school districts that are not currently funded through Medicaid and the Special Education Cluster. This program is directly appropriated by the Vermont State Legislature as part of the annual budget process. The funds paid under this program were to have met MCO Investment category 2, as defined above. While it is evident that there were healthcare related services performed, we were unable to obtain evidence to support that the services provided met the definition of MCO Investment category 2. In addition, we noted that while the Department of Education provides a report that shows the amount of eligible funding that can be paid under this MCO Investment, there are no procedures in place to validate this data to ensure that it is accurate.

B. MCO Investments totaling $1.3 million were used to fund the Health Care Administration program administered by the Department of Banking, Insurance, Securities and Health Care Administration (BISCHA). This program is directly appropriated by the Vermont State Legislature as part of the annual budget process. The funds paid under this program were to have met MCO Investment category 2, as defined above. We noted that the costs of services provided under this program were allocated to MCO Investments using a rate of 34%. While the costs incurred under this MCO Investment appeared to have met the objectives of MCO Investment category 2, we were unable to obtain evidence to support the reasonableness of the 34% allocation rate.

C. MCO Investments totaling $913,000 were paid to the Vermont Veterans Home, which is a skilled nursing facility that serves veterans, spouses, and Gold Star parents (parents of soldiers killed in action). This program is directly appropriated the Vermont State Legislature as part of the annual budget process. The funds paid were to have met MCO Investment category 2, as defined above. We were unable to obtain any evidence to support what types of costs were incurred by the Vermont Veterans Home or who received services under the MCO Investment payments.

D. MCO investments totaling $4 million were paid to the University of Vermont to provide services under the Vermont Physician Training program. This program is directly appropriated by the Vermont State Legislature. The funds paid under this program were to have met MCO Investment category 2, as defined above. The University of Vermont indicated that the funds had been used to support the University's College of Medicine's educational programs; however, the University did not maintain any detailed accounting records, effort reports or other documentation to support how the funds were spent, nor are they required to by the Memorandum of Understanding that the State of Vermont enters into with the University of Vermont. Accordingly, we were unable to determine if the University of Vermont had spent the funds in accordance with the waiver agreement.

E. MCO Investments totaling $627,000 were paid to fund the Emergency Medical Service program administered by the Department of Health. The funds paid under this program were to have met MCO Investment category 2, as defined above. We noted that the costs of services provided under this program were allocated to MCO Investments using a rate of 100%. We were unable to obtain evidence to support the reasonableness of the 100% allocation rate or who received services under the MCO Investment payments.

F. MCO Investments totaling $2 million were paid to fund the Health Laboratory program administered by the Department of Health. The funds paid under this program were to have met MCO Investment category 3, as defined above. Costs under this program were allocated using a rate of 56.3%, which represents the percentage of Vermonters that reside in Vermont with household incomes below 300% of the federal poverty level that was determined in the year 2000. While this appeared to be a public health approach to healthcare and the intent was to allocate costs using a rate that represented Medicaid eligible individuals, we note that the allocation rate used was eight years old and no evidence was provided to show that this rate was accurate and reasonable to use in the current year.

G. MCO Investments totaling $1.1 million were paid to fund the Tobacco Cessation program administered by the Department of Health. The funds paid under this program were to have met MCO Investment category 3, as defined above. Costs under this program were allocated using a rate of 56.3%, which represents the percentage of Vermonters that reside in Vermont with household incomes below 300% of the federal poverty level that was determined in the year 2000. While this appeared to be a public health approach to healthcare and the intent was to allocate costs using a rate that represented Medicaid eligible individuals, we note that the allocation rate used was eight years old and no evidence was provided to show that this rate was accurate and reasonable to use in the current year.

H. MCO Investments totaling $562,000 were paid to fund costs paid in excess of what was reimbursed under the Special Supplemental Program for Women, Infants, and Children (WIC) federal program administered by the Department of Health. Funds paid under this program were to have met MCO

Investment category 3, as defined above. The Department was unable to provide sufficient evidence to support that the payments met the definition of MCO Investment category 3.

I. MCO Investments totaling $2.8 million were paid to fund the Substance Abuse Treatment program administered by the Department of Health. Funds paid under this program were to have met the MCO Investment category 2, as defined above. The costs incurred represent the excess cost incurred under this program that was not reimbursed by the Block Grant for the Prevention and Treatment of Substance Abuse or the State of Vermont's Maintenance of Effort requirement for this federal program. The excess costs were allocated using a rate of 56.3%, which represents the percentage of Vermonters that reside in Vermont with household incomes below 300% of the federal poverty level that was determined in the year 2000. While this appeared to be a public health approach to healthcare and the intent was to allocate costs using a rate that represented Medicaid eligible individuals, we note that the allocation rate used was eight years old and no evidence was provided to show that this rate was accurate and reasonable to use in the current year.

J. MCO Investments totaling $10.1 million were used to fund payments made for residential care for youth and substitute care payments made by the Department of Children and Families. Funds paid under this program were to have met MCO Investment category 2, as defined above. Costs charged under this program were for services, such as treatment costs and/or room and board charges for children ineligible for Medicaid or Foster Care. While treatment costs appear to be healthcare related, we were unable to obtain evidence to support the reasonableness of the 100% allocation rate or that all the costs incurred were fully healthcare related.

K. MCO Investments totaling $2.7 million were used to fund payments made for Aid to the Aged, Blind and Disabled CCL III program, administered by the Department of Children and Families. Funds paid under this program were to have met MCO Investment category 2, as defined above. The costs incurred under this program represented additional payments made to individuals who receive Social Supplemental Income (SSI) and live in a level III home. A level III home provides services to people in need of a residence for reasons of health status. The payments made under this program are paid directly to the participant. We were unable to obtain evidence to support that the participant used this payment for healthcare related services. As such, these costs do not appear to be healthcare related and, accordingly, do not meet the definition of MCO Investment category 2.

L. MCO Investments totaling $516,000 were used to fund the Women's Health Program (Tapestry) administered by the Department of Corrections. Funds incurred under this program were to have met MCO Investment category 2, as defined above. Services provided under this program include treatment for substance abuse, mental health, educational/vocational skills training, parenting and relationship training, wellness and skills to promote self reliance. We noted that the costs of services provided under this program were allocated to MCO Investments using a rate of 100%. We were unable to obtain evidence to support the reasonableness of the 100% allocation rate or that the costs incurred were fully healthcare related.

M. MCO Investments totaling $2 million were used to fund the Community Rehabilitative Care Program administered by the Department of Corrections. Funds incurred under this program were to have met MCO Investment category 2, as defined above. The services under this program represented salary costs of Probation and Parole Officers who provided case management services

and construct and implement case plans to address criminogenic behaviors. Costs were allocated to this program using a rate of 38%, which is an estimated made by the Department of Corrections as to the percentage of Vermont residents who are uninsured, underinsured or Medicaid eligible and then by an additional rate of 62.5%, which is the estimated time that probation and Parole Officers spend providing these services. We were unable to obtain documentation to support that the case management services provided by the Probation and Parole Officers met the definition of healthcare services, nor were we able to obtain evidence to support that the services rendered met the definition of MCO Investment category 2. In addition, we were unable to obtain evidence to support the reasonableness of the allocation rates used by the Department of Corrections to allocate the payroll cost to this program.

While the AHS and the Office of Vermont Health Access have developed procedures for defining how they will interpret the types of costs that are allowable under each MCO Investment category, we were unable to conclude that each of the costs selected above was allowable under the narrow definition provided within the Waiver. Based on the lack of documentation to support the rationale for how these costs were allocated to the program, we consider this to be a material weakness in internal controls.

This finding appears to be systemic in nature and is considered to be a material weakness.

Cause

The cause of the condition found is the lack of documentation to support how costs are determined to be an allowable MCO Investment and documentation to support the methodologies used to allocate costs to an MCO Investment.

Effect

The effect of the condition found is that costs may be charged to this program that are not allowable under federal regulations.

The condition found appears to be systemic in nature, and this is considered to be a material weakness in internal control.

Questionable Costs

Not determinable.

Recommendation

We recommend that the AHS implement policies and procedures for documenting what an MCO Investment is and arriving at adequate documentation to support how costs are allocated to this program.

Management's Response and Corrective Action Plan

AHS met with KPMG regarding the definition of the scope of allowable activities for MCO Investments under the Global Commitment Waiver. AHS agrees with the finding with regard to documentation. Our belief is that AHS and KPMG have agreed that the scope of MCO Investments' activities is something that is the subject of the demonstration and will be evaluated as such.

There are two distinct aspects to this finding concerning the allowable cost of MCO Investments (capitated revenue expenditures in the special terms and conditions of the Waiver). The first is the scope of activities that are allowable as purposes for MCO Investments. The second is the documentation of the amount as an investment.

The Centers for Medicaid Services (CMS) used the following language in its October 2007 transmittal letter informing Vermont of CMS approval of the inclusion of health insurance premium assistance under the existing waiver:

"Using a multi-disciplinary approach including the basic principles of public health, the fundamentals of effective administration of a Medicaid managed care delivery system, and flexibility under this demonstration, Vermont will continue to demonstrate its ability to promote universal access to health care, cost containment, and improved quality of care. Vermont will be required to conduct an evaluation of the impact of the demonstration program during the 5-year period."

The provision of flexibility in the use of Medicaid funding is the essence of the concept of demonstration waivers. It is Vermont's responsibility to make use of the waiver authority to demonstrate that innovative implementations of the Medicaid program improve the outcomes of the program. We believe these investments will support such improved outcomes and are within scope especially given state and national research on best practices. Additionally, under state statute, Vermont is the first state in the country to tackle broad based healthcare reform using multifaceted and population based approaches. The Waiver, including the use of investment funds, is but one piece of the healthcare reform initiative, all of which are annually reviewed and approved by the Vermont legislature. Attaining the demonstration goals of access, quality, and cost containment is part of the State's responsibility under the demonstration.

In developing procedures for managing the MCO the AHS has established criteria for determining the allowable amount of MCO investments in each of the four investment categories. Some of those criteria involve the allocation to uninsured, underinsured and Medicaid-eligible Vermonters of expenditures for all Vermonters. The AHS has used the most recent independently determined and verifiable information available to make those allocations. The AHS generally relies on the providers' accounting controls that are independently audited for assurance that the amounts claimed are correctly reported. Vermont believes that it has established methods to document the MCO Investments. We will continue to work with the auditors better to understand and meet their needs for documentation.

Scheduled Completion Date: All documentation issued will be corrected as of June 30, 2009.

Contact Person: Jan Westervelt, Audit Chief, Agency of Human Services, 802-241-1091

Finding 08-20

U.S. Department of Health and Human Services

Program Name and CFDA Number

Medical Assistance Program CFDA #93.775

Federal Award Number and Award Year

Award #: 11-W-00194/1, 10/1/05 – 9/30/10

Criteria

Matching or cost sharing includes requirements to provide contributions (usually nonfederal) of a specified amount or percentage to match federal awards. Matching may be in the form of allowable costs incurred or in-kind contributions (including third-party in-kind contributions).

Entities are required to provide reasonable assurance that matching requirements are met using only allowable funds or costs that are properly calculated and valued.

Condition Found

As part of the required match for the monthly capitated payment made to the Office of Vermont Health Access (OVHA) under the Medicaid 1115 demonstration waiver, Global Commitment to Health (the Waiver), the AHS used certain funds that are referred to as a certified state match that is essentially a third-party in-kind contribution. During the year ended June 30, 2008, the amount of the certified state match was approximately $35 million. The source of funds to be used for the certified state match is outlined annually by the Vermont State Legislature during the annual budget process.

During our testwork over the documentation to support the certified state match, we noted the following:

A. Approximately $8.9 million of certified state match was provided by school districts. The costs associated with this match represented healthcare-related costs incurred by the schools that are not currently reimbursed through Medicaid or Special Education Cluster funds. The schools are required to submit a report to the Department of Education that shows the amount of eligible certified match, and this information is forwarded on to AHS. AHS does not have any procedures in place to validate the accuracy of the certified state match to ensure that it is properly calculated and valued.

B. Approximately $4.8 million of certified state match was provided by designated agencies throughout the State of Vermont. Designated agencies work directly with the Department of Mental Health and the Department of Aging and Independent Living and provide a variety of services that are healthcare related, such as mental health counseling. The designated agencies are required to submit to AHS a letter certifying the amount of eligible certified state match that is available for use on an annual basis. While the Department of Mental Health does perform extensive monitoring procedures over the services provided at the designated agencies, AHS does not have any procedures in place to validate the accuracy of the certified state match to ensure that it is properly calculated and valued.

As a result, we are unable to conclude that the value of the certified state match for these items is accurate.

Cause

The cause of the condition found is that AHS does not review the accuracy of the data submitted by the third party certifying the certified state match that is available. AHS does not require the third party to submit documentation to substantiate the value of the state match that has been certified.

Effect

The effect of the condition found is that AHS is not able to substantiate the value used to determine the certified state match, and this could result in AHS not properly providing for the correct amount of funds for the required state match.

The condition found appears to be systemic in nature, and this is considered to be a material weakness in internal controls.

Questioned Costs

Not determinable.

Recommendation

We recommend that AHS implement controls and procedures to ensure that the source of funds for all certified state match components is properly documented and that the value of the related certified state match is properly supported and reviewed for accuracy.

Management's Response and Corrective Action Plan

AHS believes that the required reporting of the schools and providers who provide certified match and the audits to which they are subject annually are sufficient assurance that the amounts they certified are accurate.

The certified state match is based on qualifying revenues expended on Managed Care Organization investment activities by the certifying organizations and is reported at the amount of those revenues. The certifying organizations are subject to independent audits and are required to make extensive reports to both the state and federal governments. AHS will establish analytical procedures by which it may be reasonably assured that the certified expenditures are consonant with the organizations' existing reports.

Scheduled Completion Date

All documentation issued will be corrected as of June 30, 2009.

Contact Person: Jan Westervelt, Audit Chief, Agency of Human Services, 802-241-1091

(Continued)

Finding 08-21

U.S. Department of Homeland Security

Program Name and CFDA Number

Disaster Grants – Public Assistance (Presidentially Declared Disaster) CFDA #97.036

Federal Award Number and Award Year

Award #: Declarations 1715 and 1698, 7/1/07 – 6/30/08

Criteria

Per 31 USC 7502(f)(2)(B), each pass-through entity shall monitor the subrecipient's use of federal awards through site visits, limited scope audits, or other means.

In accordance with 44 CFR section 13.20, all administrative costs must be supported by source documentation such as canceled checks, paid bills, payrolls, time and attendance records, contracts and subgrant award documentation, etc. If the indirect cost rate exceeds the 3% administrative costs allowance after all other eligible administrative costs have been identified and budgeted, the grantee must submit a request for a waiver with justification to validate the need for additional administrative costs.

Per 44 CFR section 206.47(a), the Federal Emergency Management Agency (FEMA) will pay 75% of the eligible cost of permanent restorative work under section 406 of the Stafford Act and for emergency work under section 403 and section 407 unless the Federal Share is increased under this section.

Per 44 CFR section 206.205(b)(1), the Grantee shall make accounting to the regional director of eligible costs for each large project. In submitting the accounting, the Grantee shall certify that reported costs were incurred in the performance of eligible work, that the approved work was completed, that the project is in compliance with the provisions of the FEMA-State Agreement, and that the payments for the project have been made in accordance with 44 CFR section 13.21. Each large project shall be submitted as soon as practicable after the subgrantee has completed the approved work and has requested payment.

Condition Found

The Agency of Transportation (the Agency) enters into grant agreements with subrecipients for disaster-related projects that are approved directly by the FEMA. During our testwork over the Agency's monitoring of these grants, we noted that the Agency lacked documentation to support that the Agency had properly monitored its subrecipients to ensure that the subrecipients had complied with federal regulations. Specifically, the following were noted:

A. For all twenty-five subrecipients selected for testwork, there was no documentation to support that the subrecipient did not exceed the 3% maximum allotment for administrative costs. In addition, there was no documentation obtained to support the administrative costs incurred by the subrecipients.

B. For eight of the twenty-five subrecipients selected for testwork, we noted that the grants were related to small projects that were not 100% complete at the date of the original assessment visit by FEMA

and the Agency. A small project is defined by FEMA as a project that costs less than $60,900 for the period of October 1, 2007 to September 30, 2008, and $59,??? for the period of October 1, 2006 to September 30, 2007. The Agency did not perform any monitoring procedures on these small projects other than obtain a certification that the project was completed by the subrecipient, and there was no documentation to support that the Agency had reviewed the costs incurred by the subrecipient to ensure that the costs were allowable and in accordance with what was approved by FEMA. In addition, there was no documentation to support that the Agency had monitored to ensure that if the actual costs of the project was less than what had originally been funded and approved by FEMA, then the excess funds received were used for other public works projects.

C. While the Agency obtains a certification that a project has been completed by its subrecipients, the Agency does not send a certification directly to FEMA as required by the above-stated regulations.

D. There is no documentation to support that the Agency monitored to ensure that the subrecipient had provided the required local match in order to receive federal funding.

Cause

The cause of the condition found is that all small projects are not considered significant for monitoring purposes, and as such, the Agency does not perform monitoring procedures over these projects.

The Agency will obtain certification along with support documentation from the subrecipient to support the project costs that are eligible for large projects only. This information is sent to FEMA as required; however, there is no state certification sent acknowledging that the reported costs were incurred in the performance of eligible work, the approved work was completed, the project is in compliance with the FEMA-State Agreement, and the payments for the project have been made in accordance with 44 CFR section 13.21. In sending to FEMA the Agency certification as well as support documentation, the Agency believed this was adequate for the requirements.

Declarations prior to November 13, 2007 had a standard total administrative cost of 3% of the total project paid out by FEMA, regardless of the actual expenditures incurred for projects. As a result, it did not appear as a requirement that records of the associated administrative costs needed to be documented as part of the project.

Effect

The effect of the condition found is that the Agency has not monitored whether or not these projects have been completed in accordance with federal regulations and that the costs incurred on these projects are allowable.

The condition found appears to be systemic in nature, and this is considered to be a material weakness in internal controls.

Questionable Costs

Not determinable.

Recommendation

We recommend that the Agency review its existing policies and procedures and develop procedures and controls to ensure it properly monitors all subrecipients under this program and that it documents those activities. This would include obtaining documentation to support the costs paid for all projects and ensuring that the costs are allowable in accordance with federal regulations. In addition, the Agency should ensure that all subrecipients comply with spending limitations and have provided the required local match in order to be eligible for federal funds. Finally, a certification should be made to FEMA for each project funded.

Management's Response and Corrective Action Plan

We concur with the following findings:

(A) Lack of supporting documentation verifying that the 3% maximum grant administrative costs were not exceeded by subrecipient.

(B) Lack of documented monitoring procedures on small projects. As a result, there was no documentation to support that costs incurred by the subrecipient were allowable and in accordance with what was approved by FEMA. There was no documentation to support that monitoring had occurred to ensure that if the actual costs of the project was less than what had originally been funded and approved by FEMA, that the excess funds received were used for other public works projects.

(D) Project Completion Documents for Public Assistance grants were not filed with FEMA.

(E) Inability to verify State's 25% matching requirement on small projects due to the lack of tracking expenditures.

These deficiencies, for the most part, are attributable to the lack of or production of supporting documentation. The workload in administrating FEMA grants is volatile in nature from year to year. In the years with a high rate of disasters, as was the case for this fiscal year, monitoring all projects becomes extremely difficult given current budget constraints. Financial Operations will work with the new emergency relief program manager to assure that this new program manager fully understands the record-keeping and monitoring requirements. We will also include a segment in future program manager training sessions on the need for an orderly transfer of all documentation, even for small projects.

Scheduled Completion Date: April 30, 2009.

Contact Persons: Marlene McIntyre, Financial Operations Manager,
Agency of Transportation, 802-828-3444

Alec Portalupi, AOT Manager III,
Agency of Transportation, 802-828-3889

Finding 08-22

U.S. Department of Homeland Security

Program Name and CFDA Number

Disaster Grants – Public Assistance (Presidentially Declared Disaster CFDA #97.03)

Federal Award Number and Award Year

Award #: Declarations 1715 and 1698, 7/1/07 – 6/30/08

Criteria

In accordance with FEMA State Agreement, The Grantee shall submit Financial State Reports, SF 269 or FF-2010, to the FEMA Regional Office 30 days after the end of the first federal quarter following the initial grant award. The Grantee shall submit quarterly financial status reports thereafter until the grant ends. Reports are due on January 30, April 30, July 30, and October 30.

In compliance with 44 CFR section 13.20(b)(1), *Financial Reporting,* accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant and subgrantees.

Condition Found

During our testwork over the Agency of Transportation's reporting process for this program, we noted the following:

A. All of the reports filed for the quarters ended September 30, 2007 and June 30, 2008, were not filed within the 30-day time period required.

B. All of the reports filed for the quarters ended September 30, 2007 and June 30, 2008, contained several reporting errors and were not accurate.

C. All of the reports filed for the quarters ended September 30, 2007 and June 30, 2008, utilized management estimates in determining the subrecipient matching component for the outlays during the reporting period. Utilization of the estimate does not necessarily contain a complete and accurate account of the financial activities during the reporting period as required under federal regulations.

Cause

The cause of the condition found is that there is no notification that the report is overdue or nearing its due date and procedures do not appear to be in place to ensure the mathematical accuracy of the data used to compile the reports.

Effect

The effect of the condition found is that reports are not filed timely, and the amounts reported are inaccurate.

Questionable Costs

Not determinable.

Recommendation

We recommend a tracking system be implemented over the reporting process that would notify when reports are due to be submitted in accordance with federal regulations. We further recommend a review take place over the reports being filed to check for accuracy. Recalculations should be performed to verify the accuracy of the financials of the report. Finally, we recommend that monitoring be performed over the subrecipient to accurately obtain costs incurred by the subrecipient during the work of the project.

Management's Response and Corrective Action Plan

We concur with the following findings relating to FEMA reporting:

(A) Declarations 1698 and 1715 not filed within the 30-day time window.

(B) Expenditure calculation inaccuracies occurred in Declarations 1698 and 1715.

(C) Expenditure estimates were used on reports as opposed to actuals in determining subrecipient project matching components.

Financial Operations will work with the new emergency relief program manager to assure that the new program manager fully understands the record-keeping and reporting requirements. We will also include a segment in future program manager training sessions on the need for an orderly transfer of all documentation, even for small projects.

Scheduled Completion Date: April 30, 2009.

Contact Persons: Marlene McIntyre, Financial Operations Manager,
Agency of Transportation, 802-828-3444

Alec Portalupi, AOT Manager III,
Agency of Transportation, 802-828-3889

STATE OF VERMONT

Summary Schedule of Prior Single Audit Findings

June 30, 2008

STATE OF VERMONT

Summary Schedule of Prior Single Audit Findings

Table of Contents

Summary Schedule of Prior Single Audit Findings Exhibit I

Exhibit I

STATE OF VERMONT

Summary Schedule of Prior Single Audit Findings

June 30, 2008

Ref.	CFDA Number	Description	Questioned Costs	Current Status
Agency of Human Services:				
07-06 2006-18 2005-12 2004-20 2003-29	93.268	Insufficient subrecipient monitoring procedures	ND	Corrected.
07-07	93.268	Insufficient review and control over vaccine records	ND	Corrective Action in Progress. See I-3.
07-08 2006-22 2005-18 2004-19 2003-28 2002-19	93.283	Insufficient subrecipient monitoring procedures	ND	Corrective Action in Progress. See I-3.
07-09	93.563	Noncompliance with paternity and support establishment	ND	Corrective Action in Progress. See I-4.
07-10	93.63	Noncompliance with interstate case due deligence requirements	ND	Corrective Action in Progress. See I-5.
07-11	93.563	Noncompliance with support obligation enforcement requirements	ND	Corrective Action in Progress. See I-5.
07-12	93.568	Inaccurate payment amount for fuel benefits	$128	Corrected.
07-13 2006-28	93.778	Lack of procedures to comply with requirement to require cost reports from providers that are used to establish inpatient hospital rates	ND	Corrected.
07-14 2006-30 2005-22	93.778	Lack of compliance with utilization and fraud detection requirements	ND	Corrected.
07-15 2006-31	93.778	Lack of compliance with Global Commitment Waiver and MCO Agreement	ND	Corrective Action in Progress. See I-6.
07-16	93.778	Noncompliance with drug rebate collection requirements	ND	Corrective Action in Progress. See I-7.

STATE OF VERMONT

Summary Schedule of Prior Single Audit Findings

June 30, 2008

Ref.	CFDA Number	Description	Questioned Costs	Current Status
Agency of Human Services, continued:				
07-17	93.778	Noncompliance with overpayment collections	ND	Corrected.
07-18 2006-29 2005-20	93.778	Lack of compliance with biennial ADP review requirement	ND	Corrective Action in Progress. See I-7.
07-19	93.778	Noncompliance with DSH regulations	ND	Corrective Action in Progress. See I-9.
07-20	93.778	Lack of support for certain LTC participant eligibilty determinations	$25,986	Corrective Action in Progress. See I-9.
07-21 2006-33 2005-24 2004-24 2003-33	93.959	Insufficient subrecipient monitoring procedures	ND	Corrected
Agency of Transportation:				
07-03 2006-13 2005-3	20.205	Lack of compliance with Davis-Bacon requirements	ND	Corrective Action in Progress. See I-10.
Department of Education:				
07-04	84.027 84.173	Insufficient subrecipient monitoring procedures	ND	Corrected.
07-05	84048	Insufficent subrecipient monitoring procedurs	ND	Corrected.
Department of Labor:				
07-01	17.258 17.259 17.260	Inaccurate eligibilty determination	ND	Corrected.
07-02	17.258 17.259 17.260	Inaccurate federal reporting	ND	Corrected.

STATE OF VERMONT

Summary Schedule of Prior Audit Findings

June 30, 2008

Agency of Human Services

Finding Number – 07-07

Steps to Correct:

The Agency of Human Services Internal Audit Group (IAG) will work with the Immunization program staff to organize a standard monitoring program. This will include selecting a number of practices to be monitored annually so that all practices will be visited at least once every three years and practices with findings will be visited annually until the finding is corrected. The monitoring program will include a standard list of compliance requirements and a checklist to document the practice's compliance. Each checklist will provide for the program's monitor to sign and date indicating performance of the monitoring visit. This program will be in place by January 31, 2009. The IAG will monitor performance of the program thereafter and report that performance to the Department of Health chiefs of fiscal and administrative operations.

Scheduled Completion Date: January 31, 2009.

Contact Person: Jan Westervelt, Audit Chief, Agency of Human Services, 802-241-1091

Finding Numbers – 07-08, 2006-22, 2005-18, 2004-19, 2003-28 and 2002-19

Steps to Correct:

The Department has implemented a program of appropriate controls and procedures to include subrecipient monitoring requirements. To this end, program managers have been instructed by Department management of the necessity of completing and documenting subrecipient monitoring. Program managers that require training in this area due to staff turnover and other events will be identified and training will be provided.

At the Department level, the Administration Fiscal Operations Director and Business Office managers lead this effort. Other Department staff involved include both divisional staff including the Deputy Commissioner for Health Protection and Disease Prevention and the Directors and Chiefs responsible for the CDC programs.

The IAG will perform tests, starting on a monthly basis, of records and will report results to Department and Agency Management in order to ensure compliance. These tests will begin no later than December 2008.

Scheduled Completion Date: Ongoing IAG monitoring of compliance. The IAG has been working with the Department following the June 30, 2007 audit to improve its performance through education and process review. This process will continue until the matter has been corrected.

Contact Person: Jan Westervelt, Audit Chief, Agency of Human Services, 802-241-1091

STATE OF VERMONT

Summary Schedule of Prior Audit Findings

June 30, 2008

Finding Number – 07-09

Steps to Correct:

The finding demonstrated a need for:

- Programming enhancements
  - (Example) The mainframe (ACCESS) should show workers the number of days to the end of the timeline. Worker's daily messages (DAIL) do not state how many days until the end of a process.
  - In finding 08-12, ACCESS is not generating required notices.
- Training improvements or
- Staff performance

Ultimately, if our mainframe computer system were programmed to assist staff with their work flow for casework, there would be less reliance on the need for improvement of training or staff performance. Staff each have in excess of 700 cases in which both parties in a case have case processing needs going on frequently at the same time.

As an interim step before mainframe programming occurs, Office of Child Support has begun to utilize our data warehouse to focus on more high-risk cases and to monitor specific timelines. Reports are will assist managers in monitoring performance more closely.

Office of Child Support will pursue additional training and staff performance during this year. However, improved programming is the primary solution to successfully working with overwhelming caseloads.

Scheduled Completion Date: December 2009.

Contact Person: Jan Westervelt, Audit Chief, Agency of Human Services, 802-241-1091

Christine Cassel, Office of Child Support Federal Program Chief

STATE OF VERMONT

Summary Schedule of Prior Audit Findings

June 30, 2008

Finding Number - 07-10

The finding demonstrated a need for:

- Programming enhancements
  - (Example) The mainframe (ACCESS) should show workers the number of days to the end of the timeline. Worker's daily messages (DAIL) do not state how many days until the end of a process.
  - In finding 08-12, ACCESS is not generating required notices.
- Training improvements or
- Staff performance

Ultimately, if our mainframe computer system were programmed to assist staff with their work flow for casework, there would be less reliance on the need for improvement of training or staff performance. Staff each have in excess of 700 cases in which both parties in a case have case processing needs going on frequently at the same time.

As an interim step before mainframe programming occurs, Office of Child Support has begun to utilize our data warehouse to focus on more high-risk cases and to monitor specific timelines. Reports are will assist managers in monitoring performance more closely.

Office of Child Support will pursue additional training and staff performance during this year. However, improved programming is the primary solution to successfully working with overwhelming caseloads.

Scheduled Completion Date: December 2009.

Contact: Jan Westervelt, Audit Chief, Agency of Human Services, 802-241-1091

Christine Cassel, Office of Child Support Federal Program Chief

Finding Number - 07-11

The finding demonstrated a need for:

- Programming enhancements
  - (Example) The mainframe (ACCESS) should show workers the number of days to the end of the timeline. Worker's daily messages (DAIL) do not state how many days until the end of a process.
  - ACCESS is not generating required notices.
- Training improvements or
- Staff performance

Ultimately, if our mainframe computer system were programmed to assist staff with their work flow for casework, there would be less reliance on the need for improvement of training or staff performance. Staff

STATE OF VERMONT

Summary Schedule of Prior Audit Findings

June 30, 2008

each have in excess of 700 cases in which both parties in a case have case processing needs going on frequently at the same time.

As an interim step before mainframe programming occurs, Office of Child Support has begun to utilize our data warehouse to focus on more high-risk cases and to monitor specific timelines. Reports are will assist managers in monitoring performance more closely.

Office of Child Support will pursue additional training and staff performance during this year. However, improved programming is the primary solution to successfully working with overwhelming caseloads.

Scheduled Completion Date: Ongoing. While the Agency of Human Services, the State of Vermont House and Senate are aware of the inadequacies of the ACCESS system, without an increase in funding we are not able to establish a timeline to correct the problems with the ACCESS system. To place a date for our scheduled completion date would be misleading.

Contact: Jan Westervelt, Agency of Human Services Audit Chief, 802-241-1091

Finding Numbers – 07-15 and 2006-31

Steps to Correct:

There are two distinct aspects to this finding concerning the allowable cost of MCO Investments (capitated revenue expenditures in the special terms and conditions of the Waiver). The first is the scope of activities that are allowable as purposes for MCO Investments. The second is the documentation of the amount as an investment.

The Centers for Medicaid Services (CMS) used the following language in its October 2007 transmittal letter informing Vermont of CMS approval of the inclusion of health insurance premium assistance under the existing waiver:

"Using a multi-disciplinary approach including the basic principles of public health, the fundamentals of effective administration of a Medicaid managed care delivery system, and flexibility under this demonstration, Vermont will continue to demonstrate its ability to promote universal access to health care, cost containment, and improved quality of care. Vermont will be required to conduct an evaluation of the impact of the demonstration program during the 5-year period."

The provision of flexibility in the use of Medicaid funding is the essence of the concept of demonstration waivers. It is Vermont's responsibility to make use of the waiver authority to demonstrate that innovative implementations of the Medicaid program improve the outcomes of the program. We believe these investments will support such improved outcomes and are within scope especially given state and national research on best practices. Additionally, under state statute, Vermont is the first state in the country to tackle broad based healthcare reform using multifaceted and population based approaches. The Waiver, including the use of investment funds, is but one piece of the healthcare reform initiative, all of which are annually reviewed and approved by the Vermont legislature. Attaining the demonstration goals of access, quality, and cost containment is part of the State's responsibility under the demonstration.

STATE OF VERMONT

Summary Schedule of Prior Audit Findings

June 30, 2008

In developing procedures for managing the MCO the Agency of Human Services has established criteria for determining the allowable amount of MCO investments in each of the four investment categories. Some of those criteria involve the allocation to uninsured, underinsured and Medicaid-eligible Vermonters of expenditures for all Vermonters. The Agency of Human Services has used the most recent independently determined and verifiable information available to make those allocations. The Agency of Human Services generally relies on the providers' accounting controls that are independently audited for assurance that the amounts claimed are correctly reported. Vermont believes that it has established methods to document the MCO Investments. We will continue to work with the auditors better to understand and meet their needs for documentation.

Scheduled Completion Date: All documentation issued will be corrected as of June 30, 2009.

Contact Person: Jan Westervelt, Audit Chief, Agency of Human Services, 802-241-1091

Finding Number – 07-16

Steps to Correct:

The Office of Vermont Access (OVHA) and Electronic Data Service (EDS), its Medicaid Management Information System (MMIS) contractor, implemented a procedure in the third quarter of 2008 to track manufacturer compliance with the 30-response requirement and to assess interest for payment determined to be late under Medicaid regulations.

Scheduled Completion Date: March 31, 2008.

Contact Person: Jan Westervelt, Audit Chief, Agency of Human Services, 802-241-1091

Finding Numbers 07-18, 2006-29 and 2005-20

Steps to Correct:

The finding recommends four actions to bring the Agency of Human Services into compliance with 45 CFR section 95.621.

1. Develop an ADP security plan that encompasses all the ADP systems involved in Medicaid eligibility determination and claims processing

2. Perform a comprehensive risk assessment of the system composed of the identified ADP systems

3. Develop a plan to mitigate unacceptable levels of risk that are identified in the system risk assessment

4. Perform the biennial risk assessments specifically identified in 45 CFR section 95.621

The Agency agrees with the recommendations and is in process of implementing the actions. At this time progress toward completing the process is uneven. In some areas like the Medicaid Management Information System (MMIS) operated by EDS, the process is quite mature and complete. In other areas the Agency of Human Services is just at the point of identifying the ADP systems that must be included in the plan and

STATE OF VERMONT

Summary Schedule of Prior Audit Findings

June 30, 2008

gathering documentation of its security risks and plans. Generally, it is fair to say that the more integral the ADP system is to claims processing, the more complete the processes. It becomes less complete as the ADP systems become less directly involved with claims processing and eligibility determination.

The following is an assessment of the present status of this work:

- *Security plan*. The Agency of Human Services is in the process of developing a Medicaid security plan. Various pieces of the plan are in draft, but significant elements have not yet been initiated.

Here are the six portions of the Medicaid Security Plan and status for each (as of December 17, 2008):

  - MMIS security plan (EDS portion) – a comprehensive MMIS security plan based on NIST 800-18 for the EDS portion of the MMIS has been delivered by EDS to the State in final form on December 11, 2008. (100% complete)
  - MMIS security plan (State portion) – the Agency of Human Services has written a draft MMIS security plan that covers the Vermont portion of the MMIS based on NIST 800-18. A section on change control/management is being added. (estimate: 90% complete)
  - Pharmacy security plan (SXC portion) – the SXC/Medmetrics security plan is being requested from the vendor. (0% complete)
  - Pharmacy security plan (Vermont portion) – this will be initiated within next six months. (0% complete)
  - Access security plan (DII portion) – the DII Security Director is currently updating the existing outdated DII mainframe security plan. (estimate: 5% complete)
  - Access security plan (State portion) – DCF has a formal ACCESS security document that AHS is in the process of converting into a security plan based on NIST 800-18. (estimate: 20% complete)

- *Risk Assessment*. Risk assessments have been performed by EDS and the Agency of Human Services for the Medicaid claims processing and eligibility systems, respectively. However, a risk assessment has not been performed for critical elements of the Medicaid program as a whole, such as for the pharmacy IT service provider, SXC Health Solutions, Inc. and the State's internal operations related to claims processing. In addition, a mechanism to track whether the weaknesses identified in the Agency of Human Services eligibility system risk assessment have been, or are being, fixed has not been established. In contrast, Agency of Human Services, OVHA, and EDS have established such a mechanism to track the correction of weaknesses found in the EDS risk assessment, which provides sustained attention to this important area.

  The SXC/Medmetrics risk assessment has been received from the vendor, December 17, 2008.

  The mechanism to track status of items identified in the Agency of Human Services eligibility system will be enhanced in the next month to better facilitate risk management.

- *System Security Review*. Independent examinations of the effectiveness of controls (also known as SAS 70 type II reports) serve as the system security reviews for the EDS and SXC Health Solutions systems and processes. However, these reports do not include an assessment of the effectiveness of the State's security controls related to the Medicaid program; so, by themselves, they only partially satisfy the Federal requirement for biennial system security reviews. Indeed, the importance of the State's security controls is

STATE OF VERMONT

Summary Schedule of Prior Audit Findings

June 30, 2008

recognized in both SAS 70 reports, which indicate that the auditor's opinions are based upon the application of relevant controls at the user organizations (i.e., the State).

The Agency of Human Services conducted an internal security controls review for the Access system in 2007 but not the State of Vermont portions of the MMIS or Pharmacy systems. AHS will start an internal controls review for the State of Vermont portions of the MMIS and Pharmacy systems within the next six months. (33% complete)

Scheduled Completion Date: The Agency of Human Services is continuing in its efforts to meet the required standards of ADP security. This is an ongoing program since both the systems and the requirements are always evolving. The Agency of Human Services is working with the ADP system operations within that universe to establish their compliance. This process will begin in fiscal year 2009. If it is feasible, it will be completed in 2010, but it is unclear at this time if this timeline can be met.

Contact Person: Jan Westervelt, Audit Chief, Agency of Human Services, 802-241-1091

Finding Number – 07-19

Steps to Correct:

Prior to the payments in the fiscal year ending June 30, 2009, Office of Vermont Health Access (OVHA) employed an expert in DSH payments to review and revise the process by which the Vermont Medicaid program computes and pays the payments. The state fiscal year 2009 payments were made in accordance with that revised process and we believe that they were made in accordance with the applicable federal requirements.

Scheduled Completion Date: July 1, 2008.

Contact Person: Jan Westervelt, Audit Chief, Agency of Human Services, 802-241-1091

Finding Number – 07-20

Steps to Correct:

Management believes that there is no corrective action required. Members of the Moderate Needs Group are recipients of expansion services under the waiver. The benefits and the group were defined to affect the cost of long-term care by providing services that will prevent individuals from becoming Medicaid eligible for traditional Medicaid long-term services. To restrict the waiver to serving only the population already eligible for Medicaid would defeat the purpose of the demonstration. For this reason the allowable income for those served in this group is 300% of poverty, and they are allowed to self declare their income without further verification. This was discussed with CMS during the development of the waiver and is explicit in the documents that are part of the waiver's operational protocol.

Scheduled Completion Date: Not considered necessary.

Contact Person: Jan Westervelt, Audit Chief, Agency of Human Services, 802-241-1091

STATE OF VERMONT

Summary Schedule of Prior Audit Findings

June 30, 2008

Agency of Transportation

Finding Numbers – 07-03, 2006-13 and 2005-3

Steps to Correct:

The Agency agrees that an issue still exits concerning the timeliness for submission of payroll data by contractors to the VTrans offices of Construction and Civil Rights. However, we are assured through our Office of Civil Rights and Labor Compliance reviews, that compensation paid to employees is correct and in full compliance with the law. The late submission of payroll information has not been an obstacle to the Office of Civil Rights and Labor Compliance in assuring that requirements of the Davis-Bacon Act are met. We understand that there is discussion at the national level to revise the audit compliance supplement for the Davis-Bacon Act. We believe that such a revision would increase credibility of the audit and management processes, and promote consistency of application among all State department of Transportation.

To improve the timeliness of payroll documentation submission by contractors to the Agency, we are working with our Information Technology (IT) Section to ultimately develop a web-based system for collection and maintenance of the payrolls. Until that can occur, however, it is contemplated that payrolls will be submitted electronically to the Construction Section.

Scheduled Completion Date:

Electronic transfer of payroll data to the Construction Section – April 30, 2009.

Web-based database to record, accumulate, and report on contractor's payroll information – Operational as soon as it can be developed by IT.

Contact Persons: Marlene McIntyre, Financial Operations Manager,
Agency of Transportation, 802-828-3444

Lori Valburn, Civil Rights Compliance Manager,
Agency of Transportation, 802-828-5561

David Hoyne, Administrative Civil Engineer,
Agency of Transportation, 802-828-3593

VERMONT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ending JUNE 30, 2008

The picture on the cover of this report is a covered bridge in Cabot Plains, Vermont.
The picture was provided by Sam Pearsons of Lyndonville, Vermont.

STATE OF VERMONT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ending JUNE 30, 2008

James H. Douglas
Governor

Prepared by the Department of Finance and Management

STATE OF VERMONT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	PAGE
INTRODUCTION (Unaudited)	
Title page	1
Table of Contents	2 - 4
Letter of Transmittal	5 - 7
Organization Chart	8 - 9
Selected State Officials	10
FINANCIAL SECTION	
Independent Auditor's Report	12 -13
Management's Discussion and Analysis (Unaudited)	14 - 28
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	32 - 33
Statement of Activities	34 - 35
Governmental Funds Financial Statements	
Balance Sheet	38 - 39
Reconciliation of Governmental Fund Balances to the Statement of Net Assets - Governmental Activities	40
Statement of Revenues, Expenditures and Changes in Fund Balances	42 - 43
Reconciliation of Statement of Revenues, Expenditures and Changes In Fund Balances -Governmental Funds to the Statement of Activities - Governmental Activities	44
Proprietary Funds Financial Statements	
Statement of Net Assets	46 - 47
Statement of Revenues, Expenses and Changes in Net Assets	48 - 49
Statement of Cash Flows	50 - 51
Fiduciary Funds Financial Statements	
Statement of Fiduciary Net Assets	54
Statement of Changes in Fiduciary Net Assets	55
Component Units Financial Statements	
Statement of Net Assets	58
Statement of Activities	59
Notes to the Financial Statements Index	61
Notes to the Financial Statements	62 - 126

PAGE

Required Supplementary Information (Unaudited)

Defined Benefit Pension Plans-Schedule of Funding Progress..... 128
Defined Benefit Pension Plans-Schedule of Employer Contributions..... 129
Other Postemployment Benefit Plans-Schedule of Funding Progress..... 130
Other Postemployment Benefit Plans-Schedule of Employer Contributions..... 130
Budgetary Comparison Schedule-General Fund..... 131 - 132
Budgetary Comparison Schedule-Transportation Fund..... 133
Budgetary Comparison Schedule-Education Fund..... 134
Budgetary Comparison Schedule-Special Fund..... 135 - 136
Budgetary Comparison Schedule-Federal Revenue Fund..... 137
Budgetary Comparison Schedule-Global Commitment Fund..... 138
Budgetary Comparison Schedule-State Health Care Resource Fund..... 139
Budgetary Comparison Schedule-Tobacco Trust Fund..... 140
Budgetary Comparison Schedule-Catamount Fund..... 141
Notes to Required Supplementary Information-Budgetary Reporting..... 142 - 144

Supplementary Information - Combining and Individual Fund Statements and Schedules

Governmental Funds
Nonmajor Governmental Funds
Combining Balance Sheet..... 150 - 153
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances..... 154 - 157

Proprietary Funds
Nonmajor Enterprise Funds
Combining Statement of Net Assets..... 160 - 161
Combining Statement of Revenues, Expenses and Changes in Net Assets..... 164 - 163
Combining Statement of Cash Flows..... 164 - 165

Internal Service Funds
Combining Statement of Net Assets..... 168 - 173
Combining Statement of Revenues, Expenses and Changes in Net Assets..... 174 - 179
Combining Statement of Cash Flows..... 180 - 185

Fiduciary Funds
Pension and Other Postemployment Benefit Trust Funds
Combining Statement of Plan Net Assets..... 188 - 189
Combining Statement of Changes in Plan Net Assets..... 190 - 191

Agency Funds
Combining Statement of Changes in Assets and Liabilities..... 194 - 196

Component Units
Non-major Component Units
Combining Statement of Net Assets..... 198 - 199
Combining Statement of Activities..... 200 - 201

PAGE

STATISTICAL SECTION (Unaudited)

Statistical Section Contents..... 203

Financial Trends Information

Table 1 - Net assets by component, last 7 fiscal years..... 204 - 205
Table 2 - Changes in net assets, last 7 fiscal years..... 206 - 209
Table 3 - Fund balances, governmental funds - last 10 fiscal years..... 210 - 211
Table 4 - Changes in fund balances, governmental funds - last 10 fiscal years..... 212 - 213

Revenue Capacity Information

Table 5 - Personal income and earnings by major industry, last 10 calendar years..... 214 - 215
Table 6 - Personal income tax rates and collections, last 10 calendar years..... 216
Table 7 - Personal income tax filers and liability by income level, calendar years 2006 and 1997..... 217

Debt Capacity Information

Table 8 - Ratios of outstanding debt by type, last 10 years..... 218
Table 9 - Ratios of general obligation bonded debt outstanding, last 10 fiscal years 219

Demographic and Economic Information

Table 10 - Demographic and economic statistics..... 220 - 221
Table 11 - Annual average non-farm employment by industry..... 222

Operating Information

Table 12 - State government full-time equivalent employees by function/program..... 223
Table 13 - Operating indicators by function/program, last 5 years..... 224
Table 14 - Capital asset statistics by function, last 5 years..... 225

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

LETTER OF TRANSMITTAL

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

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the State of Vermont for the fiscal year ended June 30, 2008. The Department of Finance and Management prepared this report as required by Title 32, Vermont Statutes Annotated, Section 182(a)(8). By issuing this report by December 31, 2008, the Department has met the State statutory required issuance date. Responsibility for the completeness and fairness of the presentation, including all disclosures, rests with the State of Vermont's Department of Finance and Management. We believe that the accompanying financial statements are accurate and fairly stated in all material respects, and are presented in a manner designed to fairly report the State of Vermont's financial position, results of operations and changes in net assets/ fund balances.

I would like to direct your attention toward two important items contained in this CAFR. The first item is the Management and Discussion Analysis (MD&A) that follows the Independent Auditor's Report. This analysis is designed to give you, the reader, an overview of the State's financial position, described in understandable terms, in order to help you better understand the results of operations of your state government. Secondly, I would like to direct your attention to the Basic Financial Statements (BFS) which follow the MD&A. The Basic Financial Statements were prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). They contain government-wide statements that present the State's financial activities in a manner similar to that of a private corporation; fund statements that report governmental, proprietary, fiduciary fund financial activity; component unit financial activity; and note disclosures that explain and enhance the basic financial statements.

For fiscal year 2008, the following new funds are reported for the first time: the fiduciary fund type statements include the new Investment Trust Fund, and the Vermont Municipal Employees' Health Benefit Fund. Please refer to Note 1, Section E for more information regarding these new funds. In addition to the MD&A and BFS, this CAFR includes a Required Supplementary Information (RSI) section, a Supplementary section, and a Statistical section. The RSI section contains a Schedule of Funding Progress for the State's defined benefit pension and other postemployment benefits plans, and Budget to Actual comparison schedules for the State's major governmental funds with Notes reconciling budgetary fund balance to the governmental funds GAAP fund balance. The Supplementary section contains combining fund financial statements for the State's non-major Governmental, Proprietary, and Fiduciary Funds, and for the State's non-major component units. The Statistical section presents data relating to financial trends, revenue and debt capacity, and demographic and operating information about the State of Vermont. It should be noted that the information contained in the RSI and Statistical sections is unaudited.

State Profile

Vermont, known as the Green Mountain State, was first settled by the French in 1666, then by the English in 1690, and joined the Union as the fourteenth State in 1791. Rural in character, the state measures 9,249 square miles of land area, and ranks 49th out of the 50 states in population, with the April 1, 2000 Census count of 608,827. The State capital is Montpelier (population of 8,035 in 2000), and the largest city is Burlington (2000 population of 38,889).

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

The General Fund

The General Fund, which accounts for a significant portion of the State's financial activity, is the State's largest operating fund. It accounts for all revenues and other receipts that are not required by law to be accounted for or deposited in other funds as well as the expenditures associated with these revenues. In fiscal year 2008, general fund tax revenues accounted for 97.4% of total general fund revenues. The three principal tax revenue contributors – the personal income tax, the general fund's portion of the sales and use tax, and the meals and room tax – accounted for 82.8% of general fund total tax revenues or approximately 80.7% of total General Fund revenues. General Fund expenditures used 68.0% of the total revenues, and these expenditures occurred in the following major governmental functional categories: General Government, Protection to Persons and Property, Human Services, Employment and Training, General Education, Natural Resources, Commerce and Community Development and Debt Service. The majority of the remainder of the resources provided from the 2008 General Fund revenues were transferred out to other funds and used for various purposes. Please see Note 3E for a summary of these transfers.

Budget Adoption and Legal Compliance/Budgetary Results

Note 1 to the financial statements describes the State's budgeting process, while the Required Supplementary Information section contains Budget to Actual comparison schedules and associated notes for the General Fund and the five major special revenue funds. These schedules present each fund's original budget, final budget, actual expenditures incurred on a budgetary basis, and the variance between the final budget and actual expenditures incurred. As the adopted budget provides legal control over spending, expenditures cannot exceed amounts appropriated under Vermont law. Budgetary control is exercised by fund within appropriation.

Cash and Investments

Cash deposits are managed by the State in accordance with the provisions of Title 32, Vermont Statutes Annotated, Sections 431-434, which defines the requirements the Treasurer must adhere to when

depositing public monies. For investing purposes, the State Treasurer pools substantially all cash except that which is required to be maintained separately in accordance with legal restrictions. Note 2 provides more detail regarding this important area.

Risk Management

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

Independent Audit of These Financial Statements

KPMG, LLP, an independent certified public accounting firm, performed an independent audit of the State's basic financial statements for the fiscal year ended June 30, 2008, with the assistance of the State Auditor's Office. The auditors have issued an unqualified opinion, the most favorable outcome of the audit process. The audit described in the auditor's report is not intended to meet all requirements of the Federal Single Audit Act of 1996. Rather, the Single Audit Report for the State is issued under separate cover.

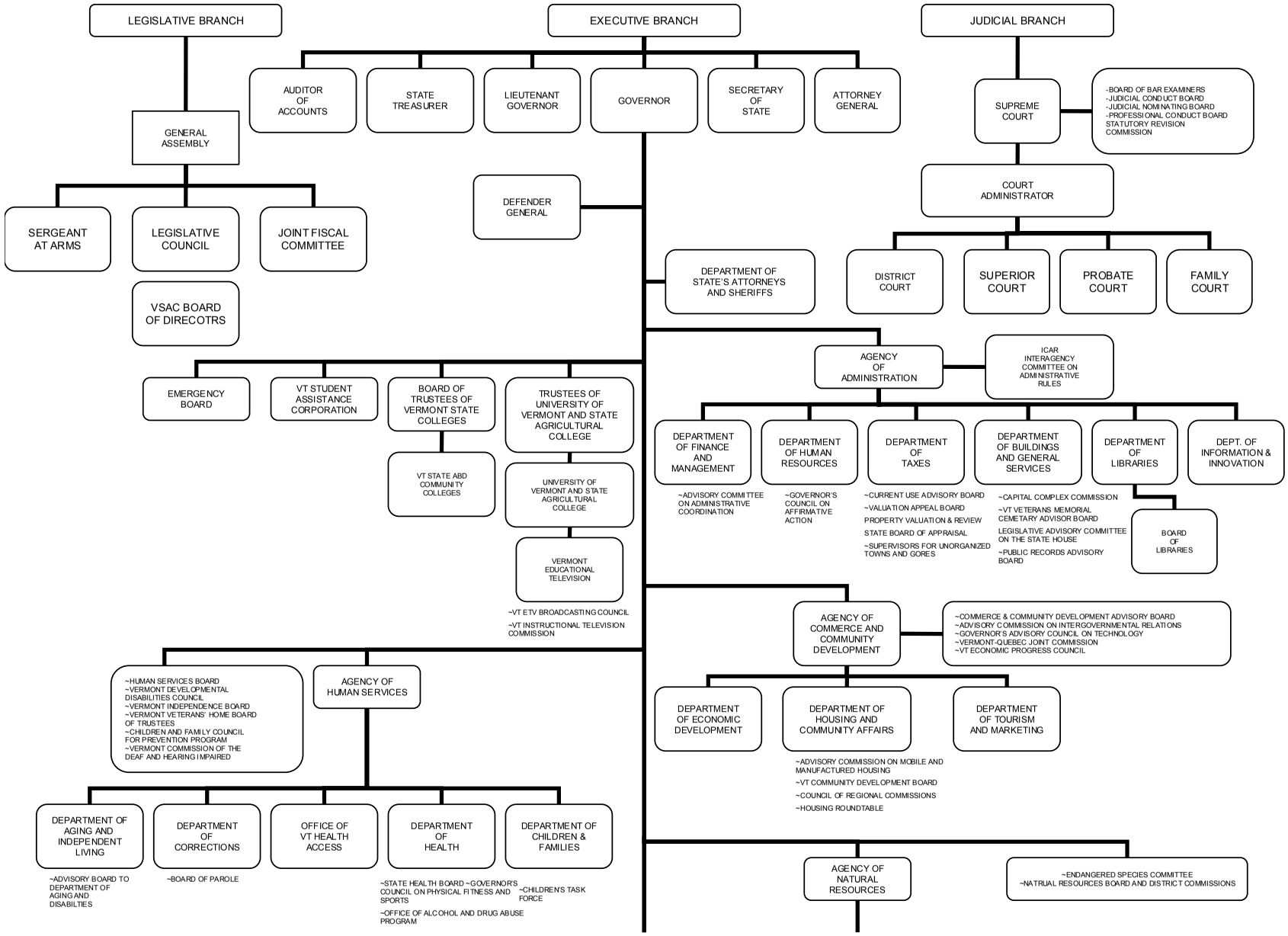
Acknowledgements

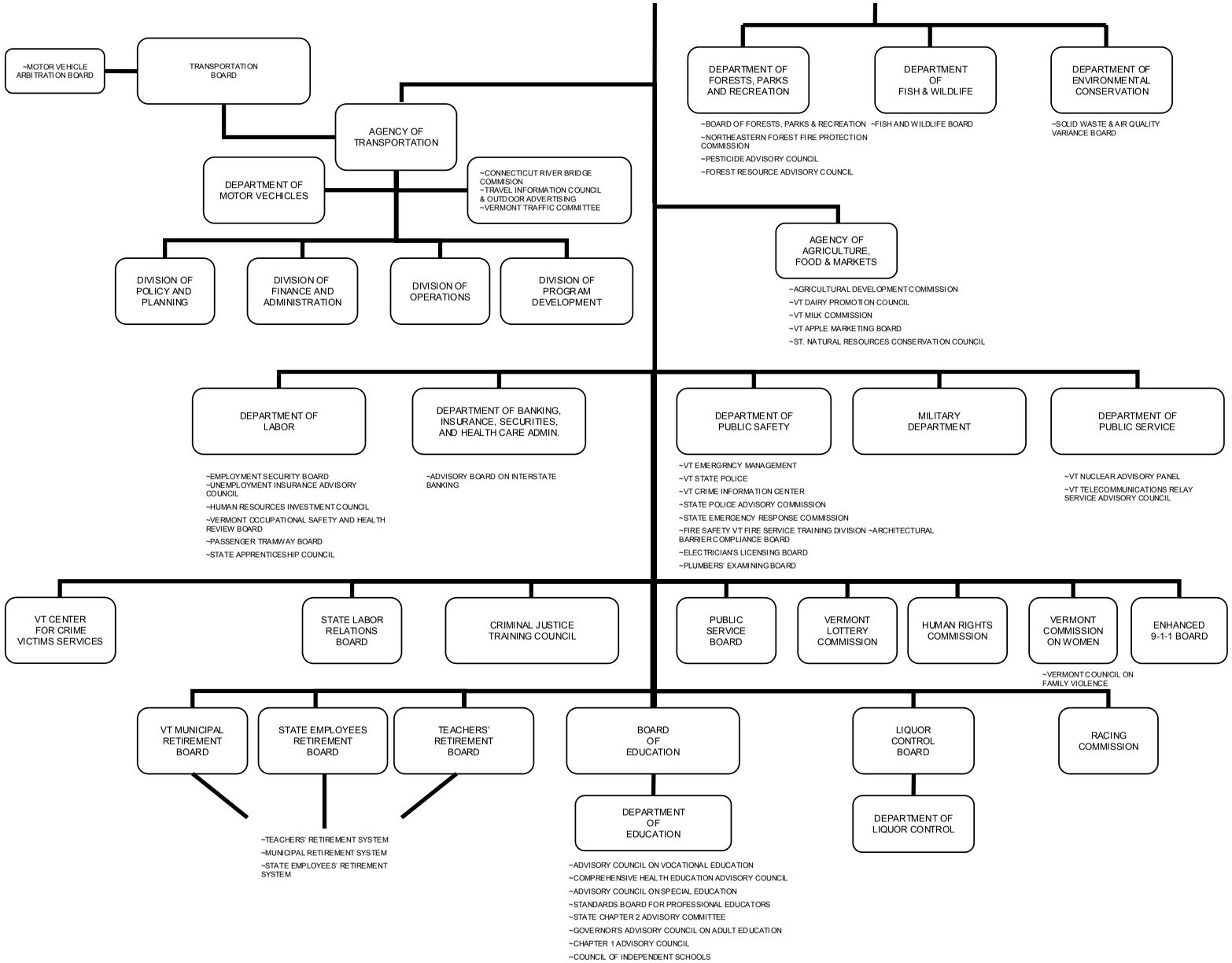
The preparation of this report involved the dedicated work of staff in the Department of Finance and Management, the Office of the State Treasurer, the Office of the Auditor of Accounts, and the support of all State agencies, departments, component units, the Legislature, and the Judiciary. We welcome inquiries concerning this report and the finances of the State of Vermont.

Sincerely,

James B. Reardon, CPA
Commissioner

December 23, 2008


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


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

SELECTED STATE OFFICIALS
As of June 30, 2008

EXECUTIVE

James H. Douglas
Governor

Brian L. Dubie
Lieutenant Governor

Deborah L. Markowitz
Secretary of State

William H. Sorrell
Attorney General

Thomas M. Salmon
Auditor of Accounts

George B. "Jeb" Spaulding
State Treasurer

JUDICIAL

Paul L. Reiber
Chief Justice

LEGISLATIVE

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

Gaye Symington
Speaker of the House of Representatives
(150 Representatives)

FINANCIAL SECTION

KPMG LLP
P.O. Box 564
Burlington, VT 05402

Suite 400
356 Mountain View Drive
Colchester, VT 05446

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.

KPMG LLP, a U.S. limited liability partnership, is the U.S. member firm of KPMG International, a Swiss cooperative.

KPMG

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).

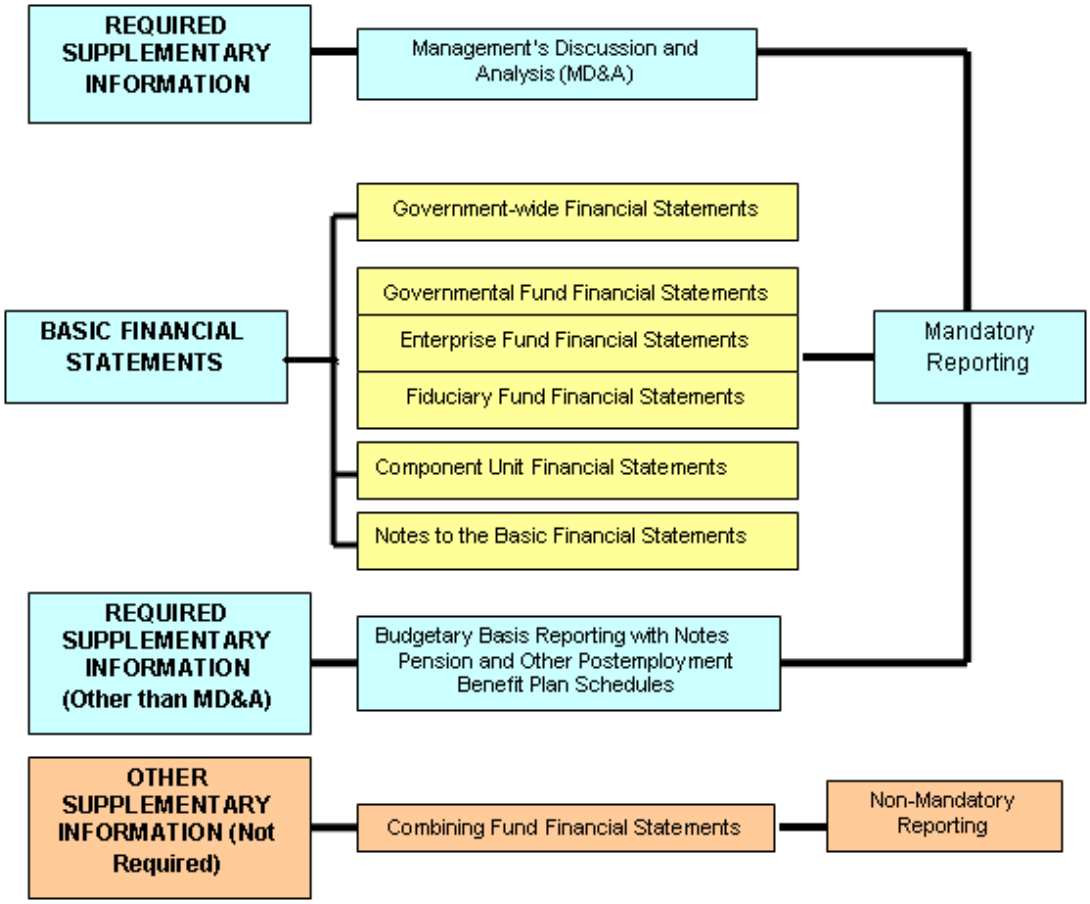
The State's General Fund reported an operating deficit this year of $7.3 million which decreased the accumulated fund balance to $155.7 million, of which $101.1 million is reserved for specific purposes.

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.

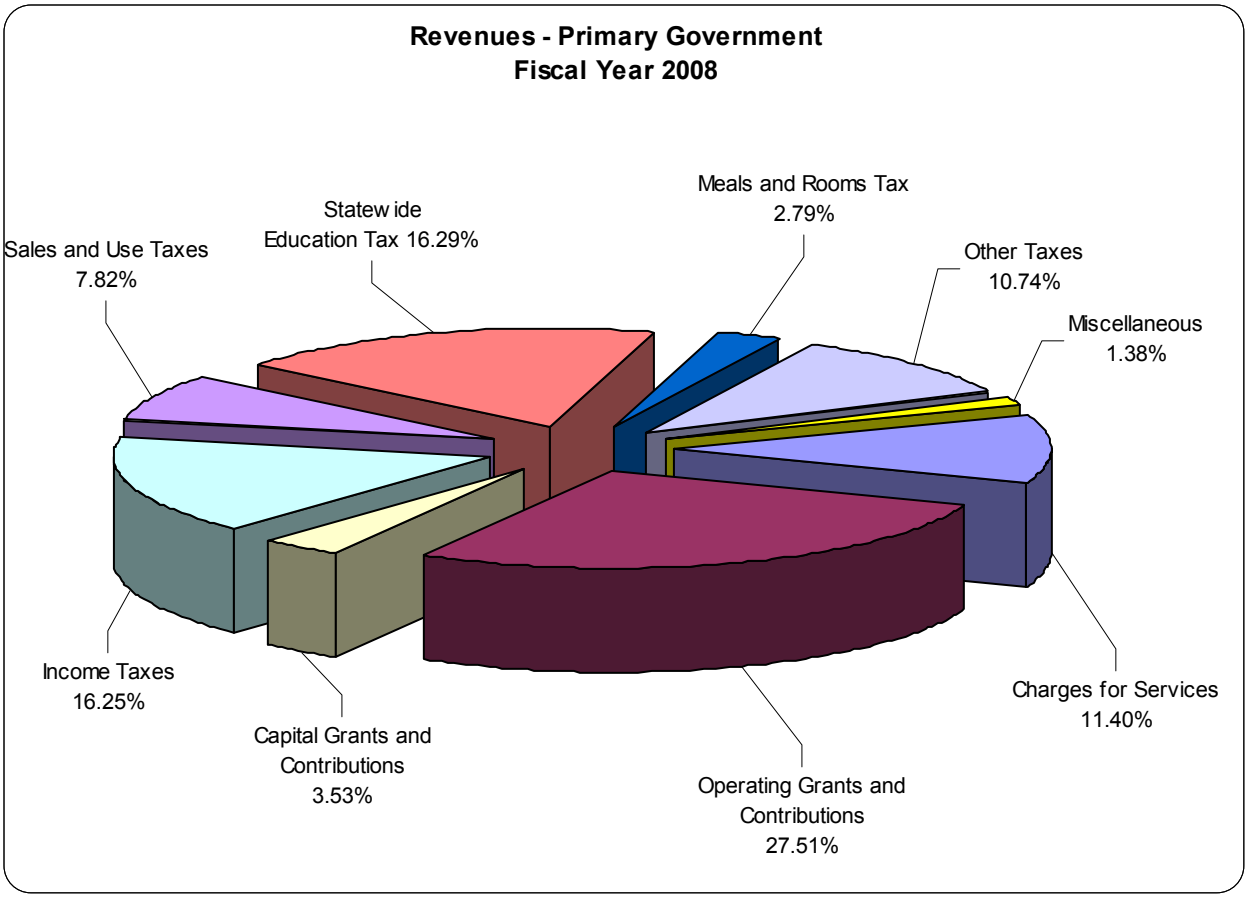
The State implemented GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" (GASB No. 45) in fiscal year 2008. GASB No. 45 establishes standards for the measurement, recognition and display of Other Postemployment Benefits (OPEB) expense/ 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)

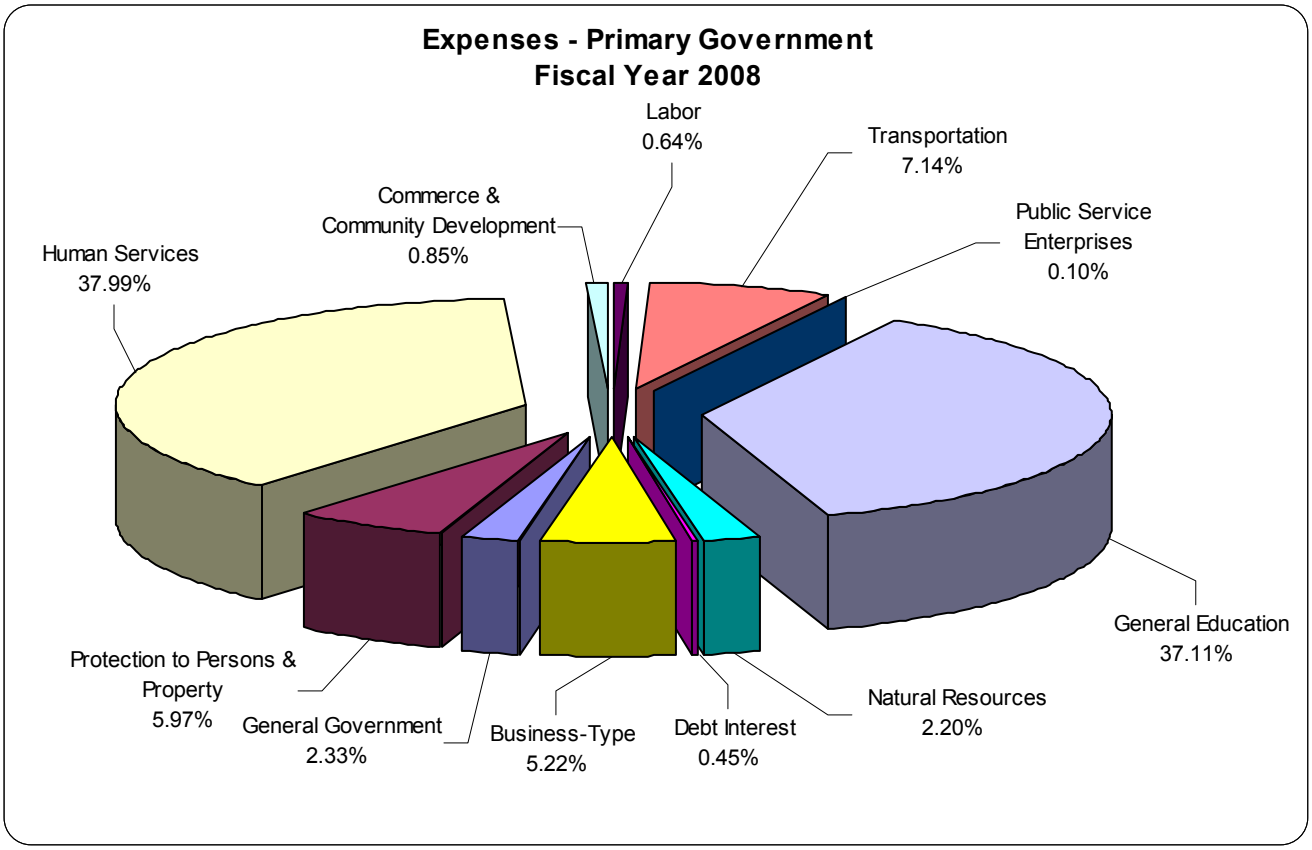
	2008			2007
	Expenses per Statement of Activities	GASB 45 Expenses	Expenses excluding GASB 45	Expenses per Statement of Activities
Expenses				
General government	$ 101,536.0	$ 3,051.1	$ 98,484.9	$ 114,687.7
Protection to persons and property	259,691.4	6,729.0	252,962.4	255,620.5
Human services	1,652,680.3	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.

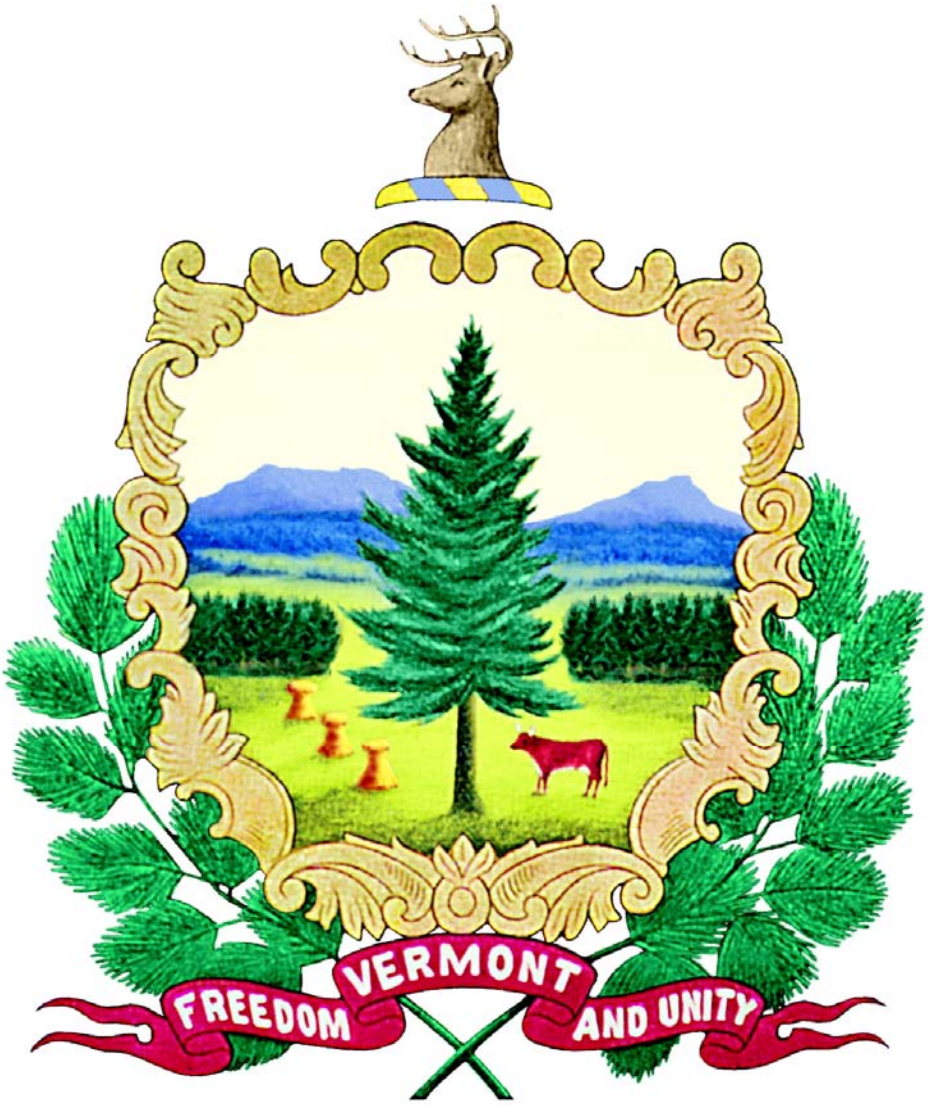
These factors will likely have an impact on the State's financial position and budget in future fiscal years.

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:

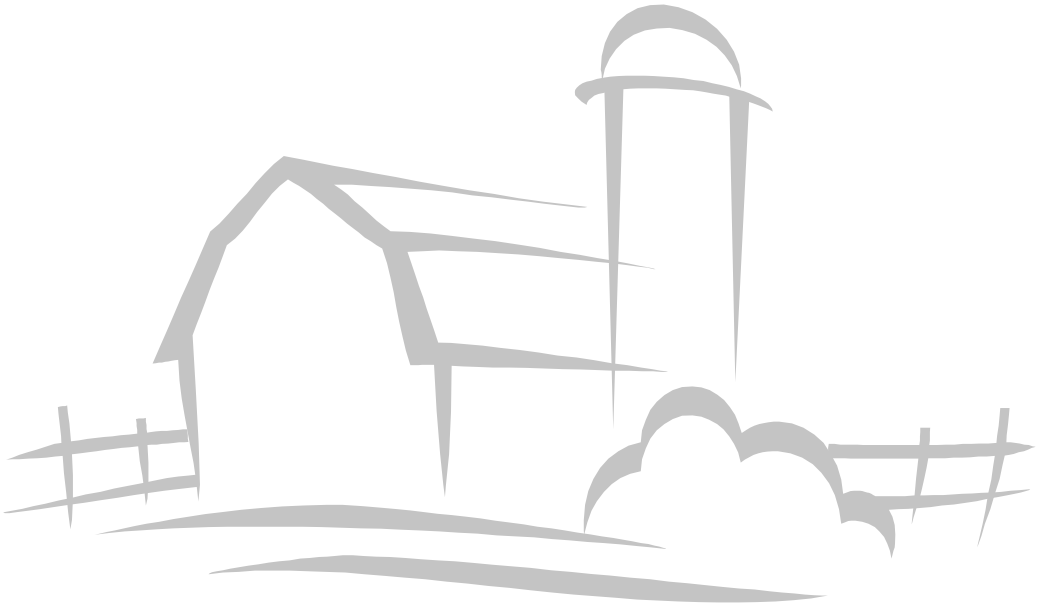
State of Vermont
Department of Finance and Management
109 State Street, 5th Floor
Pavilion Building
Montpelier, Vermont 05609-0401

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

THIS PAGE INTENTIONALLY LEFT BLANK



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

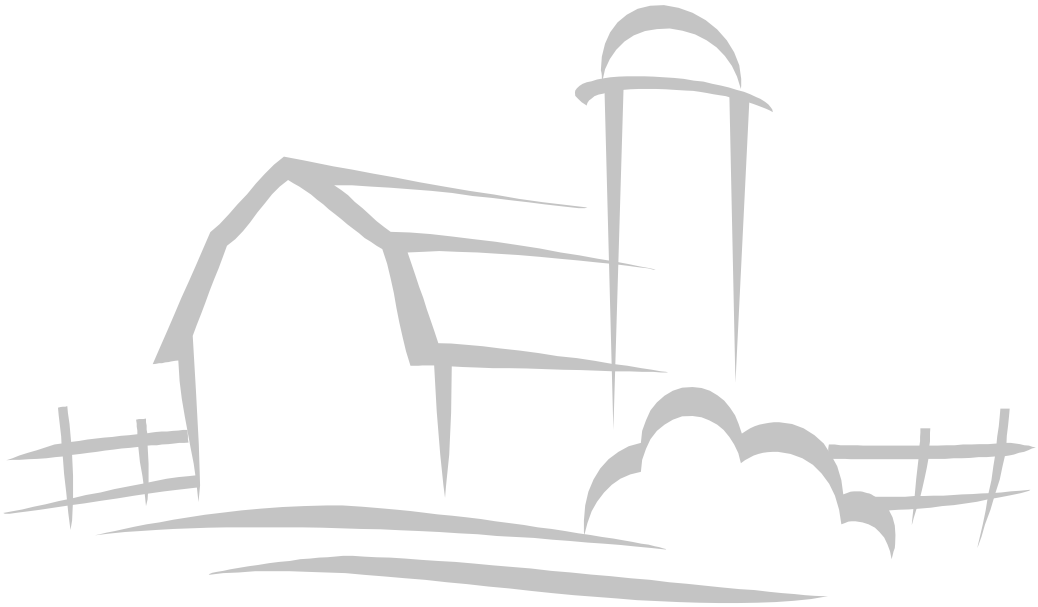
Net Assets - Beginning, restated (Note 17)

Net Assets - Ending

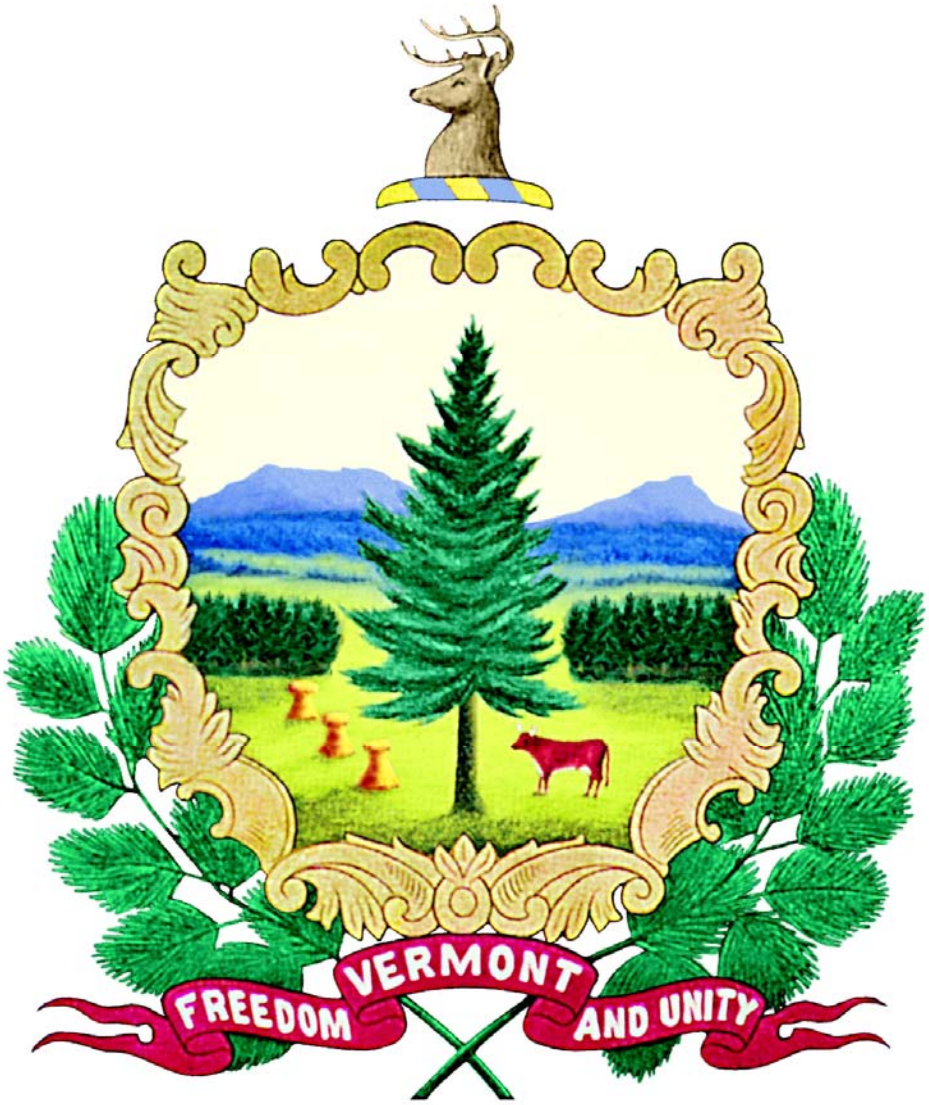
The accompanying notes are an integral part of these financial statements.

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

THIS PAGE INTENTIONALLY LEFT BLANK



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.

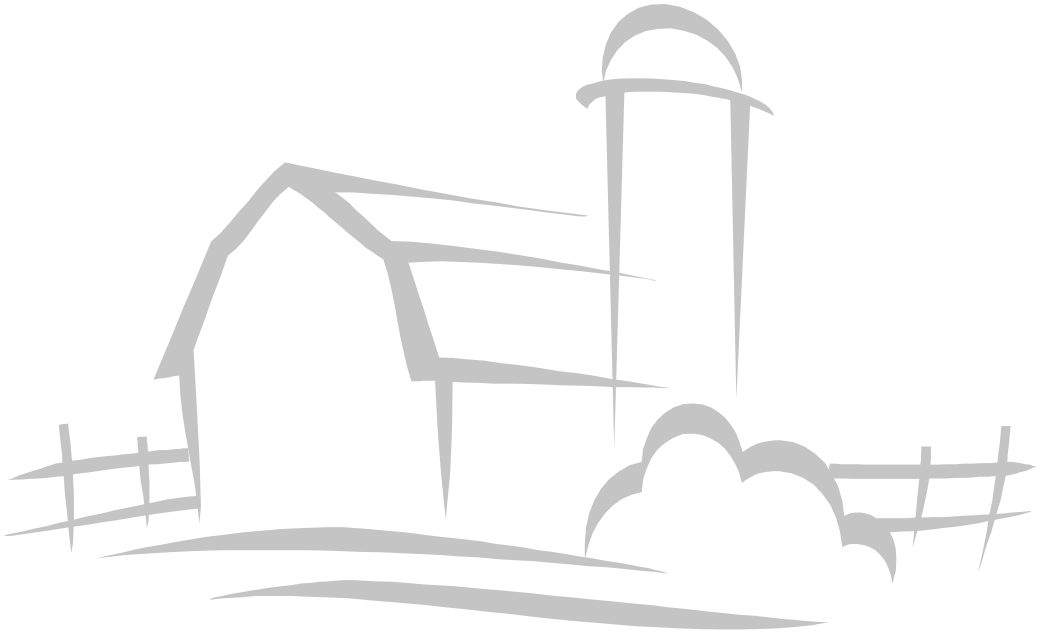
Federal Revenue Fund	Global Commitment Fund	Non-major Governmental Funds	Eliminations	Total Governmental Funds
$ 48,324,741	$ 42,280,614	$ 42,039,429	$ -	$ 349,861,373
11,400,000	-	21,669,224	-	77,070,728
-	-	79,429	-	219,615,069
22,414	-	4,583	-	119,174
168,333,153	-	-	-	170,432,106
2,136,479	16,723,693	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.

THIS PAGE INTENTIONALLY LEFT BLANK



Vermont

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

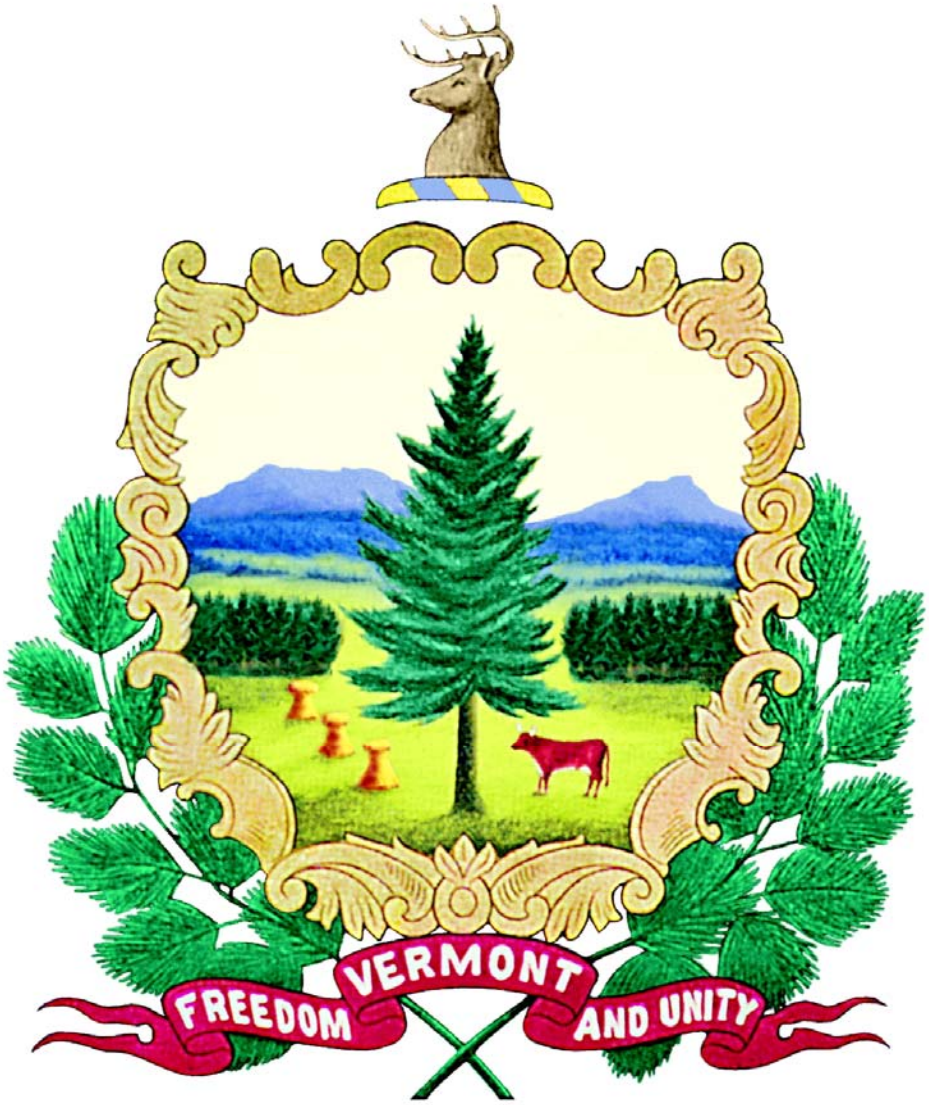
The accompanying notes are an integral part of these financial statements.

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

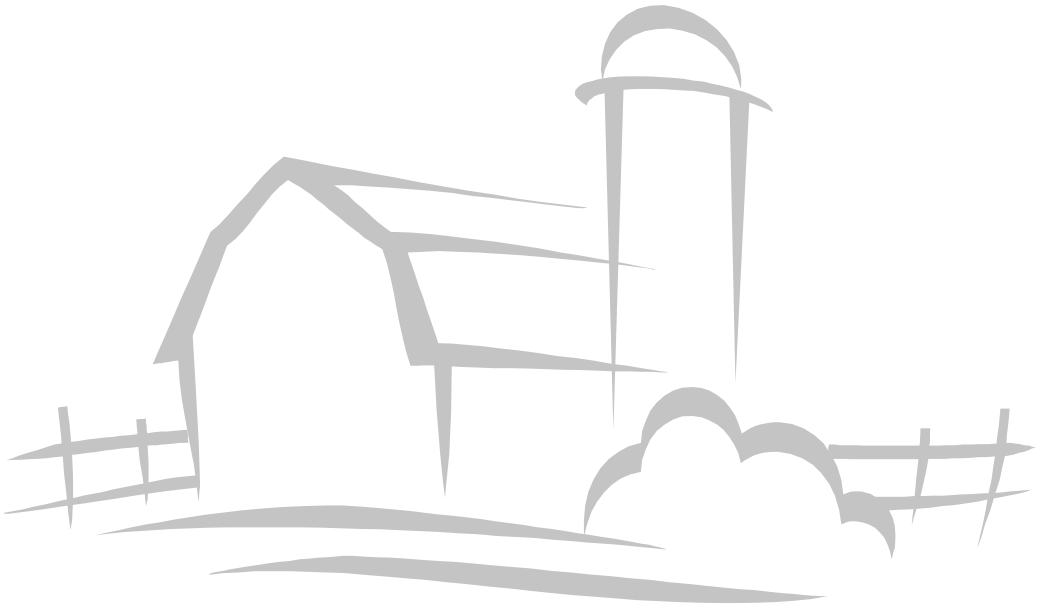
	Business-type Activities - Enterprise Funds		
	Unemployment Compensation Trust Fund	Liquor Control Fund	Vermont Lottery Commission
Cash Flows from Operating Activities:			
Cash received from customers	$ 57,819,361	$ 58,449,332	$ 101,874,682
Cash paid to suppliers for goods and services	-	(41,497,175)	-
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**

THIS PAGE INTENTIONALLY LEFT BLANK



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**	

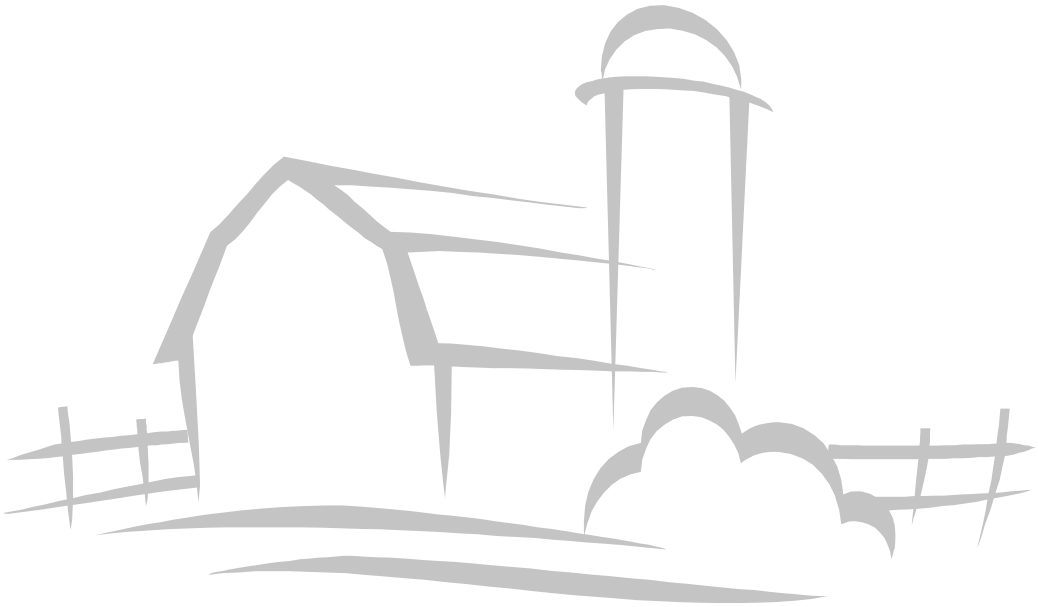
The accompanying notes are an integral part of these financial statements.

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.

THIS PAGE INTENTIONALLY LEFT BLANK



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**

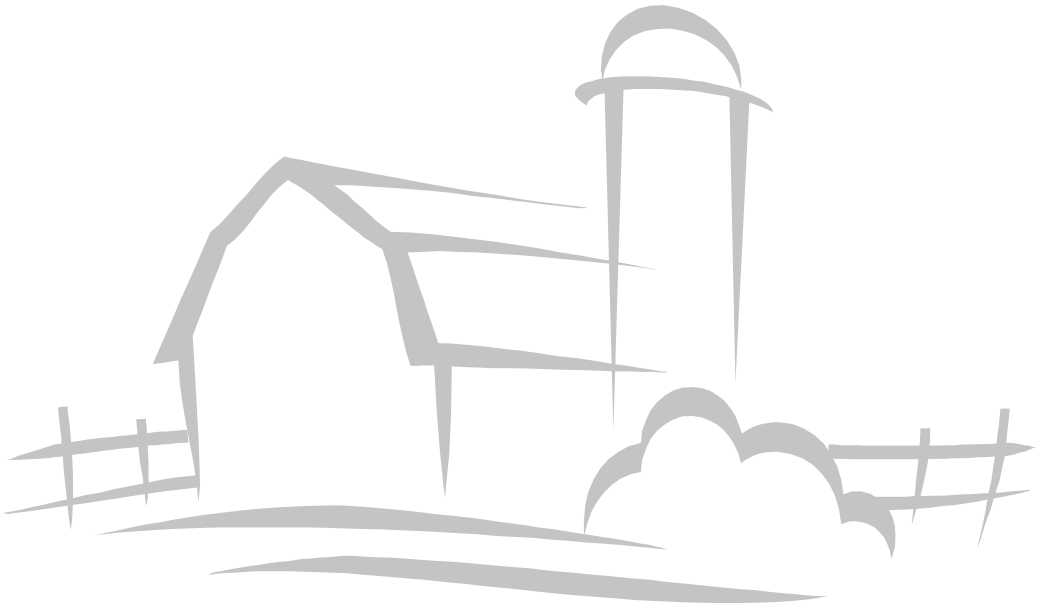
The accompanying notes are an integral part of these financial statements.

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.

THIS PAGE INTENTIONALLY LEFT BLANK



Vermont

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

INDEX

		Page No.
Note 1	Summary of Significant Accounting Policies	62
Note 2	Cash, Cash Equivalents, and Investments	75
Note 3	Interfund Balances	87
Note 4	Capital Assets	91
Note 5	Pension and Other Postemployment Benefits	92
Note 6	Accounts Receivable	112
Note 7	Lease Commitments	113
Note 8	General Obligation Bonds Payable	114
Note 9	Prior Years' Bond Refundings	117
Note 10	Budget Stabilization Reserves	117
Note 11	Contingent and Limited Liabilities	117
Note 12	Litigation	119
Note 13	Joint Venture	119
Note 14	Risk Management	119
Note 15	Deficit Fund Balances/Net Assets	122
Note 16	Changes in Long-Term Liabilities	124
Note 17	Restatements	125
Note 18	Restricted Net Assets - Discretely Presented Component Units	126
Note 10	Subsequent Events	126

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

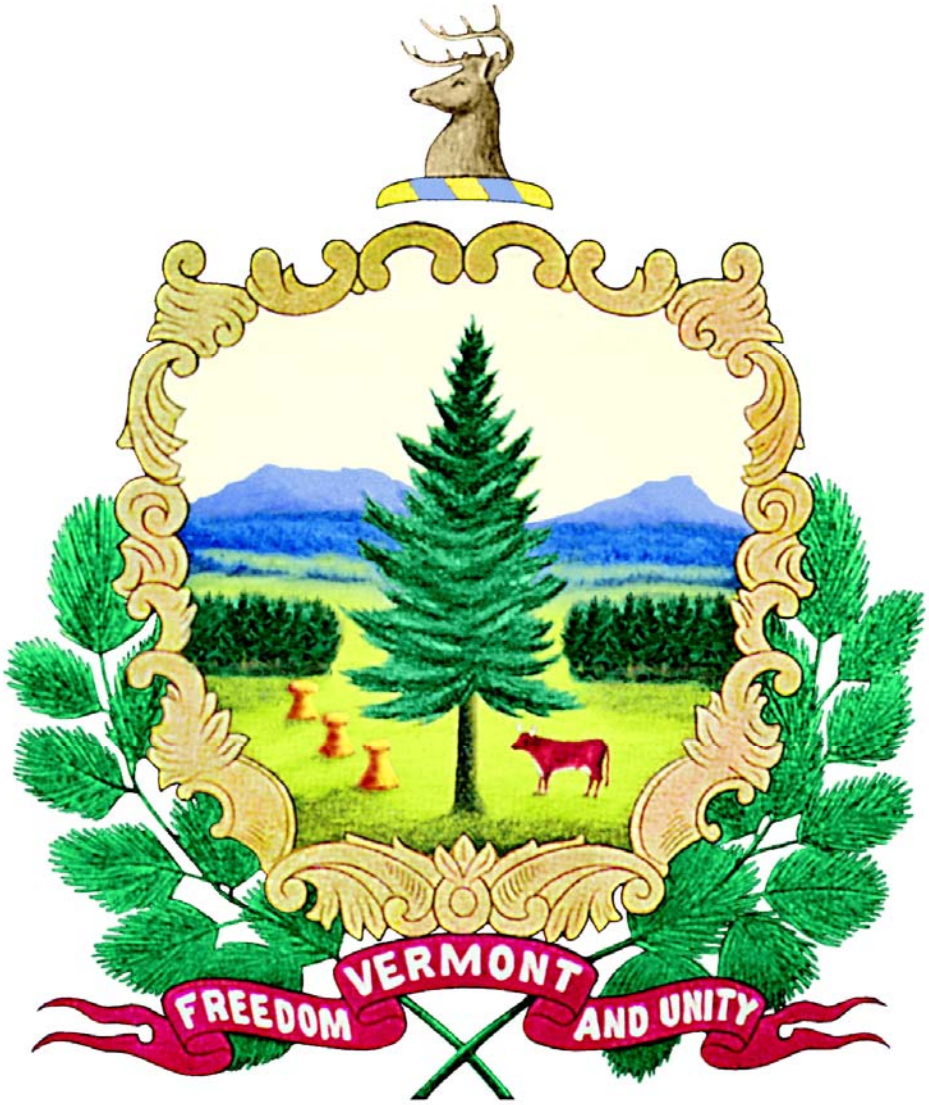
Restricted net assets are those portions of total net assets that are not appropriable for expenditure or that are legally segregated for a specific future use. Net assets restricted at June 30, 2008 are as follows.

	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,

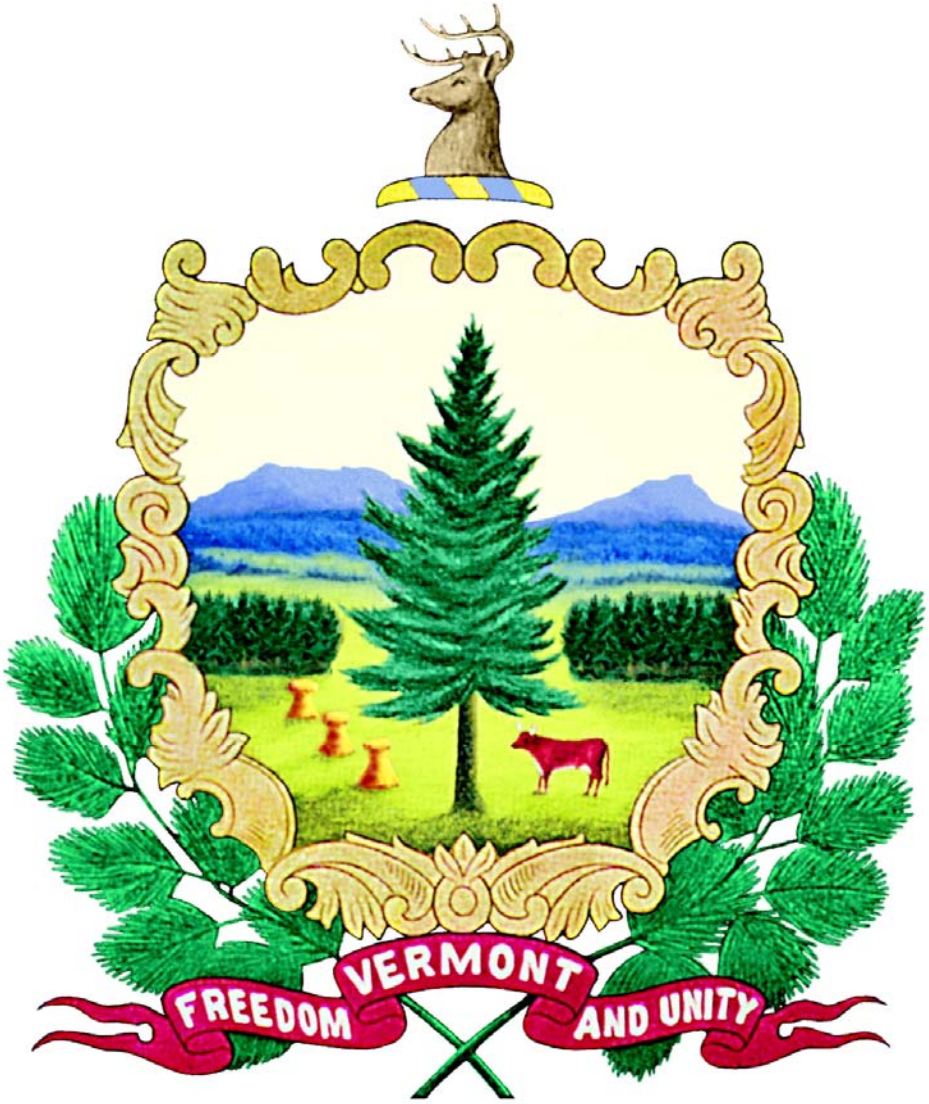
which establishment or increase will at any time commit the State to the expenditure of State funds, they may be expended only upon the approval of the Legislature.

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.

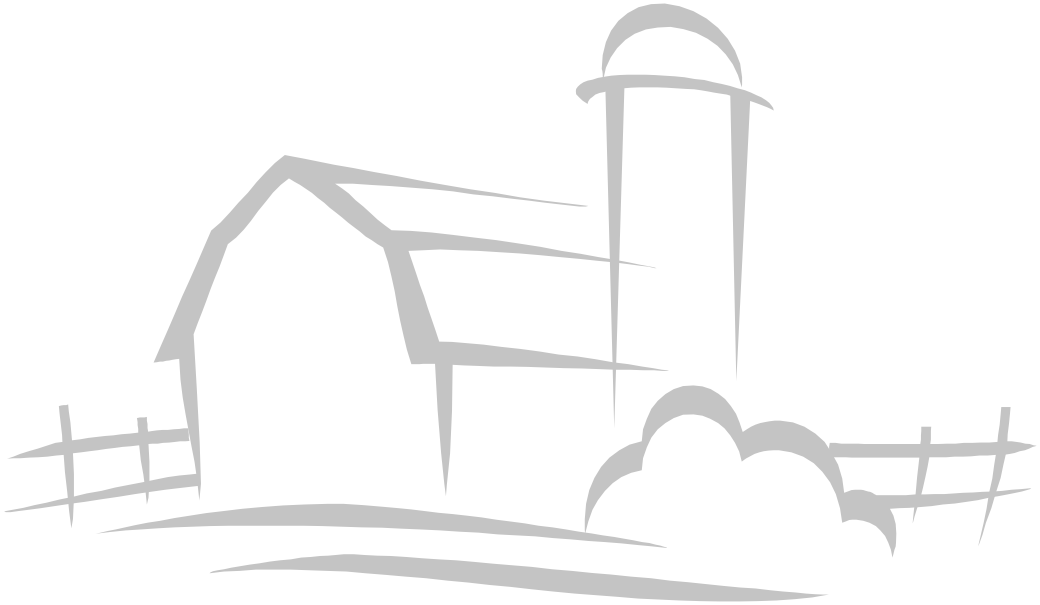
	General Fund	Transportation Fund	Education Fund	Federal Revenue Fund	Global Commitment Fund
Fund Balance - Budgetary Basis....	$ 123,483,861	$ 9,765,674	$ 41,526,727	$ 22,614,683	$ 42,285,554
Basis differences:					
Cash not in budget balances.....	17,674	4,756	-	1,485	-
Escrow deposits not included 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**

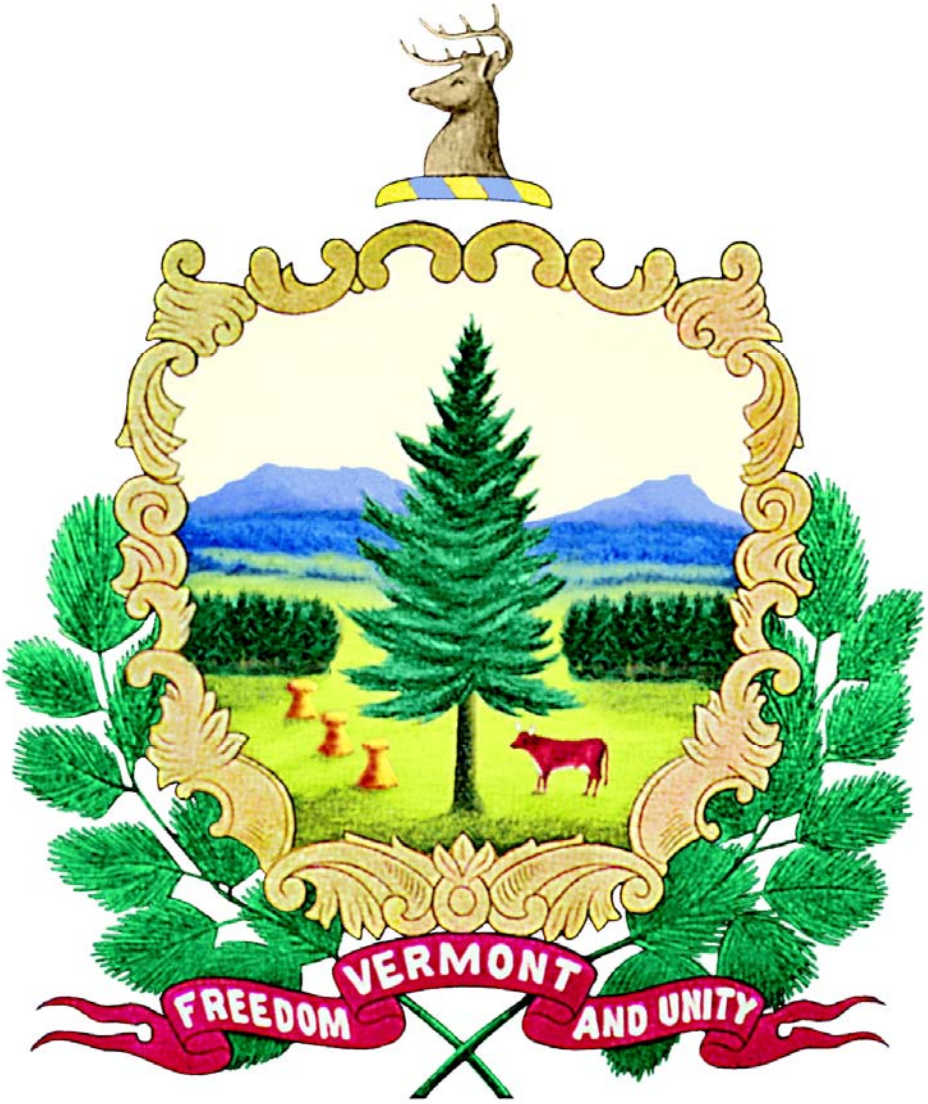


Supplementary Information

THIS PAGE INTENTIONALLY LEFT BLANK

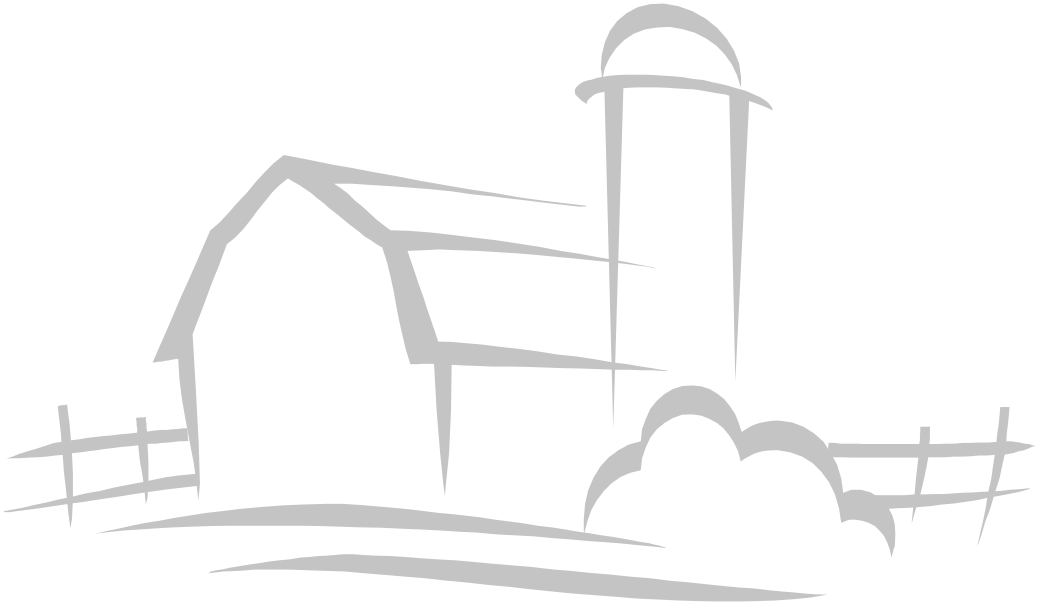


Vermont



COMBINING FINANCIAL STATEMENTS

THIS PAGE INTENTIONALLY LEFT BLANK



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**

Continued on next page---->

151

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**

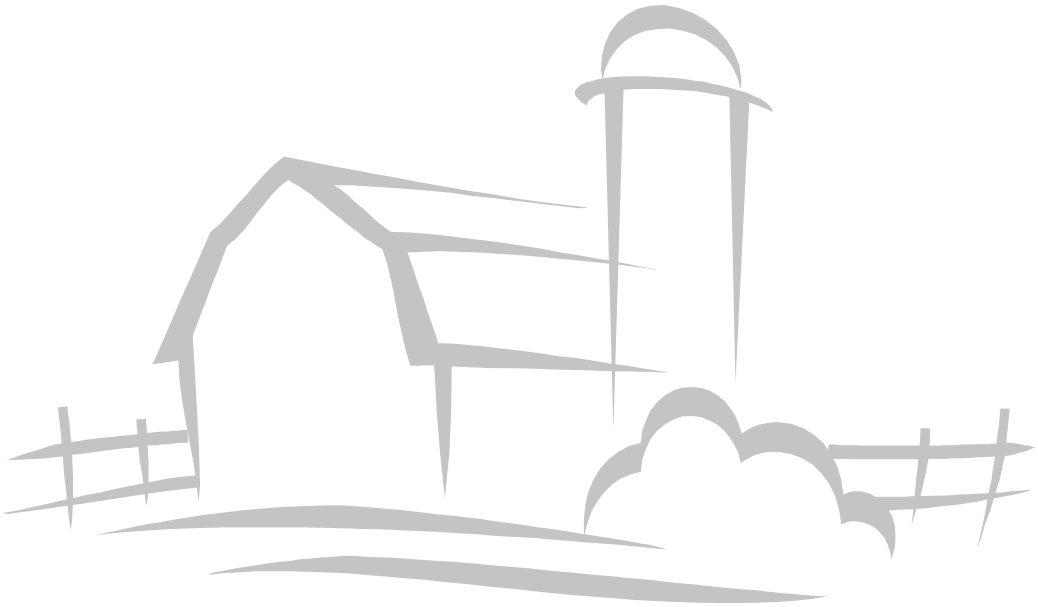
Continued on next page---->

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**

THIS PAGE INTENTIONALLY LEFT BLANK



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

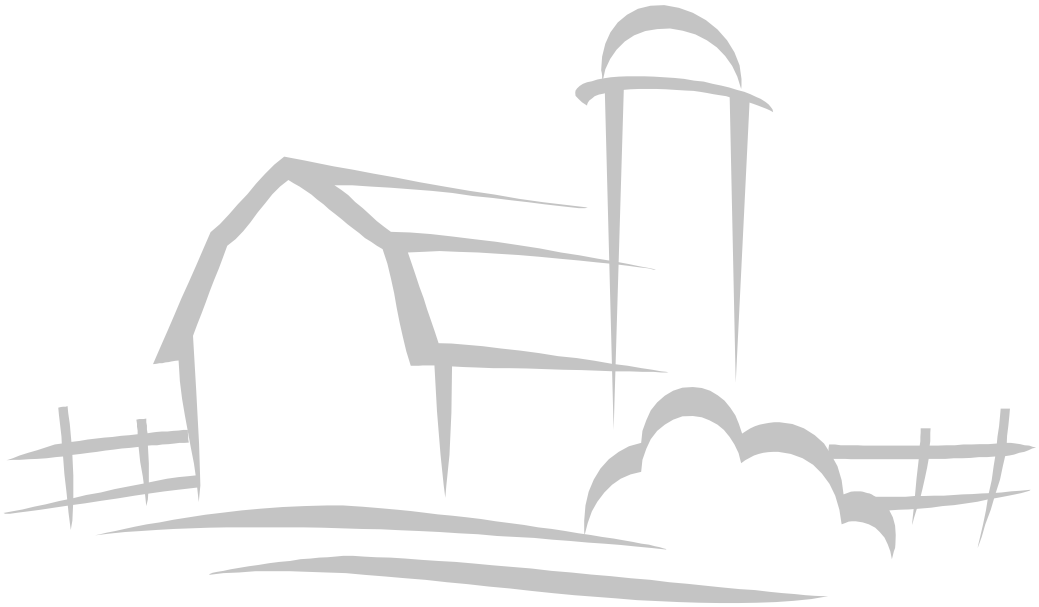
	Industrial Homework Office Fund	Federal Surplus Property Fund	Vermont Life Magazine Fund
Cash Flows from Operating Activities:			
Cash received from customers	$ 160,375	$ 66,235	$ 2,022,359
Cash paid to suppliers for goods and services	-	(88,025)	(1,581,359)
Cash paid to employees for services	(163,145)	(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)**

THIS PAGE INTENTIONALLY LEFT BLANK



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**

Continued on next page---->

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)**	**$ -**

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

	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)**

Continued on next page--->

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)**

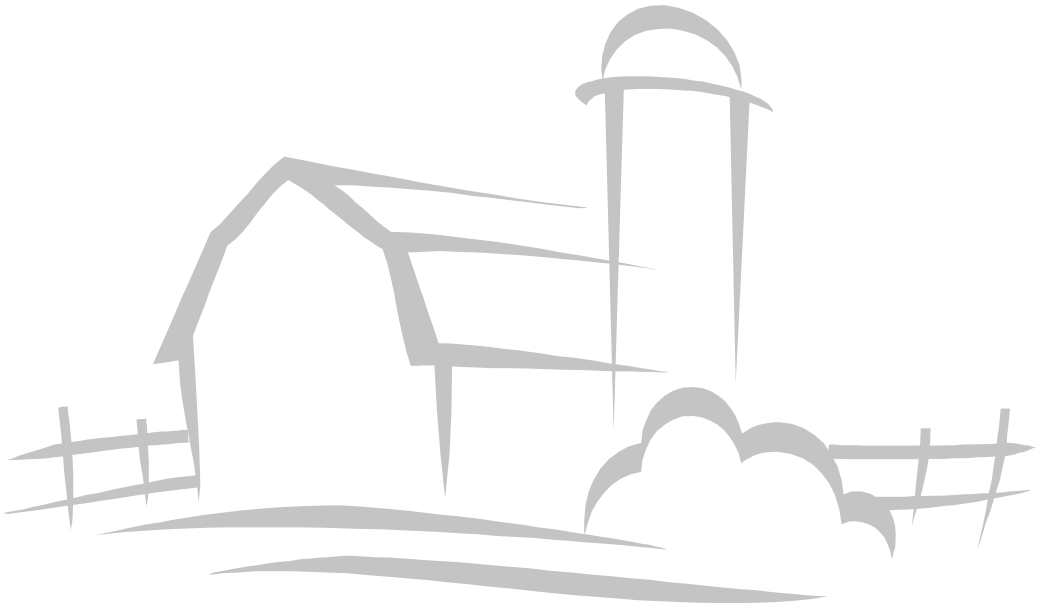
Continued on next page --->

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**

THIS PAGE INTENTIONALLY LEFT BLANK



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**

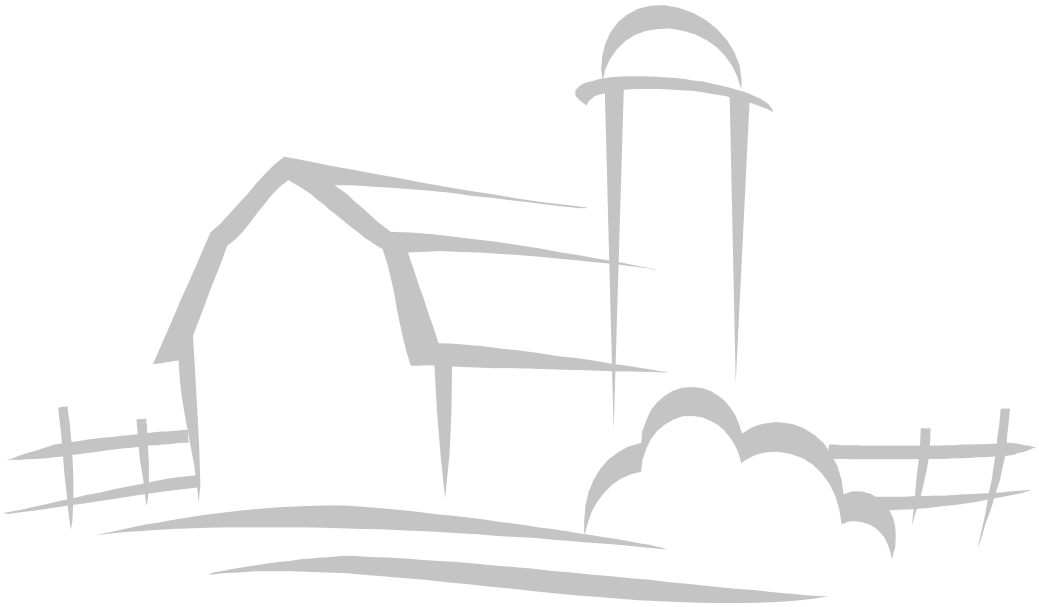
STATE OF VERMONT
PENSION AND OTHER POSTEMPLOYMENT BENEFITS TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	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**

THIS PAGE INTENTIONALLY LEFT BLANK



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.

Continued on next page ---->

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

Continued on next page ---->

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

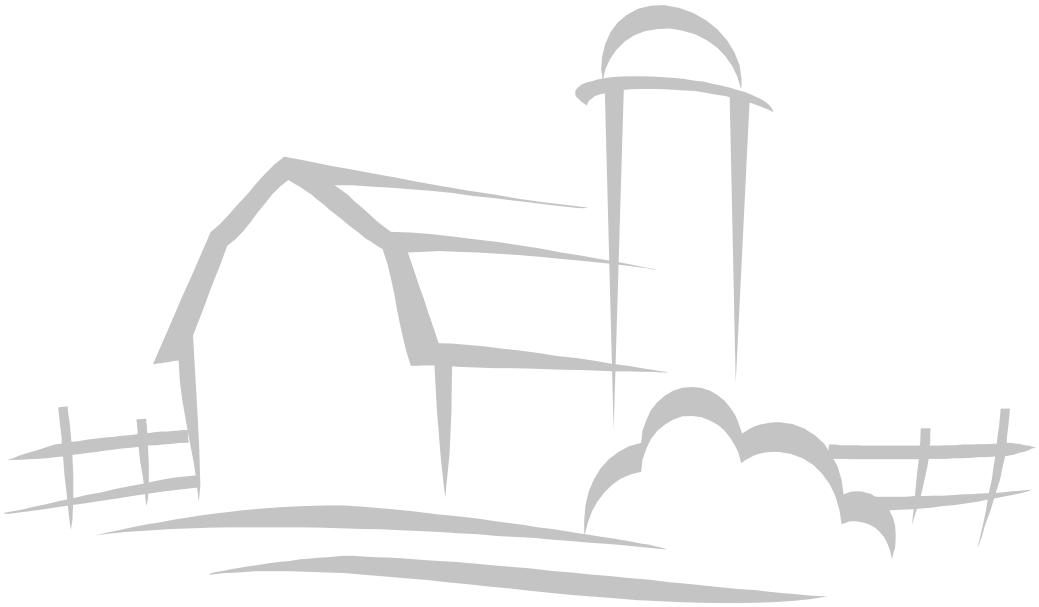
STATE OF VERMONT
COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2008

	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

THIS PAGE INTENTIONALLY LEFT BLANK



Vermont

STATISTICAL SECTION CONTENTS
JUNE 30, 2008

The Statistical Section of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information indicates about the State of Vermont's overall financial health. Below is a summary of the components and purpose of the tables provided in this section.

Financial Trends – Tables 1 through 4
These schedules contain trend information extracted from the State's financial statements, to help the reader understand how the State's financial performance and financial position have changed over time.

Revenue Capacity – Tables 5 through 7
These schedules contain information to help the reader assess the State's most significant revenue source – the personal income tax.

Debt Capacity – Tables 8 and 9
These schedules present information to help the reader assess the affordability of the State's current levels of outstanding debt, the State's ability to issue additional debt in the future, and related historical trend data.

Demographic and Economic Information – Tables 10 and 11
These schedules contain demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.

Operating Indicators – Tables 12 through 14
These schedules contain service levels and capital asset data to help the reader understand how the information in the State's financial report relates to the services the State provides to its citizens and visitors.

This information is unaudited.

STATE OF VERMONT

Statistical Section - Table 1

Financial Trends

Net Assets by Component, Last Seven Fiscal Years*

(accrual basis of accounting)

	2008	2007
Primary Government:		
Governmental Activities		
Invested in capital assets, net of related debt	$ 1,245,907,690	$ 1,161,200,173
Restricted	117,116,560	143,355,279
Unrestricted	(112,439,780)	(27,414,383)
Total governmental activities net assets	$ 1,250,584,470	$ 1,277,141,069
Business-type Activities		
Invested in capital assets, net of related debt	$ 583,729	$ 412,181
Restricted	169,205,810	194,832,088
Unrestricted	3,327,804	3,742,941
Total business-type activities net assets	$ 173,117,343	$ 198,987,210
Primary Government Totals		
Invested in capital assets, net of related debt	$ 1,246,491,419	$ 1,161,612,354
Restricted	286,322,370	338,187,367
Unrestricted	(109,111,976)	(23,671,442)
Total primary government net assets	$ 1,423,701,813	$ 1,476,128,279
Discretely Presented Component Units		
Invested in capital assets, net of related debt	$ 171,918,414	$ 165,900,933
Restricted	605,213,884	606,079,880
Unrestricted	180,869,571	231,293,329
Total discretely presented units net assets	$ 958,001,869	$ 1,003,274,142

* Net assets information is available only from 2002, when the State implemented the changes required under Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments."

2006	2005	2004	2003	2002
$ 1,080,092,389	$ 1,055,464,625	$ 1,001,388,886	$ 928,020,928	$ 783,951,377
167,489,838	111,942,593	121,352,328	90,217,671	94,309,980
(85,683,901)	(69,649,499)	(67,098,959)	(169,421,307)	(52,608,139)
$ 1,161,898,326	$ 1,097,757,719	$ 1,055,642,255	$ 848,817,292	$ 825,653,218
$ 371,942	$ 483,635	$ 464,618	$ 533,770	$ 504,762
209,321,179	227,855,775	238,547,672	264,989,370	314,711,238
4,014,732	3,845,924	3,529,815	3,122,083	3,606,744
$ 213,707,853	$ 232,185,334	$ 242,542,105	$ 268,645,223	$ 318,822,744
$ 1,080,464,331	$ 1,055,948,260	$ 1,001,883,504	$ 928,554,698	$ 784,456,139
376,811,017	339,798,368	359,900,100	355,207,041	409,021,218
(81,669,169)	(65,803,575)	(63,569,144)	(166,299,224)	(49,001,395)
$ 1,375,606,179	$ 1,329,943,053	$ 1,298,214,460	$ 1,117,462,515	$ 1,144,475,962
$ 165,430,751	$ 171,458,877	$ 151,213,394	$ 154,068,373	$ 159,352,039
516,629,098	470,244,961	446,997,871	404,226,821	364,794,162
239,323,346	215,838,933	205,624,698	182,059,839	177,586,817
$ 921,383,195	$ 857,542,771	$ 803,835,963	$ 740,355,033	$ 701,733,018

STATE OF VERMONT

Statistical Section - Table 2

Financial Trends

Changes in Net Assets, Last Seven Fiscal Years*

(accrual basis of accounting)

	2008	2007	2006
Governmental activities:			
Expenses:			
General government	$ 101,536,003	$ 114,687,717	$ 110,054,915
Protection to persons & property	259,691,386	255,620,540	233,163,452
Human services	1,652,680,329	1,518,969,474	1,445,867,889
Employment & training	28,020,157	24,739,704	21,154,243
General education	1,614,446,803	1,622,441,379	1,555,673,656
Natural resources	95,657,166	85,900,684	82,814,307
Commerce & community development	36,953,754	31,946,826	32,251,500
Transportation	310,701,544	307,899,295	301,625,876
Public service enterprises	4,502,606	1,890,030	1,994,246
Interest on long-term debt	19,360,558	20,072,137	21,046,866
Total expenses	**4,123,550,306**	**3,984,167,786**	**3,805,646,950**
Program revenues:			
Charges for services:			
General government	$ 20,973,026	$ 52,384,238	$ 46,748,777
Protection to persons & property	112,100,404	115,546,052	97,700,416
Human services	15,682,861	14,806,660	33,474,522
Natural resources	25,513,793	23,077,637	23,868,138
Transportation	86,370,146	86,295,037	74,645,995
Other	12,857,144	7,511,061	4,789,438
Operating grants & contributions	1,182,604,550	1,083,831,907	1,072,041,991
Capital grants & contributions	151,735,213	167,180,872	128,657,913
Total program revenues	**1,607,837,137**	**1,550,633,464**	**1,481,927,190**
Total governmental activities net program expense	**(2,515,713,169)**	**(2,433,534,322)**	**(2,323,719,760)**
General revenues and other changes in net assets:			
Taxes:			
Personal and corporate income	$ 698,304,586	$ 679,886,186	$ 612,565,565
Sales and use	336,164,340	332,314,113	327,074,633
Meals and rooms	119,758,150	116,888,579	111,570,407
Purchase and use	79,084,039	80,590,615	80,987,232
Motor fuel	65,080,036	65,426,866	67,579,632
Statewide property	798,904,652	878,714,663	813,588,165
Other taxes	317,438,225	331,016,679	317,186,837
Unrestricted investment earnings	8,731,712	11,285,923	7,426,303
Tobacco litigation settlement	38,236,100	24,985,722	24,056,870
Miscellaneous	3,555,121	3,431,989	2,276,594
Transfers	23,899,609	24,235,730	23,548,129
Extraordinary item:			
Gain (loss) on forgiveness of debt	-	-	-
Total general revenues and other changes in net assets	**2,489,156,570**	**2,548,777,065**	**2,387,860,367**
Total governmental activities change in net assets	**$ (26,556,599)**	**$ 115,242,743**	**$ 64,140,607**

* Changes in net assets information is available only from 2002, when the State implemented the changes required under Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments."

2005	2004	2003	2002
$ 130,521,043	$ 98,474,432	$ 51,573,621	$ 87,431,591
213,426,040	196,013,649	186,817,842	173,208,802
1,392,265,594	1,299,865,739	1,185,924,153	1,046,568,774
20,582,854	26,290,402	27,906,916	25,972,322
1,446,411,207	1,149,533,015	1,096,988,222	1,035,750,817
78,421,902	72,892,394	69,459,648	71,367,475
35,651,341	29,862,767	33,849,108	36,782,068
269,066,282	251,788,690	236,214,373	257,519,692
1,649,863	1,898,161	1,897,774	2,001,936
19,306,820	22,590,740	26,358,563	23,549,404
3,607,302,946	**3,149,209,989**	**2,916,990,220**	**2,760,152,881**
$ 59,498,045	$ 44,679,001	$ 11,603,365	$ 9,699,360
78,017,142	81,275,686	79,397,311	73,459,483
20,716,612	22,778,569	30,390,548	24,892,193
24,437,759	20,829,414	18,962,892	24,057,234
69,299,051	68,373,760	63,778,498	54,870,144
4,355,367	7,762,062	7,518,156	8,780,996
1,032,577,419	1,096,788,598	935,183,708	831,069,156
130,645,583	113,007,095	116,022,645	144,363,660
1,419,546,978	**1,455,494,185**	**1,262,857,123**	**1,171,192,226**
(2,187,755,968)	**(1,693,715,804)**	**(1,654,133,097)**	**(1,588,960,655)**
$ 568,058,897	$ 496,301,917	$ 404,947,697	$ 429,430,661
312,395,227	264,336,818	205,205,492	217,685,005
111,979,770	109,914,847	95,354,842	100,622,918
84,046,573	86,363,011	82,089,177	79,455,165
67,334,972	68,654,068	71,257,920	69,223,434
732,330,555	487,535,603	453,868,075	424,243,836
294,257,364	329,543,672	284,253,279	236,994,926
6,664,257	3,130,140	4,602,180	4,529,099
26,205,607	25,819,716	30,545,249	31,000,098
5,875,143	7,194,789	2,446,521	2,284,384
20,722,967	19,957,578	16,582,383	16,929,798
-	-	(7,500,000)	-
2,229,871,332	**1,898,752,159**	**1,643,652,815**	**1,612,399,324**
$ 42,115,364	**$ 205,036,355**	**$ (10,480,282)**	**$ 23,438,669**

continued on next page ---->

STATE OF VERMONT
Statistical Section - Table 2
Financial Trends
Changes in Net Assets, Last Six Fiscal Years*, Continued
(accrual basis of accounting)

	2008	2007	2006
Business-type activities:			
Expenses:			
Vermont Lottery Commission	$ 79,595,887	$ 81,224,645	$ 82,262,856
Liquor Control	45,311,653	43,186,763	40,511,410
Unemployment Compensation	98,955,469	94,396,459	85,483,130
Other	3,139,932	2,936,606	2,948,294
Total expenses	227,002,941	221,744,473	211,205,690
Revenues:			
Charges for services:			
Vermont Lottery Commission	102,000,627	104,550,857	104,878,624
Liquor Control	45,926,628	43,994,124	41,480,297
Unemployment Compensation	65,327,271	70,821,223	57,428,204
Other	3,027,266	2,598,672	2,648,873
Total program revenues	**216,281,792**	**221,964,876**	**206,435,998**
Total business-type activities net program expense	**(10,721,149)**	**220,403**	**(4,769,692)**
General revenues and other changes in net assets:			
Unrestricted investment earnings	8,740,362	9,286,126	9,831,999
Miscellaneous	10,529	8,558	8,341
Capital asset transfers	-	-	-
Transfers	(23,899,609)	(24,235,730)	(23,548,129)
Total other changes in net assets	(15,148,718)	(14,941,046)	(13,707,789)
Total business-type activities change in net assets	**$ (25,869,867)**	**$ (14,720,643)**	**$ (18,477,481)**
Total primary government change in net assets	**$ (52,426,466)**	**$ 100,522,100**	**$ 45,663,126**
Component units:			
Expenses:			
Vermont Student Assistance Corporation	$ 199,476,000	$ 176,918,000	$ 154,884,000
University of Vermont & State Agricultural College	559,961,000	505,403,000	453,127,000
Vermont State Colleges	154,614,471	141,662,574	135,102,593
Other	65,527,200	70,645,626	61,848,235
Total expenses	**979,578,671**	**894,629,200**	**804,961,828**
Program revenues:			
Charges for services:			
Vermont Student Assistance Corporation	$ 106,106,000	$ 106,540,000	$ 84,537,000
University of Vermont & State Agricultural College	290,105,000	262,342,000	241,837,000
Vermont State Colleges	95,771,945	91,035,108	83,360,619
Other	45,210,709	44,385,811	41,440,876
Operating grants & contributions	344,597,739	343,609,242	335,394,901
Capital grants & contributions	14,506,269	19,093,518	10,651,167
Total program revenues	**896,297,662**	**867,005,679**	**797,221,563**
Total governmental activities net program expense	**(83,281,009)**	**(27,623,521)**	**(7,740,265)**
General revenues and other changes in net assets:			
Taxes	$ 15,483,258	$ 13,763,883	$ 15,671,180
Unrestricted investment earnings	19,392,520	93,754,115	55,017,880
Other	2,048,258	1,504,400	891,629
Extraordinary Items:			
Gain (loss) on forgiveness of debt	-	-	-
Loss on extinguishment of debt	-	-	-
Total general revenues and other changes in net assets	**36,924,036**	**109,022,398**	**71,580,689**
Total component units change in net assets	**$ (46,356,973)**	**$ 81,398,877**	**$ 63,840,424**

2005	2004	2003	2002
$ 71,719,711	$ 72,319,680	$ 63,650,809	$ 65,590,029
38,155,229	36,236,080	34,357,279	33,311,074
79,967,905	99,549,897	130,315,726	88,557,267
3,872,621	2,726,827	3,026,310	2,823,430
193,715,466	210,832,484	231,350,124	190,281,800
92,599,609	92,389,082	79,412,447	82,000,455
39,209,269	36,665,547	34,254,147	33,118,564
57,249,620	58,540,541	63,633,038	66,441,794
2,919,253	2,603,675	2,920,076	2,825,694
191,977,751	**190,198,845**	**180,219,708**	**184,386,507**
(1,737,715)	**(20,633,639)**	**(51,130,416)**	**(5,895,293)**
12,388,648	14,502,200	18,011,637	19,964,380
(274,809)	15,899	2,646	295
(39,928)	-	-	-
(20,722,967)	(19,957,578)	(16,582,383)	(16,929,798)
(8,649,056)	(5,439,479)	1,431,900	3,034,877
$ (10,386,771)	**$ (26,073,118)**	**$ (49,698,516)**	**$ (2,860,416)**
$ 31,728,593	**$ 178,963,237**	**$ (60,178,798)**	**$ 20,578,253**
$ 130,083,000	$ 94,333,000	$ 93,829,000	$ 99,644,000
423,317,000	406,661,000	379,503,000	345,610,000
125,540,113	118,800,228	106,498,224	100,250,838
58,683,189	61,499,406	61,389,984	59,012,629
737,623,302	**681,293,634**	**641,220,208**	**604,517,467**
$ 65,044,000	$ 59,562,000	$ 57,775,000	$ 60,200,000
215,925,000	201,196,000	182,705,000	178,577,000
76,556,436	69,421,442	58,679,187	57,995,029
41,326,019	37,404,981	37,123,566	32,725,161
317,304,332	302,914,264	285,898,126	262,975,790
16,618,040	9,857,101	12,349,755	10,038,000
732,773,827	**680,355,788**	**634,530,634**	**602,510,980**
(4,849,475)	**(937,846)**	**(6,689,574)**	**(2,006,487)**
$ 12,604,000	$ 12,604,000	$ 11,088,000	$ 11,088,000
45,836,899	53,154,281	27,195,488	5,910,584
65,384	205,240	62,323	-
-	-	7,500,000	-
-	-	(755,815)	-
58,506,283	**65,963,521**	**45,089,996**	**16,998,584**
$ 53,656,808	**$ 65,025,675**	**$ 38,400,422**	**$ 14,992,097**

STATE OF VERMONT

Statistical Section - Table 3
Financial Trends
Fund Balances, Governmental Funds*
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2008	**2007**	**2006**	**2005**
General Fund				
Reserved	$ 101,264,674	$ 94,972,963	$ 93,133,111	$ 95,058,522
Unreserved	54,458,250	68,056,829	68,316,939	68,609,646
Total General Fund	$ 155,722,924	$ 163,029,792	$ 161,450,050	$ 163,668,168
All Other Governmental Funds				
Reserved	$ 75,076,011	$ 70,650,210	$ 79,807,902	$ 63,821,409
Unreserved, reported in:				
Special revenue funds	145,880,785	160,165,603	156,102,410	127,908,578
Capital projects funds	32,616,541	26,294,481	22,096,858	20,816,577
Permanent funds	-	11,546,644	9,636,760	4,413,943
Total all other governmental funds	$ 253,573,337	$ 268,656,938	$ 267,643,930	$ 216,960,507

* Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," was implemented by the State in fiscal year 2002. Permanent funds and certain special revenue funds were reported as fiduciary trust funds prior to this implementation. Amounts for fiscal years 2001 and earlier have not been restated to reclassify these funds.

Fiscal Year					
2004	2003	2002	2001	2000	1999
$ 92,751,312	$ 52,690,713	$ 51,695,723	$ 86,174,465	$ 114,149,646	$ 82,033,240
61,974,484	47,061,962	97,898,194	86,583,269	54,991,249	53,860,810
$ 154,725,796	$ 99,752,675	$ 149,593,917	$ 172,757,734	$ 169,140,895	$ 135,894,050
$ 61,817,802	$ 46,533,226	$ 54,367,194	$ 35,353,352	$ 36,275,097	$ 18,986,974
143,967,418	66,061,162	82,458,887	94,681,498	94,568,979	105,124,935
36,362,811	37,299,263	51,798,769	22,363,376	22,526,489	20,181,684
1,790,948	1,705,584	1,518,780	-	-	-
$ 243,938,979	$ 151,599,235	$ 190,143,630	$ 152,398,226	$ 153,370,565	$ 144,293,593

STATE OF VERMONT

Statistical Section - Table 4
Financial Trends
Changes in Fund Balances, Governmental Funds*
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2008	**2007**	**2006**	**2005**
REVENUES:				
Taxes	$ 2,409,100,087	$ 2,460,570,749	$ 2,337,341,048	$ 2,160,130,972
Fees	61,444,288	70,221,353	52,813,029	58,290,625
Sales of services, rents and leases	17,697,138	13,723,675	13,455,255	13,250,908
Federal grants	1,317,932,182	1,243,957,617	1,195,618,641	1,149,686,863
Fines, forfeits and penalties	21,971,622	19,315,425	19,172,068	19,382,893
Investment income	11,993,621	17,316,519	11,468,734	7,905,566
Licenses	96,079,069	92,593,084	82,772,243	79,897,287
Special assessments	44,802,264	29,062,116	27,320,199	25,154,296
Other revenues	80,021,482	71,338,330	58,327,506	69,137,334
Total revenues	**4,061,041,753**	**4,018,098,868**	**3,798,288,723**	**3,582,836,744**
EXPENDITURES:				
General government	85,545,323	66,604,950	63,454,504	69,637,852
Protection to persons and property	250,028,181	247,732,080	227,084,839	222,239,431
Human services	1,637,939,588	1,521,057,433	1,433,190,205	1,397,574,415
Employment and training	27,056,304	24,487,881	21,090,488	20,946,037
General education	1,533,339,872	1,609,653,282	1,513,711,838	1,414,259,100
Natural resources	97,320,555	97,456,248	93,672,918	82,298,019
Commerce and community development	35,464,540	30,607,512	30,842,981	35,026,161
Transportation	369,814,833	379,347,072	321,421,189	310,061,273
Public service enterprises	4,501,715	1,890,030	1,994,246	1,649,863
Capital outlay	37,208,418	37,034,547	43,062,733	52,773,840
Debt service:				
Interest	22,083,473	23,032,806	21,958,988	22,004,546
Principal	46,614,556	46,097,158	45,272,088	45,348,153
Total expenditures	**4,146,917,358**	**4,085,000,999**	**3,816,757,017**	**3,673,818,690**
Excess of revenues over (under) expenditures	**(85,875,605)**	**(66,902,131)**	**(18,468,294)**	**(90,981,946)**
Other financing sources (uses):				
Proceeds from the sale of bonds	46,000,000	44,500,000	45,000,000	41,000,000
Proceeds from the sale of refunding bonds	29,195,000	-	-	23,267,099
Premium on sale of bonds	798,046	305,058	744,195	93,445
Payment to bond escrow agent	(29,375,437)	-	-	(22,431,596)
Premium on sale of short-term notes	-	-	-	-
Residual equity transfer	-	-	-	-
Transfers in	1,212,740,225	1,092,592,826	1,155,078,201	478,209,945
Transfers out	(1,184,603,543)	(1,067,903,003)	(1,133,888,797)	(447,193,047)
Total other financing sources (uses)	**74,754,291**	**69,494,881**	**66,933,599**	**72,945,846**
Extraordinary item:				
Loss on forgiveness of debt	-	-	-	-
Net change in fund balances	**$ (11,121,314)**	**$ 2,592,750**	**$ 48,465,305**	**$ (18,036,100)**
Debt service as a percentage of noncapital expenditures*	1.72%	1.77%	1.83%	1.91%

* The State implemented Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," in fiscal year 2002. Prior to this, the State did not maintain information necessary for computing debt service as a percentage of noncapital expenditures in the governmental funds. Additionally, prior to fiscal year 2002, certain special revenue funds and the permanent funds were reported as fiduciary funds; amounts for years prior to 2002 have not been restated to include data for those funds in this table.

Fiscal Year					
2004	**2003**	**2002**	**2001**	**2000**	**1999**
$ 1,831,301,567	$ 1,615,244,889	$ 1,600,725,756	$ 1,590,021,858	$ 1,529,512,665	$ 1,092,581,137
46,613,828	47,770,289	36,708,774	36,193,167	34,442,295	33,416,275
14,211,562	14,031,691	15,613,693	11,044,242	17,481,955	15,821,046
1,195,394,472	1,036,188,776	964,141,863	849,190,708	847,344,627	752,470,334
22,136,295	15,150,570	14,209,581	9,449,787	10,489,734	8,953,403
4,579,721	5,561,830	6,883,583	12,813,248	11,548,738	9,410,231
78,413,620	71,827,369	66,126,632	70,037,167	67,484,136	63,399,886
25,865,976	22,454,287	21,629,014	12,797,215	9,329,929	7,581,026
77,710,776	85,137,810	78,526,877	43,052,988	39,170,217	43,597,589
3,296,227,817	**2,913,367,511**	**2,804,565,773**	**2,634,600,380**	**2,566,804,296**	**2,027,230,927**
59,420,753	56,610,063	71,394,584	91,208,675	72,377,387	72,582,300
200,556,219	184,257,770	174,438,289	141,541,764	134,520,793	126,537,008
1,298,524,173	1,200,628,758	1,064,306,490	910,389,884	910,137,339	824,563,158
26,193,011	27,904,668	26,285,028	25,999,908	27,631,323	25,997,774
1,119,927,687	1,067,249,406	1,021,058,900	894,781,354	893,172,183	492,704,507
76,194,919	84,602,070	86,309,386	86,780,546	88,148,291	76,188,643
28,628,106	32,963,605	34,094,561	34,941,291	30,920,684	40,875,808
289,728,406	284,978,570	311,109,113	294,277,972	267,400,584	246,716,884
1,898,161	1,897,774	2,001,936	1,257,308	1,272,134	1,517,976
41,195,540	40,702,096	34,727,809	12,132,666	4,971,000	1,304,778
27,213,333	23,687,879	23,804,098	23,310,944	23,525,283	23,597,102
43,620,613	49,526,115	45,410,549	50,585,000	51,330,000	48,470,000
3,213,100,921	**3,055,008,774**	**2,894,940,743**	**2,567,207,312**	**2,505,407,001**	**1,981,055,938**
83,126,896	**(141,641,263)**	**(90,374,970)**	**67,393,068**	**61,397,295**	**46,174,989**
42,200,000	35,800,000	51,000,000	-	37,000,000	34,285,000
146,554,448	31,555,000	-	-	-	-
1,838,750	2,413,804	123,348	-	-	-
(146,071,943)	(33,778,426)	-	-	-	-
-	678,750	-	-	-	-
-	-	-	-	-	(4,200,000)
438,309,704	401,290,002	347,614,574	357,861,384	350,741,856	381,552,402
(418,644,990)	(382,222,560)	(326,202,917)	(422,024,569)	(406,939,405)	(368,996,697)
64,185,969	**55,736,570**	**72,535,005**	**(64,163,185)**	**(19,197,549)**	**42,640,705**
-	(2,204,948)	-	-	-	-
$ 147,312,865	**$ (88,109,641)**	**$ (17,839,965)**	**$ 3,229,883**	**$ 42,199,746**	**$ 88,815,694**
2.31%	2.59%	2.49%	not available	not available	not available

STATE OF VERMONT

Statistical Section - Table 5
Revenue Capacity
Personal Income and Earnings by Major Industry
Last Ten Calendar Years
(Expressed in Thousands)

	2008 (1)	2007	2006	2005
Total personal income	**$ 24,204,000**	**$ 23,263,546**	**$ 21,815,667**	**$ 20,275,372**
Earnings	16,899,000	16,435,627	15,803,062	15,206,968
Farm earnings	146,000	194,521	80,591	167,619
Non-farm earnings	16,753,000	16,241,106	15,722,471	15,039,349
Private earnings	13,633,000	13,259,925	12,860,998	12,297,544
Forestry, fishing, related activities	73,000	74,513	72,640	69,565
Mining	64,000	52,252	49,898	42,178
Utilities	251,000	236,437	215,569	211,505
Construction	1,050,000	1,144,788	1,185,291	1,110,686
Manufacturing	2,497,000	2,449,480	2,398,473	2,340,459
Durable goods	1,908,000	1,870,706	1,815,546	1,771,936
Nondurable goods	589,000	578,774	582,927	568,523
Wholesale trade	674,000	649,885	641,151	608,271
Retail trade	1,369,000	1,357,712	1,331,669	1,301,386
Transportation and warehousing	395,000	381,934	371,662	365,915
Information	344,000	343,820	335,790	330,881
Finance and insurance	878,000	802,667	741,341	716,350
Real estate and rental and leasing	222,000	216,019	217,399	226,353
Professional and technical services	1,328,000	1,249,865	1,233,726	1,102,658
Management of companies and enterprises	19,000	25,406	23,551	22,984
Administrative and waste services	392,000	370,701	342,524	327,641
Education services	515,000	490,791	464,378	437,843
Healthcare and social assistance	2,244,000	2,126,583	1,994,419	1,880,653
Arts, entertainment, and recreation	144,000	142,536	136,245	127,918
Accommodation and food services	682,000	668,780	648,026	627,707
Other services, except public administration	492,000	475,756	457,246	446,591
Government and government enterprises	3,120,000	2,981,181	2,861,473	2,741,805
Federal, civilian	558,000	536,172	519,095	503,965
Military	173,000	158,341	154,939	166,661
State and local	2,389,000	2,286,668	2,187,439	2,071,179
State	N/A	N/A	936,236	885,776
Local	N/A	N/A	1,251,203	1,185,403
Other personal income (2)	7,305,000	6,827,919	6,012,605	5,068,404
Average effective tax rate (4)	N/A	N/A	2.54%	2.50%

(1) Data for 2008 are projected annual estimates based on information through 2008 second quarter.
(2) Includes non-earned income, such as interest and dividends, rental income, and government transfers to individuals.
(3) Data for this category is not reported, but estimates are included in totals.
(4) Total direct tax rate is not available. Average effective tax rate equals personal income tax collections (see Statistical Section Table 6) divided by total personal income. Source of collections data: Vermont Department of Taxes

Source: U.S. Department of Commerce, Bureau of Economic Analysis

2004	2003	2002	2001	2000	1999
$ 19,775,878	**$ 18,711,004**	**$ 18,051,034**	**$ 17,741,649**	**$ 16,883,009**	**$ 15,649,530**
14,608,971	13,716,038	13,168,932	12,836,041	12,233,555	11,333,031
169,354	121,197	102,249	144,132	163,349	152,763
14,439,617	13,594,841	13,066,683	12,691,909	12,070,206	11,180,268
11,845,675	11,164,373	10,833,222	10,615,549	10,138,954	9,375,880
66,009	70,675	72,301	81,546	82,464	72,730
44,699	45,273	45,363	56,394	42,171	41,377
216,363	184,273	180,410	173,022	148,896	153,360
1,051,424	935,867	892,098	873,099	815,398	731,956
2,300,799	2,244,054	2,296,120	2,444,748	2,326,913	2,124,210
1,733,968	1,700,400	1,762,594	1,874,462	1,702,701	1,541,312
566,831	543,654	533,526	570,286	624,212	582,898
589,472	579,517	545,095	513,671	469,019	433,176
1,250,574	1,196,790	1,163,703	1,105,382	1,037,447	979,532
354,749	318,324	317,510	303,475	312,272	294,770
329,371	321,490	(3)	308,245	284,388	269,132
692,440	670,135	623,462	599,022	566,660	528,951
226,591	207,680	200,243	187,050	159,588	159,148
1,011,999	934,631	893,434	893,740	893,421	837,977
21,025	19,086	18,512	19,085	101,539	101,360
322,582	278,438	274,840	271,335	255,315	244,595
422,933	387,953	372,840	345,156	325,002	303,404
1,762,188	1,650,456	1,558,098	1,418,212	1,281,660	1,165,802
124,369	116,223	108,960	104,585	108,359	108,644
617,855	585,229	563,900	535,780	539,090	486,076
440,233	418,279	(3)	382,002	389,352	339,680
2,593,942	2,430,468	2,233,461	2,076,360	1,931,252	1,804,388
489,421	443,729	409,354	377,833	369,785	332,327
151,223	142,754	99,041	79,440	72,931	69,105
1,953,298	1,843,985	1,725,066	1,619,087	1,488,536	1,402,956
834,493	786,315	737,053	693,004	615,363	573,038
1,118,805	1,057,670	988,013	926,083	873,173	829,918
5,166,907	4,994,966	4,882,102	4,905,608	4,649,454	4,316,499
2.35%	2.22%	2.22%	2.26%	2.49%	2.55%

STATE OF VERMONT

Statistical Section - Table 6
Revenue Capacity
Personal Income Tax Rates and Tax Collections
Last Ten Calendar Years

Calendar Year		Tax Rates for Taxable Income Within Range, Single Filing Status (1)					Tax Collections (000s)	Personal Income (4) (000s)	Average Effective Tax Rate
		3.6%	7.2%	8.5%	9.0%	9.5%			
2007		$0 - $31,850	$31,851 - $77,100	$77,101 - $160,850	$160,851 - $349,700	> $349,700	N/A	$ 22,580,000	N/A
2006		$0 - $30,650	$30,651 - $74,200	$74,201 - $154,800	$154,801 - $336,550	> $336,550	$ 552,055	$ 21,601,346	2.56%
2005		$0 - $29,700	$29,701 - $71,950	$71,951 - $150,150	$150,151 - $326,450	> $326,450	$ 507,701	$ 20,323,602	2.50%
2004		$0 - $29,050	$29,051 - $70,350	$70,351 - $146,750	$146,751 - $319,100	> $319,100	$ 463,755	$ 19,749,931	2.35%
2003		$0 - $28,400	$28,401 - $68,800	$68,801 - $143,500	$143,501 - $311,950	> $311,950	$ 415,020	$ 18,711,004	2.22%
2002		$0 - $27,950	$27,951 - $67,700	$67,701 - $141,250	$141,251 - $307,050	> $307,050	$ 400,120	$ 18,051,034	2.22%
2001	(2)	$0 - $27,050	$27,051 - $65,550	$65,551 - $136,750	$136,751 - $297,350	> $297,350	$ 400,522	$ 17,741,649	2.26%
2000	(3)						$ 420,355	$ 16,883,009	2.49%
1999	(3)						$ 399,800	$ 15,649,530	2.55%
1998	(3)						$ 365,617	$ 14,787,819	2.47%

N/A - Information not available at publication date.

(1) Different taxable income ranges apply to these rates for other filing statuses, including Married Filing Jointly, Married Filing Separately, Head of Household, etc.

(2) For 2001, the tax rates applied to the five income ranges for single status filers were 3.6%, 6.72%, 7.44%, 8.64%, and 9.5%, respectively.

(3) Prior to 2001, the State's personal income tax rate was a percentage of the filer's individual federal income tax liability, rather than being a separate rate applied to Vermont taxable income. These percentages were as follows: for 2000, 24% of federal taxes; for 1999 and prior, 25% of federal taxes.

(4) See Statistical Section Table 5 for additional detail regarding personal income.

STATE OF VERMONT
Statistical Section - Table 7
Revenue Capacity
Personal Income Tax Filers and Liability by Income Level
Calendar Years 2007 and 1998

	Calendar Year 2007[1]				
Income Level	Number of Filers	Percentage of Total Filers	State Taxable Income [2]	State Personal Income Tax (net) [3]	Percentage of Total State
$300,000 and higher	2,415	0.67%	$ 1,924,036,644	$ 145,007,858	24.66%
$150,000 - $299,999	5,437	1.50%	1,090,469,448	69,166,291	11.76%
$100,000 - $149,999	9,212	2.55%	1,103,547,497	59,838,477	10.17%
$75,000 - $99,999	13,691	3.78%	1,172,495,712	57,004,713	9.69%
$50,000 - $74,999	32,256	8.91%	1,968,463,520	81,673,521	13.89%
$25,000 - $49,999	64,012	17.69%	2,310,924,293	84,349,716	14.34%
$10,000 - $24,999	63,103	17.44%	1,084,679,147	37,595,399	6.39%
$9,999 and lower	122,208	33.79%	257,863,384	8,984,817	1.53%
Out of State	49,490	13.68%	22,301,751,545	44,552,263	7.57%
Totals	361,824	100.01%	$ 33,214,231,190	$ 588,173,055	100.00%

	Calendar Year 1998				
Income Level	Number of Filers	Percentage of Total Filers	State Taxable Income [2]	State Personal Income Tax (net) [3]	Percentage of Total State
$300,000 and higher	1,273	0.40%	$ 1,003,234,003	$ 64,211,959	17.56%
$150,000 - $299,999	2,732	0.86%	553,336,308	33,596,566	9.19%
$100,000 - $149,999	4,341	1.37%	520,174,909	28,193,840	7.71%
$75,000 - $99,999	6,674	2.11%	571,150,509	28,587,211	7.82%
$50,000 - $74,999	19,637	6.20%	1,179,048,813	53,180,414	14.55%
$25,000 - $49,999	57,087	18.02%	2,032,242,286	77,375,431	21.17%
$10,000 - $24,999	66,167	20.89%	1,118,853,945	39,941,429	10.92%
$9,999 and lower	119,617	37.77%	312,527,692	11,532,861	3.15%
Out of State	39,222	12.38%	6,772,814,153	28,997,616	7.93%
Totals	316,750	100.00%	$ 14,063,382,618	$ 365,617,327	100.00%

[1] Information for Tax Year 2007 is preliminary data for returns processed through November 14, 2008.
[2] State Taxable Income is the total taxable income reported on line 15 of tax returns for an income class.
[3] State Personal Income Tax is net of taxable income adjustments, Vermont credits and other tax credits.

Source: Vermont Department of Taxes

STATE OF VERMONT

Statistical Section - Table 8

Debt Capacity

Ratios of Outstanding Debt by Type, Last Ten Years

(Expressed in Thousands, Except Per Capita)

	Governmental Activities						
Fiscal Year	General Obligation Current Interest Bonds	General Obligation Capital Appreciation Bonds (1)	Total General Obligation Bonds	Capital Leases	Total Primary Government	Ratio of Debt to Personal Income (2)	Debt Per Capita (3)
2008	$ 429,360	$ 25,110	$ 454,470	$ 384	$ 454,854	1.88%	N/A
2007	426,415	30,840	457,255	600	457,855	1.97%	$ 737
2006	425,060	36,214	461,274	741	462,015	2.12%	744
2005	422,212	41,178	463,390	694	464,084	2.29%	749
2004	423,287	45,836	469,123	-	469,123	2.37%	758
2003	422,755	51,030	473,785	-	473,785	2.53%	768
2002	430,735	55,730	486,465	-	486,465	2.69%	791
2001	420,890	59,553	480,443	-	480,443	2.71%	785
2000	464,865	62,434	527,299	-	527,299	3.12%	865
1999	473,355	64,436	537,791	1,943	539,734	3.45%	893

(1) Net of Unaccreted Interest

(2) See Statistical Section Table 5 for additional detail regarding personal income.

(3) See Statistical Section Table 10 for population statistics.

Note: The State has no constitutional or other limit on its power to issue obligations or incur indebtedness except for the requirement that borrowing only be for public purposes.

STATE OF VERMONT

Statistical Section - Table 9
Debt Capacity
Ratios of General Obligation Bonded Debt Outstanding
Last Ten Fiscal Years *
(Expressed in Thousands, Except Per Capita)

Fiscal Year	General Obligation Bonded Debt	State Taxable Personal Income (1)	Ratio of General Bonded Debt to Taxable Personal Income	General Bonded Debt Per Capita (2)
2007	$ 457,255	33,214,231	1.38%	736
2006	461,274	25,051,130	1.84%	743
2005	463,390	23,609,221	1.96%	747
2004	469,123	19,956,789	2.35%	758
2003	473,785	16,395,915	2.89%	768
2002	486,465	15,083,109	3.23%	791
2001	480,443	16,026,774	3.00%	785
2000	527,299	15,030,104	3.51%	864
1999	537,791	14,837,850	3.62%	889
1998	548,133	14,063,383	3.90%	914

* Most of the information for this table is not available for the 2008 year, so the data reported here is for the ten years 1998 - 2007.

(1) Source: Vermont Department of Taxes.
(2) See Statistical Section Table 10 for population statistics.

STATE OF VERMONT

Statistical Section - Table 10
Demographic and Economic Statistics
Population, Per Capita Personal Income, Civilian Labor Force,
Public School Enrollment, and Motor Vehicle Registration Data
Last Ten Years*

	Population [1]				Per Capita Personal Income [1]		
Year	U.S.	Change From Prior Period	State of Vermont	Change From Prior Period	U.S.	State of Vermont	Vermont as a percentage of U.S.
2007	301,621,157	0.96%	621,254	0.08%	$ 38,611	$ 36,670	94.97%
2006	298,754,819	0.97%	620,778	0.17%	36,714	34,871	94.98%
2005	295,895,897	0.92%	619,736	0.15%	34,757	32,833	94.46%
2004	293,191,511	0.94%	618,794	0.27%	33,123	31,959	96.49%
2003	290,447,644	0.89%	617,101	0.30%	31,504	30,321	96.24%
2002	287,888,021	0.97%	615,250	0.49%	30,821	29,339	95.19%
2001	285,112,030	1.03%	612,225	0.38%	30,574	28,979	94.78%
2000	282,194,308	1.13%	609,909	0.86%	29,845	27,681	92.75%
1999	279,040,168	1.15%	604,683	0.71%	27,939	25,881	92.63%
1998	275,854,104	1.18%	600,416	0.53%	26,883	24,629	91.62%

*Most of the information for this table is not available for the 2008 year, so the data reported here is for the ten years 1998 - 2007. Some data previously reported for prior years has been modified to reflect updated estimates.

1. Source: Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce.

2. Source: Local Area Unemployment Statistics, Vermont Department of Labor, Economic & Labor Market Information; Not Seasonally Adjusted.

3. Source: Vermont Department of Education, "Elementary/Secondary Public School Enrollment."

4. Source: Vermont Department of Motor Vehicles, All Registered Vehicle Types; includes autos, trucks, motorcycles, buses, state & municipal, and dealer vehicles; data is on a calendar year basis.

Civilian Labor Force [2]					
State Employed	State Unemployed	State Total	State Unemploy-ment Rate	**Public School Enrollment** [3]	**Motor Vehicles Registered** [4]
340,100	13,800	353,900	3.9%	95,481	623,231
342,500	13,200	355,700	3.7%	96,636	621,685
337,200	12,200	349,400	3.5%	98,361	617,642
334,500	12,900	347,400	3.7%	99,104	609,852
331,300	15,500	346,800	4.5%	99,978	601,748
331,800	13,900	345,700	4.0%	101,180	588,906
330,100	11,100	341,200	3.3%	102,049	577,406
326,700	9,100	335,800	2.7%	104,559	564,165
325,600	9,800	335,400	2.9%	105,120	550,698
321,600	10,300	331,900	3.1%	105,984	528,363

STATE OF VERMONT

Statistical Section - Table 11
Demographic and Economic Information
Annual Average Non-Farm Employment By Industry
for the Years 2007 and 1998

	2007			1998		
	Employees	Rank	Percent of Total	Employees	Rank	Percent of Total
Total non-farm employment	**307,800**		**100.0%**	**284,850**		**100.0%**
Private total	**253,800**		**82.5%**	**238,650**		**83.8%**
Natural resources and mining	850		0.3%	1,050		0.4%
Construction	16,850	6	5.5%	13,550	6	4.8%
Manufacturing:						
Durable goods	26,100	4	8.5%	32,000	3	11.2%
Nondurable goods	9,850	9	3.2%	12,650	7	4.4%
Wholesale trade	10,300	10	3.3%	9,500	10	3.3%
Retail trade	40,100	2	13.0%	37,650	1	13.2%
Transportation, warehousing, and utilities	8,700		2.8%	8,650		3.0%
Information	5,950		1.9%	6,550		2.3%
Financial activities:						
Finance and insurance	9,900		3.2%	9,450		3.3%
Real estate and rental and leasing	3,300		1.1%	2,900		1.0%
Professional and business services:						
Professional and technical services	13,250	7	4.3%	10,700	9	3.8%
Management of companies and enterprises	350		0.1%	500		0.2%
Administrative and waste services	8,700		2.8%	8,550		3.0%
Educational and health services:						
Education services	12,750	8	4.1%	11,350	8	4.0%
Healthcare and social assistance	44,050	1	14.3%	32,050	2	11.3%
Leisure and hospitality:						
Arts, entertainment, and recreation	3,950		1.3%	2,800		1.0%
Accommodation and food services	28,950	3	9.4%	29,350	4	10.3%
Other services, except public administration	9,900		3.2%	9,400		3.3%
Government total	**54,000**		**17.5%**	**46,200**		**16.2%**
Federal	5,950		1.9%	5,550		1.9%
State government education	8,300		2.7%	6,800		2.4%
Local government education	22,750	5	7.4%	19,500	5	6.8%
Other state government	9,850		3.2%	8,350		2.9%
Other local government	7,150		2.3%	6,000		2.1%

Source: Vermont Department of Labor, Labor Market Information, data release date 10/21/08

Note - Data for specific businesses that comprise the top employers in the state is not available, due to confidentiality regulations; thus, information by industry is presented.

STATE OF VERMONT
Statistical Section - Table 12
Operating Information
Full-Time Equivalent State Government Employees by Function/Program
Last Ten Years

Function/Program	2008[4]	2007	2006	2005	2004	2003	2002	2001	2000	1999
General Government										
Administration	5	4	4	4	3	11	12	12	12	9
Auditor of Accounts	12	11	11	11	12	12	12	10	11	13
Buildings & General Services	424	417	424	396	399	419	422	390	370	351
Finance & Management	47	37	39	36	38	32	35	30	32	27
Executive (Governor's) Office	18	18	17	17	17	16	19	18	18	19
Information & Innovation[1]	61	57	50	49	51	-	-	-	-	-
Libraries	32	31	34	34	34	34	33	34	37	35
Lieutenant Governor	2	2	2	2	2	2	2	2	2	2
Human Resources (Personnel)	51	59	57	56	56	54	56	52	51	53
State Treasurer	35	36	37	34	33	29	30	29	30	27
Taxes	180	176	183	184	183	179	189	185	182	172
Vermont Labor Relations Board	2	2	2	2	2	2	2	2	2	2
VOSHA Review Board	1	1	1	1	1	1	1	1	1	1
Protection to Persons & Property										
Agriculture, Food & Markets	97	96	95	89	87	81	85	84	85	84
Attorney General	71	69	72	68	67	62	69	57	62	45
BISHCA	110	108	105	99	93	89	84	83	87	81
Criminal Justice Training Council	10	10	10	11	8	6	7	8	8	7
Defender General	64	63	61	62	60	55	56	55	56	52
Labor & Industry[2,3]	n/a	n/a	n/a	43	85	82	82	77	79	77
Liquor Control	56	54	56	54	55	54	56	55	53	50
Military	126	117	118	109	111	104	112	101	101	103
Public Safety[3]	592	599	602	568	511	480	491	490	462	460
Public Service Dept.	50	52	49	47	51	51	51	50	51	47
Public Service Board	25	24	27	25	25	24	23	24	23	24
Secretary of State	51	52	51	48	50	46	43	47	48	43
State's Attorneys & Sheriffs	156	155	154	153	154	145	148	150	145	137
Vermont Human Rights Commission	5	5	5	5	5	5	5	5	5	5
Vermont Lottery Commission	19	18	19	19	19	19	19	20	19	19
VT Fire Service Training Council[2]	n/a	n/a	n/a	n/a	7	8	8	7	7	5
Human Services [2]										
Children & Families	960	947	941	932	n/a	n/a	n/a	n/a	n/a	n/a
PATH	n/a	n/a	n/a	n/a	414	406	422	415	396	383
Office of Child Care	n/a	n/a	n/a	n/a	124	119	119	117	118	100
Social & Rehabilitation Services	n/a	n/a	n/a	n/a	400	377	398	384	380	346
Vt Office of Health Access	93	79	65	43	n/a	n/a	n/a	n/a	n/a	n/a
Aging & Disability	298	288	275	268	216	201	196	186	177	156
Corrections	1,115	1,150	1,146	1,129	1,101	947	967	942	923	840
Economic Opportunity	n/a	n/a	n/a	n/a	6	8	8	9	9	8
Health	525	753	749	715	496	483	472	465	441	393
Developmental & MH Services	236	n/a	n/a	n/a	96	102	104	102	98	91
Vermont State Hospital	n/a	n/a	n/a	n/a	178	173	152	152	150	155
Human Services	99	95	89	59	54	52	61	57	64	62
Governor's Commission on Women	3	3	3	3	3	3	3	3	4	4
Veteran's Home (discrete component unit)	200	204	190	188	195	192	193	166	171	175
Employment & Training										
Department of Labor[3]	277	276	281	250	290	315	324	325	351	341
General Education										
Department of Education	184	194	196	182	181	174	185	170	143	117
Natural Resources										
Environmental Board	31	29	30	29	31	30	32	32	28	29
Environmental Conservation	283	285	286	273	264	256	257	265	259	244
Fish & Wildlife	130	124	119	121	118	117	116	117	120	119
Forests, Parks & Recreation	114	113	113	111	119	115	118	120	118	118
Natural Resources	59	56	58	52	48	48	36	37	41	39
Water Resources Board	-	-	-	3	4	4	4	4	4	4
Commerce & Community Development										
Agy of Commerce & Community Dev	96	97	93	101	95	92	98	100	95	94
Transportation										
Agency of Transportation	1,253	1,255	1,242	1,255	1,287	1,261	1,241	1,229	1,189	1,175
Total	8,258	8,221	8,161	7,940	7,936	7,573	7,658	7,475	7,318	6,943

[1] New department formed from consolidating GOVNet program (previously in Administration) and Communication & Information Technology program (previously in Buildings & General Services).

[2] In 2005 the Agency of Human Services reorganized with some department consolidations and other new departments established. Also in 2005 the Vermont Fire Service Training Council and portions of the Department of Labor and Industry were merged into the Department of Public Safety.

[3] In 2006 portions of the Department of Labor and Industry merged with the Department of Employment & Training and the new consolidated department was named the Department of Labor.

[4] Preliminary Data

Source: Vermont Department of Human Resources - State of Vermont Workforce Report

STATE OF VERMONT

Statistical Section - Table 13
Operating Information
Operating Indicators by Function
Last Five Years

Function	2008	2007	2006	2005	2004
General Government					
Sq ft of State owned facilities[1]	3,941,153	3,928,255	3,377,476	3,035,161	3,118,618
State Pension Plan Membership[2]	44,947	44,015	43,171	42,097	41,424
# of State Employees (full-time and part-time)[3]	8,383	8,352	8,292	8,069	7,935
Protection to Persons & Property[4]					
# of State Agency Law Enforcement Officers	N/A	399	399	405	393
# of Sherrifs Dept Law Enforcement Officers	N/A	119	132	133	117
Human Services[5]					
Total Corrections Population	11,148	11,703	12,303	13,528	13,824
% Kindergartners Fully Immunized	92.3	92.7	95.5	92.8	97.9
Bed nights in Homeless Shelters	N/A	112,715	96,786	101,647	100,028
Employment & Training[6]					
# of Unemployment Compensation Payments	N/A	318,235	304,612	295,674	309,121
General Education[7]					
Statewide average expenditure per Student	N/A	13287	12,624	11,759	11,113
Total Local Education Agencies	N/A	352	353	351	349
Natural Resources					
Gallons of Maple Syrup Production[8]	500,000	450,000	460,000	410,000	500,000
# of Moose Permit Applications[9]	N/A	13199	11,987	13,091	13,382
Commerce & Community Development					
Net Change in Employer Businesses[10]	N/A	-249	-18	217	454
Median Purchase Price of New Home[11]	N/A	201,000	197,000	182,000	165,000
# of Skier Visits[12]	4.3 Million	3.8 Million	4.1 Million	4.4 Million	4.2 Million
Transportation[13]					
Total Plowing Hours	N/A	174,022	123,674	339,987	182,690
Structurally Deficient Bridges	N/A	192	197	193	187
Paving Projects Mileage	109*	113	122	90	117

N/A - Information not available at time of printing
* Proposed

Note: Information for these statistics is not available for years prior to 2004, when the State began compiling this data.

Sources:

[1] VT Department of Buildings & General Services, Space Book
[2] VT Office of the State Treasurer
[3] VT Department of Human Resources
[4] VT Department of Public Safety
[5] VT Agency of Human Services
[6] VT Department of Labor & Industry
[7] VT Department of Education
[8] US Department of Agriculture
[9] VT Agency of Natural Resources
[10] bls.gov
[11] housingawareness.org
[12] skivermont.com

STATE OF VERMONT
Statistical Section - Table 14
Operating Information
Capital Asset Statistics by Function
Last Five Years

Function	2008	2007	2006	2005	2004
General Government					
Dept of Buildings & General Services:					
Land holdings (acres)	2,923.90	2,923.90	2,915.90	2,851.12	2,981.68
State-owned space (square feet)	3,941,153	3,928,255	3,377,476	3,035,161	3,118,618
Protection to Persons & Property					
Number of state police vehicles	420	412	413	383	376
Number of armory locations	20	20	20	20	20
Number of agriculture research stations	28	27	25	23	20
Human Services					
Dept of Health - Number of lab instruments (analyzer, module, counters, meters, etc.)	103	105	85	71	N/A
Dept of Children & Families - Number of vans	30	25	23	23	23
Department of Corrections - Number of vehicles	3	11	11	11*	85
Employment & Training					
Department of Labor - Number of capitalized computer assets	19	10	29	27	27
General Education					
Department of Education - Number of capitalized computer assets	21	16	16	12	10
Natural Resources					
Number of dams	99	96	94	93	88
Agency of Natural Resources:					
Number of vehicles	214	221	204	309	345
Number of building & Improvement Assets	441	430	423	410	405
Commerce & Community Development					
Number of historic sites	18	17	16	17	17
Number of covered bridges	6	6	7	6	6
Number of underwater preserves	100+	100+	100+	100+	100+
Transportation					
Number of bridges over 20 feet	1077	1077	1077	1,077	1,072
State highway miles	2,707	2,708	2,708	2,708	2,704
Agency of Transportation - buildings (square feet)	1,307,415	1,289,171	1,250,673	1,233,099	1,226,781

* During FY05 most vehicles were transferred to the new Fleet Program

Note: Information for these statistics is not available for years prior to 2004, when the State began compiling this data.