

**CITY OF BURLINGTON, VERMONT
AIRPORT ENTERPRISE FUND**

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Burlington International Airport
City of Burlington, Vermont

Additional Offices:
Andover, MA
Greenfield, MA
Manchester, NH
Ellsworth, ME

Report on the Financial Statements

We have audited the accompanying financial statements of the Airport Enterprise Fund of the City of Burlington, Vermont (the Fund) as of and for the years ended June 30, 2019 and 2018, as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The Fund's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

As discussed in Note 1, the financial statements present only the Fund and do not purport to, and do not, present fairly the financial position of the City of Burlington, Vermont as of June 30, 2019 and 2018, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Airport Enterprise Fund of the City of Burlington, Vermont as of June 30, 2019 and 2018, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, and the Pension and OPEB schedules be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we will also issue our report on our consideration of the City'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* in considering the Fund's internal control over financial reporting and compliance.

Melanson Heath

November 22, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Burlington International Airport's annual financial report, management provides a narrative discussion and analysis of the financial activities for the year ended June 30, 2019. The Airport's performance is discussed and analyzed within the context of the accompanying financial statements and note disclosures following this section.

Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements include (1) the statement of net position, (2) the statement of revenues, expenses and changes in net position, (3) the statement of cash flows, and (4) notes to financial statements.

The Statement of Net Position is designed to indicate our financial position as of a specific point in time. At June 30, 2019, it shows our net position of \$164,820,148 a change of \$10,359,990 in comparison to the prior year.

The largest portion of net position, \$142,106,111, reflects our net investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. This portion of net position increased \$8,732,169 from the prior year primarily from the acquisition of capital assets from AIP Grants less depreciation expense exceeding the debt service principal payment during the fiscal year.

An additional portion of net position, \$16,648,472, (restricted net position) represents resources that are subject to external restrictions on how they may be used. This portion of net position increased \$2,180,004 from the prior year primarily from the increase in restricted PFC cash balance.

The remaining balance, or unrestricted net position, was \$6,065,565. This portion of net position decreased \$552,183, or 8% from the prior. Please refer to page five for more information on operating revenues and expenses.

The Statement of Revenues, Expenses and Changes in Net Position summarize our operating results and reveals how much, if any, of a profit was earned for the year. As discussed in more detail below, our change in net position for June 30, 2019 was \$10,359,990. There are two significant components of this increase. The first is the net income before capital contributions of \$193,283. The second component is the recognition of the capital contributions received from the Federal Aviation Administration (FAA) and the State of Vermont for capital improvement of \$10,166,707. Collectively, these two components account for the net increase in Net Position.

The Statement of Cash Flows provides information about cash receipts and cash payments during the accounting period. It also provides information about investing and financing activities for the same period. A review of our Statement of Cash Flows indicates that cash receipts from operating activities plus PFC revenues adequately covered our debt service principal and interest in fiscal year 2019.

Financial Highlights:

The following is a summary of condensed financial data for the current and prior two fiscal years.

Summary of Net Position (000s)

| | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|-------------------|-------------------|-------------------|
| Assets: | | | |
| Current and other assets | \$ 33,462 | \$ 36,162 | \$ 27,608 |
| Capital assets | <u>175,897</u> | <u>169,370</u> | <u>160,243</u> |
| Total assets | 209,359 | 205,532 | 187,851 |
| Deferred outflows of resources | <u>709</u> | <u>827</u> | <u>1,480</u> |
| Total assets and deferred outflows of resources | <u>\$ 210,068</u> | <u>\$ 206,359</u> | <u>\$ 189,331</u> |
| Liabilities: | | | |
| Current and other liabilities | \$ 6,224 | \$ 9,741 | \$ 7,701 |
| Long term liabilities | <u>38,259</u> | <u>41,328</u> | <u>40,974</u> |
| Total liabilities | 44,483 | 51,069 | 48,675 |
| Deferred inflows of resources | 765 | 830 | 197 |
| Net position: | | | |
| Net investment in capital assets | 142,106 | 133,374 | 120,404 |
| Restricted | 16,648 | 14,468 | 14,151 |
| Unrestricted | <u>6,066</u> | <u>6,618</u> | <u>5,904</u> |
| Total net position | <u>164,820</u> | <u>154,460</u> | <u>140,459</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 210,068</u> | <u>\$ 206,359</u> | <u>\$ 189,331</u> |

Summary of Changes in Net Position (000s)

| | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|-------------------|-------------------|-------------------|
| Operating revenues | \$ 19,288 | \$ 18,736 | \$ 16,389 |
| Operating expenses | <u>(21,904)</u> | <u>(20,267)</u> | <u>(18,709)</u> |
| Operating (loss) | (2,616) | (1,531) | (2,320) |
| Nonoperating revenues (expenses) | | | |
| Other revenue | 4,627 | 3,191 | 2,980 |
| Other expense | <u>(1,818)</u> | <u>(1,875)</u> | <u>(1,948)</u> |
| Total nonoperating revenues | <u>2,809</u> | <u>1,316</u> | <u>1,032</u> |
| Net income (loss) before capital contributions | 193 | (215) | (1,288) |
| Capital contributions - grant | <u>10,167</u> | <u>14,182</u> | <u>10,434</u> |
| Change in net position | 10,360 | 13,967 | 9,146 |
| Beginning net position, as restated | <u>154,460</u> | <u>140,493</u> | <u>131,313</u> |
| Ending net position | <u>\$ 164,820</u> | <u>\$ 154,460</u> | <u>\$ 140,459</u> |

Fiscal year 2017 amounts were not restated as the Fund has elected to apply GASB 75 prospectively.

Operating revenues changed by \$551,831 in 2019, an increase of 2.95%. Reasons for this change can be found in the Revenues section of this MD&A.

Operating expenses changed by \$1,637,015 in 2019, an increase of 8.08%. This change is mostly attributed to higher repair and maintenance costs, property repairs, runway de-icer, and consultants. In addition, the Airport spent nearly \$1.1 million on runway repairs which are being reimbursed 100% under the Military Construction National Guard Grant agreement (reported as nonoperating grant).

Capital Assets:

Capital Assets - Net capital assets changed by \$6,527,375 in 2019, the difference between current year additions, net of CIP reclassification of \$12,465,224 and annual depreciation expense of \$5,937,839.

Significant capital asset additions in the current year include:

- \$5,945,448 Taxiway gulf phase 1
- \$1,898,315 Air carrier apron phase 4
- \$993,260 Quick turnaround facility
- \$750,743 Parking access revenue control
- \$610,327 Taxiway gulf phase 2
- \$453,453 Air carrier apron phase 5&6

Additional information on capital assets can be found in the Notes to the Financial Statements.

Long-term Debt:

Long-term Debt - At the end of the current fiscal year, total bonded debt outstanding, including unamortized premiums, was \$31,716,829, all of which was backed by the full faith and credit of the government.

On May 22, 2018, Moody's Investors Service (Moody's) upgraded the airport's bond rating from Baa3 to Baa2. The upgrade to Baa2 reflects continued improvement in liquidity and stability in debt service coverage, combined with a strengthened cost recovery framework following the adoption of a five-year airline agreement that is residual in nature and provides for a 1.5X Debt Service Coverage Ratio and 200 days cash on hand. On May 21, 2019, Moody's affirmed the Baa2 rating and stable outlook.

Likewise, on September 19, 2018, Fitch Ratings upgraded the airport's bond rating from BBB- to BBB with a stable outlook. On September 29, 2019, Fitch affirmed the BBB rating and outlook.

Additional information on long-term debt can be found in the Notes to the Financial Statements.

Historical Airport Operating and Financial Performance

The City accounts for the financial operations of the Airport as an Enterprise Fund. On an annual basis, the Airport has historically generated Revenues sufficient to pay its Operating Expenses, to meet its Bond Debt Service and to fund a portion of its capital expenses. In Fiscal Years 2013 through 2019, the Airport satisfied its Rate Covenant under the Resolution. The Rate Covenant requires the Airport to generate annual Revenues, net of Operating Expenses, of no less than 1.25

times Debt Service, and sufficient to meet all funding requirements for the Funds and Accounts under the Resolution. The City has paid all Bond Debt Service and capital lease obligations timely and in full. See “Recent Financial Performance” herein.

Revenues

The Airport derives its Revenues from a variety of sources, including terminal revenues, parking, landing fees, car rentals, concessions and rentals of buildings and grounds. It has also applied for and been granted permission by the FAA to charge and collect PFCs for qualified capital expenditures and certain debt service.

The following table shows each of these revenue items since fiscal year 2015:

| Historical Revenues (000s) | <i>Fiscal Year Ended June 30</i> | | | | |
|---|----------------------------------|------------------|------------------|------------------|------------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
| Airline Revenues | | | | | |
| Terminal Revenues | \$ 2,447 | \$ 2,619 | \$ 2,331 | \$ 2,787 | \$ 2,420 |
| Landing Fee Revenues | 1,630 | 1,671 | 1,721 | 1,921 | 1,890 |
| Airline Surplus | - | - | - | 690 | 536 |
| Total Airline Revenues | 4,077 | 4,290 | 4,052 | 5,398 | 4,846 |
| Non-Airlines Revenues | | | | | |
| Parking Lot/Garage | 5,742 | 5,407 | 5,488 | 5,852 | 6,409 |
| Car Rental Concessions | 2,114 | 1,911 | 2,048 | 2,237 | 2,539 |
| Terminal Concessions | 670 | 654 | 644 | 672 | 737 |
| Terminal Non-Airline Rent | 578 | 580 | 599 | 608 | 622 |
| Building and Ground Rent | 1,329 | 1,274 | 1,238 | 1,502 | 1,488 |
| Other Non-Airline Revenues | 919 | 958 | 1,036 | 1,148 | 1,162 |
| Total Non-Airline Operating Revenues | 11,352 | 10,784 | 11,053 | 12,019 | 12,957 |
| CFC Revenues | 1,211 | 1,229 | 1,283 | 1,319 | 1,485 |
| Total Operating Revenues | \$ 16,640 | \$ 16,303 | \$ 16,388 | \$ 18,736 | \$ 19,288 |
| Y-O-Y Operating revenue Growth | | -2.0% | 0.5% | 14.3% | 2.9% |
| PFC Revenues | \$ 2,391 | \$ 2,321 | \$ 2,378 | \$ 2,535 | \$ 2,763 |

Terminal Revenues and Landing Fees

Terminal revenues and landing fees are paid by the airlines that operate at the Airport. Such fees are calculated pursuant to an Airport Airline Agreement. The Airport has established five airport cost centers in order to fairly allocate Airport operating costs among the airlines and other tenants. The Airlines signed the new Airline Agreement during FY 2017. American Airlines, United, Delta, and Jet Blue all signed the Agreement and are considered signatory Airlines. The new Airline Agreement, which is a residual method contract, outlines the airline rates and charges methodology which are in effect from July 1, 2016 through June 30, 2021. This new five-year residual airline agreement provides strong and timely cost recovery.

Due to the new methodology within the Airline Agreement, the end of year true-up resulted in an Airline revenue surplus. Negotiated into the agreement is the requirement that the airport debt coverage ratio will be 1.5X of Debt Service. If the Airport debt coverage ratio exceeds 1.5X at year end, starting with Fiscal Year 2017, a credit will be issued back to the Airlines. If the Airport has less than 200 days cash on hand, only 50% of any overpayments will be due back to the airlines. Fiscal year 2019 surplus is \$535,577. Fiscal year 2018 airline revenues recognized fiscal year 2018 and 2017 surpluses as a result of the true-up resulting in airline revenues showing 16% increase from the prior year, as \$689,720 relates to surpluses (\$572,162 for FY17 and \$117,558 for FY18). The surplus from fiscal year 2018 and 2017 of \$117,558 and 572,162, respectively, was retained by the Airport and used for various projects benefiting the airlines and approved by the airlines. The Airport is in discussion with the Airlines regarding the allocation of the fiscal year 2019 surplus of \$535,577. As of the date of this report, the Airlines verbally agreed to let the Airport retain FY19 surplus and are in the process of signing Majority Interest Letters. Terminal and landing fee revenue represented approximately 25% of the Airport's total revenue in fiscal year 2019.

Parking

The City has made substantial investments since 2009 to expand parking capacity and to connect the north garage to the Airport with an enclosed second story walkway.

Current parking fees in the garage are \$12 per day. Parking revenues represented approximately 33% of the Airport's total Operating Revenue in Fiscal Year 2019, with an increase of 8.7% from the previous year.

Car Rental Facilities

Car rental revenues represented approximately 13.2% of the Airport's total Operating Revenue in Fiscal Year 2019. Car rental revenues increased 13.5% from the previous year. Car rental facilities occupy office and counter space within the terminal building adjacent to the luggage receiving area. The car rentals had a minimum annual revenue guarantee (MAG) of approximately \$1.96 million in Fiscal Year 2019. The rental car companies have generated more revenue than the guaranteed minimum. In Fiscal Year 2019, the rental car companies generated Revenues to the airport approximately \$581,000 above the MAG. In the fall of 2015, the Airport finalized car rental concession agreements with Avis/Budget, Hertz, Dollar, Enterprise, National/Alamo, which are in effect through June 30, 2020.

In addition to terminal space, the rental car companies also occupy the second floor north of the parking garage and an onsite car wash facility immediately north of the FAA Control Tower. The Airport imposes a \$4 per day CFC on each car rental transaction, which resulted in approximately \$1.48 million in revenue during Fiscal Year 2019. \$626,815 of the collected CFCs were utilized to support the Debt Service allocable to the parking garage expansion and operating expenses of the garage per the car rental agreements. The City has allocated the remaining \$857,937 of the CFC charges collected to design costs and future construction of a consolidated car wash/return facility to replace the existing facility. This new facility will also provide the airport with an opportunity for an additional revenue stream in the form of land lease and potentially transactions fees once it is constructed.

Terminal Concessions

Terminal concessions, such as food vendors Skinny Pancake, and gift/necessities vendors, such as Hudson News and other similar establishments, provide a variety of services for passengers, visitors, and employees at the Airport. Skinny Pancake, a local restaurant with three locations at the Airport, and newly expanded Hudson News facilities opened in Fiscal Year 2013. Food concession revenues increased by 10.4% for Fiscal Year 2019.

Terminal concession revenues represented approximately 3.8% or \$736,850 of the Airport's total Revenue in Fiscal Year 2019. The Airport realized concession revenue growth during Fiscal Year 2019 and these revenues remain strong and stable.

Buildings, Grounds, and Airfield Concession Revenues

Building and ground rent and airfield concession revenues ("Other Non-Airline Revenues") include revenue from certain parcels within the existing Airport footprint that have been rented to firms such as Federal Express, Pratt & Whitney, and Heritage, as well as hangar and facility rentals from cooperatives using the Airport for general aviation.

Buildings, grounds and airfield concession revenues represented approximately 8% of the Airport's total Revenue in Fiscal Year 2019. These revenues increased from the previous year.

Other Revenue

Other Revenues include a federal operating grant, interest income, administrative fees and tenant reimbursements. The tenant reimbursement component relates to property tax and casualty insurance assessments. Changes to this miscellaneous income are primarily affected by fees assessed by third party agencies.

Passenger Facility Charges

The Airport has applied for and received authorization from the FAA to impose and collect PFCs to fund many of the capital improvements it has initiated since 1997. Currently, the Airport receives approximately \$2.763 million annually in PFC revenues, of which approximately \$1 million are used to pay that portion of Bond Debt Service attributable to authorized PFC projects.

As of June 30, 2019, the Airport had approximately \$7.06 million on deposit in the PFC Revenue Account, which is adequate to pay for the PFC projects being financed with Airport Revenue Bonds. The Airport expects to continue to apply for authority to impose and collect PFCs for future projects under applicable FAA regulations.

Expenses

The Airport's expenses include typical expense categories covering airport operations. One expense that is not paid for by the Airport is the Aircraft Rescue and Fire Fighting services that are provided by the VT Air National Guard (VTANG) as part of its lease with the Airport, saving the Airport approximately \$2.5 million annually.

Salaries and benefits increased 7% from Fiscal Year 2018 to Fiscal Year 2019, which is primarily because this included a full year of a new position, as well as reclassification of 14 positions, which increased the base pay. In addition, there was also a 2.9% from COLA increases and the American Federation of State, County and Municipal Employees (AFSCME) union settled their contract. The new contract did increase certain compensation. Service contracts represent third-party maintenance and other non-capital projects. This City interdepartmental expenses are the amounts reimbursed by the Airport to the City for financial, legal, and other necessary services the City provides to support the operations of the Airport.

Recent Financial Performance

Airport Net Revenue was determined to have been above the Rate Covenant requirement of 1.25X of Debt Service in Fiscal Years 2011 through 2019. Debt Service, Operation and Maintenance expenses and other obligations of the Airport were fully and timely paid in each of those years.

The financial health and performance of the Airport is taken very seriously by the City, the Airport Commission and Airport management. Significant attention has been devoted to improving the Airport's financial operations in the past several years, including increasing non-airline dependent revenues and maintaining debt service coverage in accordance with the requirements of the Resolution.

The Airport finalized negotiations with the Airlines in the Fall of 2016. The Airlines signed the lease in FY 2017. This new agreement calls for the terms to commence as of July 1, 2016 and continue for 5 years. The Airline lease sets the precedent for the methodology used to establish rates and charges, including landing fees, apron fees, and terminal rental rates. This basic methodology is referred to as a residual calculation giving greater risk to the airlines, while providing a sustainable financial future for the airport.

In future Fiscal Years, as was done in Fiscal Years 2011-2017, the Airport expects to employ a portion of its PFC revenues in its coverage calculations, consistent with current FAA regulations as to the use of these revenues. In Fiscal Year 2019, the City continued to hold Airport funds in segregated accounts and use such Revenues only for Airport purposes, including reimbursing the City for shared services and for payroll, payables and capital expenditure draws covered by the City on an interim basis, in accordance with FAA regulations. PFC Revenues will continue to be deposited to a segregated PFC fund and used exclusively for projects approved for their use by the FAA, including the payment of debt service allocable to such projects.

The City and the Airport are continuing to carefully review any opportunity to increase revenues and decrease expenses. The Airport continually evaluates smart ways to increase non-airline revenues to help balance rates and charges billed to the Airlines. All expiring leases are being viewed as opportunities to improve the facility and increase rental revenue. The Airport also is continuing to request reimbursement (through the PFC program) for certain local matching amounts that the City contributed to the FAA approved projects. The local AIP share equals approximately \$611,000 in Fiscal Year 2019.

It is the goal of these initiatives to (i) provide additional transparency in the handling of Airport funds; (ii) ensure timely and proactive responses to any unusual or unexpected financial events with respect to the Airport. Additionally, negotiated into the new airline agreement is the requirement that the airport debt coverage ratio will be 1.5X of Debt Service.

We believe this presentation tells our most accurate success story from fiscal years 2015 through 2019.

**Rate Covenant Calculation
From FY 2015 to 2019 (000s)**

Fiscal Year Ended June 30

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Revenues | \$ 16,933 | \$ 16,677 | \$ 16,625 | \$ 17,716 | \$ 18,347 |
| O&M Expenses (as defined) | <u>12,347</u> | <u>12,376</u> | <u>12,327</u> | <u>13,404</u> | <u>13,838</u> |
| Net Revenues (as defined) | <u>\$ 4,586</u> | <u>\$ 4,301</u> | <u>\$ 4,298</u> | <u>\$ 4,312</u> | <u>\$ 4,509</u> |
| PFC Revenues Available for DS | \$ 1,284 | \$ 1,087 | \$ 1,176 | \$ 1,180 | \$ 981 |
| Funds Available for DS | \$ 5,870 | \$ 5,388 | \$ 5,474 | \$ 5,492 | \$ 5,490 |
| 25% PFC Revenue for DS coverage | <u>321</u> | <u>272</u> | <u>294</u> | <u>295</u> | <u>245</u> |
| Adjusted funds Available for DS | <u>\$ 6,191</u> | <u>\$ 5,660</u> | <u>\$ 5,768</u> | <u>\$ 5,787</u> | <u>\$ 5,735</u> |
| Debt Service | \$ 3,956 | \$ 3,386 | \$ 3,650 | \$ 3,662 | \$ 3,660 |
| Debt Service Coverage | 1.48 | 1.59 | 1.50 | 1.50 | 1.50 |
| Adjusted Debt Service Coverage | 1.56 | 1.67 | 1.58 | 1.58 | 1.57 |

Liquidity

The following table reflects changes to the Fund's Liquidity since fiscal year 2015:

Liquidity Position (000s)

Fiscal Year Ended June 30

| Cash and Investment balances | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|--|------------------|------------------|------------------|------------------|------------------|
| Unrestricted cash ¹ | \$ 2,442 | \$ 4,256 | \$ 5,764 | \$ 7,754 | \$ 7,860 |
| O&M Reserve | 3,288 | 3,295 | 3,302 | 3,307 | 3,312 |
| Renewal and Replacement Reserve | 215 | 216 | 216 | 217 | 217 |
| PFCs ² | 1,955 | 2,685 | 3,229 | 3,845 | 5,867 |
| PFC Rolling Coverage | 487 | 488 | 489 | 490 | 490 |
| Debt Service Reserve Fund | 3,740 | 3,782 | 3,751 | 3,652 | 3,798 |
| Bond Debt Service Reserve ³ | <u>2,558</u> | <u>2,897</u> | <u>3,162</u> | <u>2,958</u> | <u>2,964</u> |
| Total cash and investments | <u>\$ 14,685</u> | <u>\$ 17,619</u> | <u>\$ 19,913</u> | <u>\$ 22,223</u> | <u>\$ 24,508</u> |

¹ At 6/30/19, includes \$3,898 in CFC Funds intended to be used for the construction of new Quick Turnaround Facility (QTA) and \$679 in contributions for a potential new Aviation Tech Center.

² As a result of fiscal year 2015 refunding, our debt service requirements decreased, thereby providing for an increase in our year-end PFC cash position.

³ Represents 1/6 Interest and 1/12 Principal Payments

The current year increase in cash and investments of \$2.3 million is primarily due to an increase of \$2 million in PFC reserves. Increase in PFC cash is due to both higher enplanements increasing

PFC collections and lower annual PFC disbursements. The Airport is preparing the next PFC application to add new eligible projects under this Federal program.

REQUESTS FOR INFORMATION:

This financial report is designed to provide a general overview of the City of Burlington Airport Enterprise Fund's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of Clerk/Treasurer
City of Burlington, City Hall
149 Church Street
Burlington, VT 05401

CITY OF BURLINGTON, VERMONT

AIRPORT ENTERPRISE FUND
STATEMENT OF NET POSITION

JUNE 30

| | <u>2019</u> | <u>2018</u> |
|---|------------------------------|------------------------------|
| ASSETS | | |
| Current: | | |
| Cash and cash equivalents | \$ 7,860,387 | \$ 7,754,143 |
| Escrows | 2,803,347 | 4,033,610 |
| Accounts receivable, net of allowance for doubtful accounts | 1,651,415 | 1,349,935 |
| Intergovernmental receivables | 3,107,820 | 7,100,517 |
| PFC receivables | 500,248 | 471,696 |
| Inventory | 264,153 | 299,421 |
| Loan receivable | 76,591 | 74,330 |
| Prepaid expense | <u>37,778</u> | <u>22,395</u> |
| Total current assets | 16,301,739 | 21,106,047 |
| Noncurrent: | | |
| Restricted cash for passenger facility charges (PFC) | 5,866,931 | 3,845,561 |
| Restricted cash for prepaid cash reserve (PFC) | 490,358 | 489,623 |
| Restricted cash for R&R reserve fund | 217,384 | 217,059 |
| Restricted cash for debt service reserve | 636,474 | 151,736 |
| Restricted cash for bond debt service fund | 2,963,560 | 2,957,638 |
| Restricted cash for O&M reserve fund | 3,312,088 | 3,307,125 |
| Restricted investment for debt service reserve | 3,161,677 | 3,499,726 |
| Loan receivable | 511,026 | 587,618 |
| Land and construction in progress | 84,370,228 | 72,780,748 |
| Capital assets, net of accumulated depreciation | <u>91,527,126</u> | <u>96,589,231</u> |
| Total noncurrent assets | 193,056,852 | 184,426,065 |
| TOTAL ASSETS | 209,358,591 | 205,532,112 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Pension related: | | |
| Deferred current year pension contributions | 216,312 | 203,967 |
| Difference between actual and expected experience | 36,743 | 84,046 |
| Difference between projected and actual investment earnings | 186,359 | 268,783 |
| Change in assumptions | 111,218 | 145,235 |
| Change in proportional share of contributions | 152,016 | 121,632 |
| OPEB related: | | |
| Difference between expected and actual experience | <u>6,161</u> | <u>2,927</u> |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>708,809</u> | <u>826,590</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 210,067,400</u> | <u>\$ 206,358,702</u> |

(continued)

CITY OF BURLINGTON, VERMONT

AIRPORT ENTERPRISE FUND
STATEMENTS OF NET POSITION

JUNE 30

(continued)

| | <u>2019</u> | <u>2018</u> |
|--|-----------------------|-----------------------|
| LIABILITIES | | |
| Current: | | |
| Accounts payable | \$ 2,313,986 | \$ 6,420,207 |
| Accrued liabilities | 84,358 | 73,931 |
| Retainage payable | 1,547,451 | 537,735 |
| Unearned revenue | 1,207,407 | 1,253,403 |
| Accrued interest | 710,476 | 756,060 |
| Grant anticipation note | 351,528 | 694,582 |
| Other liabilities | 8,282 | 4,335 |
| Current portion of: | | |
| Revenue bonds payable | 2,398,687 | 2,358,991 |
| Capital leases payable | 753,780 | 733,020 |
| Accrued employee compensated absences | - | 25,876 |
| Total current liabilities | <u>9,375,955</u> | <u>12,858,140</u> |
| Noncurrent: | | |
| Revenue bonds payable, net of current portion | 29,318,142 | 31,716,831 |
| Total pension liability | 1,623,323 | 1,630,284 |
| Other post-employment benefits | 112,007 | 104,692 |
| Capital leases payable, net of current portion | 3,772,443 | 4,526,223 |
| Accrued employee compensated absences | <u>280,769</u> | <u>231,989</u> |
| Total noncurrent liabilities | <u>35,106,684</u> | <u>38,210,019</u> |
| TOTAL LIABILITIES | <u>44,482,639</u> | <u>51,068,159</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Pension related: | | |
| Difference between projected and actual investment earnings | 181,921 | 171,322 |
| Difference between expected and actual experience | 69,206 | 59,834 |
| Change in assumptions | 120,788 | - |
| Changes in proportional share of contributions | 386,185 | 596,314 |
| OPEB related: | | |
| Change in assumptions | <u>6,513</u> | <u>2,915</u> |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>764,613</u> | <u>830,385</u> |
| NET POSITION | | |
| Net investment in capital assets | 142,106,111 | 133,373,942 |
| Restricted | 16,648,472 | 14,468,468 |
| Unrestricted | <u>6,065,565</u> | <u>6,617,748</u> |
| TOTAL NET POSITION | <u>164,820,148</u> | <u>154,460,158</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | <u>\$ 210,067,400</u> | <u>\$ 206,358,702</u> |

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

CITY OF BURLINGTON, VERMONT

AIRPORT ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEARS ENDED JUNE 30

| | <u>2019</u> | <u>2018</u> |
|--|-----------------------|-----------------------|
| Operating Revenues: | | |
| Charges for services | \$ 19,143,074 | \$ 18,588,419 |
| Intergovernmental | <u>144,824</u> | <u>147,648</u> |
| Total Operating Revenues | 19,287,898 | 18,736,067 |
| Operating Expenses: | | |
| Personnel costs | 4,594,625 | 4,548,988 |
| Non-personnel costs | 11,371,892 | 9,569,224 |
| Depreciation | <u>5,937,839</u> | <u>6,149,129</u> |
| Total Operating Expenses | <u>21,904,356</u> | <u>20,267,341</u> |
| Operating Loss | (2,616,458) | (1,531,274) |
| Other Income (Expenses): | | |
| Passenger facility charges | 2,763,221 | 2,534,573 |
| Nonoperating grant | 1,095,955 | - |
| Interest income | 195,798 | 32,459 |
| Amortization of bond premium | 163,991 | 173,793 |
| Interest expense and fiscal charges | (1,586,476) | (1,594,041) |
| Building rent | 353,535 | 291,607 |
| Building rental expenses | (231,903) | (280,765) |
| Gain on sale of asset | - | 6,935 |
| Other income | <u>55,620</u> | <u>151,192</u> |
| Total Other Income (Expenses) | <u>2,809,741</u> | <u>1,315,753</u> |
| Net Income (Loss) Before Capital Contributions | 193,283 | (215,521) |
| Capital contributions | <u>10,166,707</u> | <u>14,182,293</u> |
| Change in Net Position | 10,359,990 | 13,966,772 |
| Net Position at Beginning of Year | <u>154,460,158</u> | <u>140,493,386</u> |
| Net Position at End of Year | <u>\$ 164,820,148</u> | <u>\$ 154,460,158</u> |

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

CITY OF BURLINGTON, VERMONT

AIRPORT ENTERPRISE FUND
STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30

| | <u>2019</u> | <u>2018</u> |
|--|----------------------|----------------------|
| Cash Flows From Operating Activities: | | |
| Receipts from customers and users | \$ 18,795,598 | \$ 18,336,021 |
| Other receipts and reimbursements | 55,620 | 151,192 |
| Receipts of operating grants | 144,824 | 147,648 |
| Payments to suppliers | (10,998,100) | (11,251,392) |
| Payments for wages and benefits | (4,508,931) | (4,239,613) |
| Other building rents | 353,535 | 291,607 |
| Other building expenses | <u>(231,903)</u> | <u>(280,765)</u> |
| Net Cash Provided By Operating Activities | 3,610,643 | 3,154,698 |
| Cash Flows From Noncapital Financing Activities: | | |
| Nonoperating grant from Vermont National Guard | 1,095,955 | - |
| Loan payments from Burlington Community Development Corporation | <u>74,331</u> | <u>72,136</u> |
| Net Cash Provided By Noncapital Financing Activities | 1,170,286 | 72,136 |
| Cash Flows From Capital and Related Financing Activities: | | |
| Acquisition and construction of capital assets | (15,911,686) | (9,761,304) |
| Proceeds from sale of assets | - | 7,134 |
| Capital grants | 14,159,404 | 11,641,886 |
| Passenger facility charges | 2,734,669 | 2,465,588 |
| Drawdowns on line of credit | 2,195,402 | 2,182,430 |
| Repayment of line of credit | (2,538,456) | (3,353,039) |
| Principal paid on revenue bonds | (2,195,000) | (2,110,000) |
| Release from escrow | 1,230,263 | 166,390 |
| Principal paid on capital leases | (733,020) | (554,802) |
| Interest paid on revenue bond | (1,420,800) | (1,509,325) |
| Interest paid on other debt | <u>(211,256)</u> | <u>(125,801)</u> |
| Net Cash Used For Capital and Related Financing Activities | (2,690,480) | (950,843) |
| Cash Flows From Investing Activities: | | |
| Sale of investments | 338,049 | 55,540 |
| Receipt of interest and dividends | <u>195,799</u> | <u>32,460</u> |
| Net Cash Provided By Investing Activities | <u>533,848</u> | <u>88,000</u> |
| Net Change in Cash and Cash Equivalents | 2,624,297 | 2,363,991 |
| Cash and Cash Equivalents, Beginning of Year | <u>18,722,885</u> | <u>16,358,894</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 21,347,182</u> | <u>\$ 18,722,885</u> |

(continued)

CITY OF BURLINGTON, VERMONT

AIRPORT ENTERPRISE FUND
STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30

(continued)

| | <u>2019</u> | <u>2018</u> |
|---|---------------------|---------------------|
| Reconciliation of Operating Loss to Net Cash Provided By Operating Activities: | | |
| Operating loss | \$ (2,616,458) | \$ (1,531,274) |
| Depreciation | 5,937,839 | 6,149,129 |
| Other building rents | 353,535 | 291,607 |
| Other income | 55,620 | 151,192 |
| Other building expenses | (231,903) | (280,765) |
| Changes in assets, liabilities, and deferred outflows/inflows: | | |
| Customer and concessions receivable | (301,480) | (120,577) |
| Inventories | 35,268 | 4,426 |
| Prepays | (15,383) | (14,276) |
| Deferred outflows of resources | 117,781 | 653,359 |
| Accounts payable | (659,756) | (1,843,442) |
| Accrued liabilities | 10,427 | (4,367) |
| Retainage payable | 1,009,716 | 168,194 |
| Unearned revenue | (45,996) | (131,821) |
| Other liabilities | 3,947 | 2,930 |
| Accrued compensated absences | 22,904 | 27,403 |
| Net pension liability | (6,961) | (1,000,758) |
| Other post-employment benefits | 7,315 | 211 |
| Deferred inflows of resources | <u>(65,772)</u> | <u>633,527</u> |
| Net Cash Provided By Operating Activities | <u>\$ 3,610,643</u> | <u>\$ 3,154,698</u> |

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

CITY OF BURLINGTON, VERMONT
AIRPORT ENTERPRISE FUND
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Financial Reporting Entity

The City of Burlington, Vermont Airport Enterprise Fund (the Fund) is a municipally owned airport organized in 1920. The Airport is located in South Burlington, Vermont.

The Fund is an enterprise fund within the City of Burlington, Vermont (the City). As such, this financial statement is not intended to present the financial position and results of operations of the City of Burlington, Vermont, as a whole.

The accounting policies of the Fund conform to generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The following is a summary of the more significant accounting policies.

B. Basis of Presentation

Enterprise Funds are used to account for operations: (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Based on the above definition, the Fund is accounted for utilizing enterprise fund accounting.

C. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Proprietary fund financial statements are reported using the *economic resources measurement focus*. This means that all assets and liabilities associated with the operation of these funds (whether current or noncurrent) are included on the balance sheet (or statement of net position). Fund equity (i.e., total net position) is segregated into net investment in capital assets, restricted net position, and unrestricted net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position.

D. Basis of Accounting

Basis of accounting refers to when revenue and expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The financial statements are prepared utilizing the *accrual basis of accounting*. Accordingly, revenues and expenses are recognized at the time goods and services are provided or received.

Operating revenues are defined as income received from the rent of terminal space and buildings, landing fees, concession commissions and parking receipts.

Nonoperating revenues are defined as income received from sources other than that defined above. Nonoperating revenues include investment income, passenger facility charges (PFC), grant income, building rents from buildings purchased for future expansion and the sale of equipment.

Operating expenses are defined as the ordinary costs and expenses of the Airport for operations, maintenance and repairs. Operating expenses include the costs of operating the Airport and related buildings as well as administrative and general expenses and depreciation and amortization. Operating expenses do not include the principal and interest on bonds, notes or other indebtedness, certain grant expenses, amortization of bond issue costs, or expenses related to the rental of buildings purchased for future expansion.

E. Estimates

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

F. Cash, Cash Equivalents, and Investments

Deposits with financial institutions consist primarily of demand deposits and savings accounts.

Cash recorded by the Fund is combined with cash of the City in determining amounts covered by Federal Depository Insurance or by collateral held by the City's banks.

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments for the Fund consist of debt related securities which are carried at fair value.

G. Receivables

Receivables are shown net of an allowance for uncollectible accounts for the estimated losses that will be incurred in the collection of the receivables. The estimated losses are based on the judgment of management and a review of the current status of existing receivables.

H. Inventories

Inventory quantities are determined by physical count and are valued at the lower of cost or market value. Inventories at the Airport consist of maintenance supplies and parts.

I. Capital Assets

Capital assets include nondepreciable assets, such as construction in progress and land, and depreciable assets, such as land improvements, buildings and improvements, and machinery, vehicles, and equipment recorded at cost. Land includes all ancillary charges such as demolition costs. Equipment includes assets acquired under capital leases that transfer substantially all risks of ownership to the Fund. Contributed assets are recorded at acquisition value at the time received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. The Fund's capitalization policy considers two factors. Property will be capitalized when:

1. The combined cost to put a unit in service totals more than \$10,000, (no threshold is applied to land and buildings).
2. The unit's estimated life is greater than five years.

The Fund follows the policy of charging to expenses annual amounts of depreciation which allocates the cost of plant and equipment over their estimated useful lives. The Fund employs the straight-line method for determining the annual charge for depreciation.

The depreciable lives of capital assets are as follows:

| | <u>Depreciable Lives</u> |
|-----------------------------------|--------------------------|
| Land improvements | 30 Years |
| Buildings and improvements | 25 - 150 Years |
| Infrastructure | 10 - 40 Years |
| Machinery, equipment and vehicles | 5 - 15 Years |

J. Long-Term Obligations

In the Fund's statements revenue bonds payable, capital leases payable, accrued employee compensated absences, other post-employment benefits (OPEB) and net pension liability are reported as long-term liabilities.

2. CASH AND CASH EQUIVALENTS

Custodial Credit Risk - Custodial credit risk for deposits is the risk that in the event of a bank failure, the deposits may not be returned. Disclosures related to collateralization are included in the City's Comprehensive Annual Financial Report.

3. INVESTMENTS

A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment.

As of June 30, 2019 and 2018, the Fund's investment in U.S. Treasury Notes of \$2,032,459 and \$1,002,456, respectively, and U.S. Government Agencies of \$1,129,218 and \$2,497,270, respectively, has an implied credit rating of AAA.

B. Custodial Credit Risk and Concentration of Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the holder of the investment will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Concentration of credit risk is the risk that an individual investment represents a significant concentration of the total portfolio. Disclosures related to these risks are included in the City's Comprehensive Annual Financial Report.

C. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City's policy limits maturities for investments in U.S. Treasury Notes and U.S. Government Agencies to 10 years. The Fund's investments in U.S. Treasury Notes and U.S. Government Agencies mature from 1 to 5 years from June 30, 2019 and 2018.

D. Fair Value

The categorization of financial instruments within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement. The hierarchy is prioritized into three levels (with Level 3 being the lowest) defined as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2: Observable inputs other than prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated with observable market data.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the investments.

The fair value of the Fund's investment in U.S. Treasuries Notes and U.S. Government Agencies were determined based on "Level 2" inputs for June 30, 2019. The valuation techniques used to measure the fair value of the "Level 2" instruments were valued based on

quoted market prices or model-driven valuations using significant inputs derived from or corroborated by observable market data. The Fund does not have any marketable securities in the “Level 1” or “Level 3” category.

4. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30:

| | <u>2019</u> | <u>2018</u> |
|---------------------------------------|---------------------|---------------------|
| Customer/concessions receivables | \$ 1,659,259 | \$ 1,357,779 |
| Less: Allowance for Doubtful Accounts | <u>(7,844)</u> | <u>(7,844)</u> |
| Net Receivables | <u>\$ 1,651,415</u> | <u>\$ 1,349,935</u> |

5. INTERGOVERNMENTAL RECEIVABLE

The majority of this balance represents reimbursements requested from the Federal Aviation Administration’s Airport Improvement Program (AIP), and State Department of Transportation, for capital related expenditures incurred in fiscal 2019. Additional receivables represent other reimbursements from Federal and local governments. The intergovernmental receivable consists of the following at June 30:

| | <u>2019</u> | <u>2018</u> |
|---------------------------------------|---------------------|---------------------|
| Airport Improvement Projects: | | |
| AIP 118 - Taxiway Gulf Phase 2 | \$ 741,316 | \$ - |
| AIP 114 - Air Carrier Apron Phase 4 | 621,677 | 70,191 |
| AIP 113 - Master Plan Update | 410,337 | - |
| AIP 112 - Taxiway Gulf Construction | 371,134 | 4,730,240 |
| AIP 109 - Noise Land Acquisition 2017 | 299,062 | 651,185 |
| AIP 108 - Noise Land Acquisition 2016 | 124,298 | 209,340 |
| AIP 114 - Air Carrier Apron Phase 3 | - | 420,025 |
| Other AIP | 410,821 | 979,678 |
| Other Intergovernmental: | | |
| Law Enforcement Officer Grant | 43,500 | 39,858 |
| Vermont Air National Guard | <u>85,675</u> | <u>-</u> |
| Total | <u>\$ 3,107,820</u> | <u>\$ 7,100,517</u> |

6. LOAN RECEIVABLE

In 2006, the Airport issued a \$1,400,000 note to Burlington Community Development Corporation (BCDC), a special revenue fund of the City, to assist in financing the construction of a new Airport support hanger. The terms of the note require monthly payments of \$7,764 beginning in July 2006 for twenty years with interest at 3%. The note is due in June 2026.

The outstanding balance at June 30 is as follows:

| | <u>2019</u> | <u>2018</u> |
|-----------------------|-------------------|-------------------|
| Balance due | \$ 587,617 | \$ 661,948 |
| Less: current portion | <u>(76,591)</u> | <u>(74,330)</u> |
| Long term portion | <u>\$ 511,026</u> | <u>\$ 587,618</u> |

Future maturities are anticipated to be as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|-------------------|------------------|-------------------|
| 2020 | \$ 76,591 | \$ 16,581 | \$ 93,172 |
| 2021 | 78,921 | 14,251 | 93,172 |
| 2022 | 81,321 | 11,851 | 93,172 |
| 2023 | 83,795 | 9,378 | 93,173 |
| 2024 | 86,344 | 6,829 | 93,173 |
| 2025 - 2026 | <u>180,645</u> | <u>5,700</u> | <u>186,345</u> |
| | <u>\$ 587,617</u> | <u>\$ 64,590</u> | <u>\$ 652,207</u> |

7. PROPERTY, PLANT AND EQUIPMENT

Capital asset activity for the years ended June 30 is as follows:

| | <u>2019</u> | | | |
|--|------------------------------|---------------------|---------------------|---------------------------|
| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 53,174,438 | \$ 630,454 | \$ - | \$ 53,804,892 |
| Construction in progress | <u>19,606,310</u> | <u>11,710,119</u> | <u>(751,093)</u> | <u>30,565,336</u> |
| Total capital assets, not being depreciated | 72,780,748 | 12,340,573 | (751,093) | 84,370,228 |
| Capital assets, being depreciated: | | | | |
| Land improvements | 45,671,215 | 33,046 | - | 45,704,261 |
| Buildings | 29,353,903 | - | - | 29,353,903 |
| Building improvements | 1,257,879 | - | - | 1,257,879 |
| Infrastructure | 96,395,313 | - | - | 96,395,313 |
| Machinery & equipment | 12,238,837 | 842,698 | (239,101) | 12,842,434 |
| Vehicles | <u>155,553</u> | <u>-</u> | <u>-</u> | <u>155,553</u> |
| Total capital assets, being depreciated | 185,072,700 | 875,744 | (239,101) | 185,709,343 |
| Less accumulated depreciation for: | | | | |
| Land improvements | (26,927,710) | (787,740) | - | (27,715,450) |
| Buildings | (10,238,182) | (588,459) | - | (10,826,641) |
| Building improvements | (110,670) | (52,320) | - | (162,990) |
| Infrastructure | (43,793,263) | (3,860,995) | - | (47,654,258) |
| Machinery & equipment | (7,390,311) | (632,780) | 239,101 | (7,783,990) |
| Vehicles | <u>(23,333)</u> | <u>(15,555)</u> | <u>-</u> | <u>(38,888)</u> |
| Total accumulated depreciation | <u>(88,483,469)</u> | <u>(5,937,849)</u> | <u>239,101</u> | <u>(94,182,217)</u> |
| Total capital assets, being depreciated, net | <u>96,589,231</u> | <u>(5,062,105)</u> | <u>-</u> | <u>91,527,126</u> |
| Total capital assets, net | <u>\$ 169,369,979</u> | <u>\$ 7,278,468</u> | <u>\$ (751,093)</u> | <u>\$ 175,897,354</u> |

| | 2018 | | | |
|--|----------------------|---------------|----------------|-------------------|
| | Beginning Balance | Increases | Decreases | Ending Balance |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 48,078,605 | \$ 8,311,025 | \$ (3,215,192) | \$ 53,174,438 |
| Construction in progress | 13,585,913 | 7,808,876 | (1,788,479) | 19,606,310 |
| Total capital assets, not being depreciated | 61,664,518 | 16,119,901 | (5,003,671) | 72,780,748 |
| Capital assets, being depreciated: | | | | |
| Land improvements | 41,967,674 | 3,703,747 | (206) | 45,671,215 |
| Buildings | 29,353,903 | - | - | 29,353,903 |
| Building improvements | 1,057,398 | 200,481 | - | 1,257,879 |
| Infrastructure | 96,395,313 | - | - | 96,395,313 |
| Machinery & equipment | 12,016,739 | 255,579 | (33,481) | 12,238,837 |
| Vehicles | 155,553 | - | - | 155,553 |
| Total capital assets, being depreciated | 180,946,580 | 4,159,807 | (33,687) | 185,072,700 |
| Less accumulated depreciation for: | | | | |
| Land improvements | (25,964,757) | (962,960) | 7 | (26,927,710) |
| Buildings | (9,649,723) | (588,459) | - | (10,238,182) |
| Building improvements | (63,362) | (47,308) | - | (110,670) |
| Infrastructure | (39,911,821) | (3,881,442) | - | (43,793,263) |
| Machinery & equipment | (6,770,390) | (653,402) | 33,481 | (7,390,311) |
| Vehicles | (7,778) | (15,555) | - | (23,333) |
| Total accumulated depreciation | (82,367,831) | (6,149,126) | 33,488 | (88,483,469) |
| Total capital assets, being depreciated, net | 98,578,749 | (1,989,319) | (199) | 96,589,231 |
| Total capital assets, net | \$ 160,243,267 | \$ 14,130,582 | \$ (5,003,870) | \$ 169,369,979 |

8. **SHORT-TERM DEBT – GRANT ANTICIPATION NOTE**

The Fund used a Grant Anticipation Note (GAN) to finance airport improvement projects prior to grant reimbursement from the Federal Aviation Administration and the State Department of Transportation. On September 20, 2016, the Fund entered into a GAN in the principal amount of up to \$7,000,000 with an interest rate of \$2.75% which matured on September 19, 2017. On November 14, 2017, the GAN was rolled at the adjusted overnight LIBOR rate. On December 11, 2018, the GAN was rolled over at the adjusted overnight LIBOR rate.

Short-term debt activity for the years ended June 30 is as follows:

| <u>Description</u> | Balance at | | <u>Repayments</u> | Balance at |
|-------------------------|---------------|--------------|-------------------|------------|
| | <u>7/1/18</u> | <u>Draws</u> | | |
| Grant Anticipation Note | \$ 694,582 | \$ 2,195,402 | \$ (2,538,456) | \$ 351,528 |

| <u>Description</u> | Balance at | | <u>Repayments</u> | Balance at |
|-------------------------|---------------|--------------|-------------------|------------|
| | <u>7/1/17</u> | <u>Draws</u> | | |
| Grant Anticipation Note | \$ 1,865,191 | \$ 2,182,430 | \$ (3,353,039) | \$ 694,582 |

9. CAPITAL LEASE OBLIGATIONS

The Fund enters into lease agreements as the lessee for the purpose of financing the acquisition of major pieces of equipment. These lease agreements qualify as capital lease obligations for accounting purposes (even though they include clauses that allow for cancellation of the lease in the event the City does not appropriate funds in future years) and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date of the leases.

The Fund had the following leases outstanding at June 30:

| | <u>2019</u> | <u>2018</u> |
|---|---------------------|---------------------|
| Capital lease for airport equipment. The rental payments are made twice a year for a total of \$173,460 annually including interest at 3.214% annually, maturing on June 26, 2020. | \$ 173,460 | \$ 346,920 |
| Capital lease for airport equipment. The rental payments are made annually for \$74,486 including interest at 2.77%, maturing on August 10, 2025. | 521,406 | 595,892 |
| Capital lease payable via the City's general master lease program for a snow plow. The rental payments are made twice a year for a total of \$88,850 including interest at 2.47%, maturing on September 30, 2023. | 399,823 | 488,673 |
| Capital lease for the airport's Parking Access Revenue Control System (PARCS). The rental payments are made twice a year for total annual payments of \$193,411 including interest at 2.37%, maturing on March 2, 2024. | 1,002,937 | 1,196,348 |
| Capital lease for airport equipment. The rental payments are made twice a year for total annual payments of \$345,015 including interest at 2.99%, maturing on September 18, 2027. | <u>2,932,624</u> | <u>3,277,638</u> |
| Total lease payments | 5,030,250 | 5,905,471 |
| Less: amount that represents interest | <u>(504,027)</u> | <u>(646,228)</u> |
| Total lease obligation | 4,526,223 | 5,259,243 |
| Less: amount due within one year | <u>(753,780)</u> | <u>(733,020)</u> |
| Capital lease obligation, net of current portion | <u>\$ 3,772,443</u> | <u>\$ 4,526,223</u> |

Future minimum lease payments consisted of the following as of June 30, 2019:

| <u>Fiscal Year</u> | |
|------------------------------------|---------------------|
| 2020 | \$ 875,222 |
| 2021 | 701,761 |
| 2022 | 701,762 |
| 2023 | 686,557 |
| 2024 | 626,925 |
| Thereafter | <u>1,438,023</u> |
| Subtotal | 5,030,250 |
| Less amounts representing interest | <u>(504,027)</u> |
| Total | <u>\$ 4,526,223</u> |

The following is an analysis for the leased assets included in capital assets at June 30:

| | <u>2019</u> | <u>2018</u> |
|-------------------------------------|---------------------|---------------------|
| Machinery, vehicles and equipment | \$ 4,712,580 | \$ 2,750,812 |
| Less: accumulated depreciation | <u>(861,606)</u> | <u>(649,559)</u> |
| Equipment under capital leases, net | <u>\$ 3,850,974</u> | <u>\$ 2,101,253</u> |

10. LONG-TERM DEBT

Revenue Bonds - The Fund issues bonds where the City pledges income to pay the debt service. Revenue bonds outstanding at June 30 are as follows:

| 2019 | | | | | |
|--------------------------------------|------------------------------|--------------------------------|----------------------------------|-------------------------|--|
| <u>Description</u> | <u>Original Issue Amount</u> | <u>Serial Maturities Begin</u> | <u>Serial Maturities Through</u> | <u>Interest Rate(s)</u> | <u>Amount Outstanding as of 06/30/19</u> |
| Revenue Refunding Bond 2012 Series A | \$ 17,670,000 | 7/1/2019 | 7/1/2028 | 4.00 - 5.00% | \$ 17,670,000 |
| Revenue Refunding Bond 2012 Series B | \$ 7,130,000 | 7/1/2013 | 7/1/2018 | 3.50% | - |
| Revenue Refunding Bond 2014 Series A | \$ 15,660,000 | 7/1/2015 | 7/1/2030 | 4.00 - 5.00% | <u>13,050,000</u> |
| Total | | | | | <u>\$ 30,720,000</u> |

2018

| <u>Description</u> | <u>Original Issue Amount</u> | <u>Serial Maturities Begin</u> | <u>Serial Maturities Through</u> | <u>Interest Rate(s)</u> | <u>Amount Outstanding as of 06/30/18</u> |
|--------------------------------------|------------------------------|--------------------------------|----------------------------------|-------------------------|--|
| Revenue Refunding Bond 2012 Series A | \$ 17,670,000 | 7/1/2019 | 7/1/2028 | 4.00 - 5.00% | \$ 17,670,000 |
| Revenue Refunding Bond 2012 Series B | \$ 7,130,000 | 7/1/2013 | 7/1/2018 | 3.50% | 1,415,000 |
| Revenue Refunding Bond 2014 Series A | \$ 15,660,000 | 7/1/2015 | 7/1/2030 | 4.00 - 5.00% | 13,830,000 |
| Total | | | | | \$ <u>32,915,000</u> |

Maturities are as follows (excluding the lease obligations):

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|----------------------|---------------------|----------------------|
| 2020 | \$ 2,245,000 | \$ 1,364,675 | \$ 3,609,675 |
| 2021 | 2,355,000 | 1,249,675 | 3,604,675 |
| 2022 | 2,480,000 | 1,128,800 | 3,608,800 |
| 2023 | 2,605,000 | 1,001,675 | 3,606,675 |
| 2024 | 2,725,000 | 877,075 | 3,602,075 |
| 2025 - 2029 | 15,570,000 | 2,444,700 | 18,014,700 |
| 2030 - 2031 | 2,740,000 | 138,750 | 2,878,750 |
| | \$ <u>30,720,000</u> | \$ <u>8,205,350</u> | \$ <u>38,925,350</u> |

Unamortized Premium - Debt premiums in connection with the sale of bonds are amortized over the terms of the related debt. Unamortized balances are included as a component of long-term debt.

Changes in long-term debt and other obligations are as follows for the year ended June 30:

| | 2019 | | | | | |
|--------------------------------------|-----------------------------|-------------------|-----------------------|------------------------------|-----------------------------|---------------------------------|
| | <u>Total Balance 7/1/18</u> | <u>Additions</u> | <u>Reduction</u> | <u>Total Balance 6/30/19</u> | <u>Less Current Portion</u> | <u>Equals Long Term Portion</u> |
| Revenue refunding bond 2012 series A | \$ 17,670,000 | \$ - | \$ - | \$ 17,670,000 | \$ (1,425,000) | \$ 16,245,000 |
| Revenue refunding bond 2012 series B | 1,415,000 | - | (1,415,000) | - | - | - |
| Revenue refunding bond 2014 series A | 13,830,000 | - | (780,000) | 13,050,000 | (820,000) | 12,230,000 |
| Total revenue bonds payable | 32,915,000 | - | (2,195,000) | 30,720,000 | (2,245,000) | 28,475,000 |
| Add unamortized premium | 1,160,822 | - | (163,993) | 996,829 | (153,687) | 843,142 |
| Subtotal | 34,075,822 | - | (2,358,993) | 31,716,829 | (2,398,687) | 29,318,142 |
| Net pension liability | 1,630,284 | - | (6,961) | 1,623,323 | - | 1,623,323 |
| Total OPEB liability | 104,692 | 7,315 | - | 112,007 | - | 112,007 |
| Capital leases | 5,259,243 | - | (733,020) | 4,526,223 | (753,780) | 3,772,443 |
| Compensated absences | 257,865 | 183,726 | (160,822) | 280,769 | - | 280,769 |
| Total | \$ <u>41,327,906</u> | \$ <u>191,041</u> | \$ <u>(3,259,796)</u> | \$ <u>38,259,151</u> | \$ <u>(3,152,467)</u> | \$ <u>35,106,684</u> |

| | Total | | | Total | | | Equals |
|--------------------------------------|---------------|------------------|------------------|----------------|----------------|----------------|--------|
| | Balance | | Reduction | Balance | Less | Long | |
| | <u>7/1/17</u> | <u>Additions</u> | <u>Reduction</u> | <u>6/30/18</u> | <u>Current</u> | <u>Term</u> | |
| | | | | | <u>Portion</u> | <u>Portion</u> | |
| Revenue refunding bond 2012 series A | \$ 17,670,000 | \$ - | \$ - | \$ 17,670,000 | \$ - | \$ 17,670,000 | |
| Revenue refunding bond 2012 series B | 2,780,000 | - | (1,365,000) | 1,415,000 | (1,415,000) | - | |
| Revenue refunding bond 2014 series A | 14,575,000 | - | (745,000) | 13,830,000 | (780,000) | 13,050,000 | |
| Total revenue bonds payable | 35,025,000 | - | (2,110,000) | 32,915,000 | (2,195,000) | 30,720,000 | |
| Add unamortized premium | 1,334,615 | - | (173,793) | 1,160,822 | (163,991) | 996,831 | |
| Subtotal | 36,359,615 | - | (2,283,793) | 34,075,822 | (2,358,991) | 31,716,831 | |
| Net pension liability | 2,631,042 | - | (1,000,758) | 1,630,284 | - | 1,630,284 | |
| Total OPEB liability | 104,481 | 211 | - | 104,692 | - | 104,692 | |
| Capital leases | 1,614,045 | 4,200,000 | (554,802) | 5,259,243 | (733,020) | 4,526,223 | |
| Compensated absences | 230,462 | 196,801 | (169,398) | 257,865 | (25,876) | 231,989 | |
| Total | \$ 40,939,645 | \$ 4,397,012 | \$ (4,008,751) | \$ 41,327,906 | \$ (3,117,887) | \$ 38,210,019 | |

The 2012 and 2014 Revenue Bonds were issued pursuant to General Bond Resolutions and are secured by a pledge of net Airport revenues. Pursuant to the General Bond Resolutions, revenues mean all rates, fees, charges, or other income and includes rentals, proceeds of insurance or condemnation or other disposition of assets, proceeds of bonds or notes and earnings from the investment of revenues.

On an annual basis, revenues must be sufficient after deducting operating expenses to meet minimum debt service coverage requirements of 1.25. Revenues for this purpose represent all rates, charges, rents and other income, including PFC revenues available for debt service. Operating expenses represent O&M (operation and maintenance), excluding depreciation. Certain other exclusions apply. City's Bond Counsel has determined that the effect of GASB 68 and 75 on pension and OPEB expense is excludable from O&M and, therefore, not included in determining Net Revenues available for debt service. If minimum debt service coverage requirements are not met, the Fund must take timely corrective action. The Fund met the required debt coverage ratio for 2019 with 1.50.

11. RESTRICTED NET POSITION

Restricted net position was comprised of the following at June 30:

| | <u>2019</u> | <u>2018</u> |
|--|----------------------|----------------------|
| Restricted for debt service and capital projects (PFC) | \$ 5,866,931 | \$ 3,845,561 |
| Restricted for prepaid cash reserve (PFC) | 490,358 | 489,623 |
| Restricted for renewal and replacement reserve | 217,384 | 217,059 |
| Restricted for debt service reserve fund | 3,798,151 | 3,651,462 |
| Restricted for debt service | 2,963,560 | 2,957,638 |
| Restricted for operations and maintenance reserve | 3,312,088 | 3,307,125 |
| Total | \$ <u>16,648,472</u> | \$ <u>14,468,468</u> |

The restricted PFC cash above of \$6,357,289 (\$5,866,931 and \$490,358) in addition to the PFC amount included in the debt service reserve above of \$697,599 and \$7,225 included in unrestricted cash, for a total of \$7,062,113, is presented in the Schedule of Passenger Facility Charges Collected and Expended (other information).

12. RETIREMENT BENEFITS AND RESULTING NET PENSION LIABILITY

Defined Benefit Plan: All full-time employees of the Fund participate in the City of Burlington Employees' Retirement System (the Plan), a cost sharing, single employer defined benefit plan. The Fund follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, with respect to the Plan.

Plan Description: Substantially all employees of the Fund are members of the Plan and are classified as Class B members. Eligible employees must participate in the Plan. The policy of the City for fiscal years 2016-2018 is to fund the actuarially determined contributions based on the open group entry age normal method using a discount of 8%, while the net pension liability is based on the closed method and the discount rate has been revised in FY18 from 8% to 7.625%. Beginning in FY19, the City is using the direct rate smoothing method for funding. The Fund's contributions were based on full time equivalents and wages. The City Council has the authority to amend the benefit terms of the Plan by enacting ordinances and sending them to the Mayor for approval.

At June 30, 2019, the Fund reported a net pension liability for its proportionate share of the City's total net pension liability per GASB 68. The net pension liability was measured as of June 30, 2018. At June 30, 2019 and 2018, Fund's proportion was 2.14% and 1.87%, respectively. For more information on the City's plan, see the City of Burlington, VT Comprehensive Annual Financial Report.

Benefits Provided: Class B retirees who have attained the age of 55 or older and completed 7 or more years of creditable service (age and years of creditable service vary depending on agreements) are eligible for benefits based on average final earnable compensation (AFC) during either the highest 5 or 3 non-overlapping 12-months periods depending on hiring dates. For details on agreements and AFC, see the City of Burlington, VT financial statements.

Contributions: The Fund contributed \$216,312 and \$203,967 for the fiscal years ending June 30, 2019 and 2018, respectively.

Summary of Significant Accounting Policies: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan was used as reported on the City of Burlington, VT Financial Statements. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Actuarial assumptions: The net pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|--|
| Inflation | 2.6 percent |
| Salary increases | 3.0 percent per year |
| Investment rate of return | 7.5 percent, net of pension plan investment expense, including inflation |

Mortality rates were based on the RP-2000 Mortality Table with separate male and female rates, with no adjustment, combined table for non-annuitants and annuitants, projected to the valuation date with Scale BB.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2012 through June 30, 2017, with discount rate updated from 7.625% to 7.50%.

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major class as of June 30, 2018 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-------------------------|--------------------------|---|
| Large Cap Core Equity | 30.00% | 7.70% |
| SMID Cap Core Equity | 18.00% | 10.10% |
| International Equity | 10.00% | 6.00% |
| Emerging Markets Equity | 10.00% | 10.80% |
| Private Equity | 2.00% | 10.20% |
| Real Estate / Timber | 10.00% | 7.30% |
| Core Fixed Income | 20.00% | 4.40% |
| Total | <u>100.00%</u> | |

Nominal long-term expected rates of return for these asset classes are equal to the sum of the above expected long-term real rates and the expected long-term inflation rate of 2.60%.

Discount Rate: The discount rate used to measure the net pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the fiduciary net position was projected to be available to make all future benefit payments to the current plan members.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the Fund’s proportionate share of the net pension liability calculated using the discount rate, as well as what the Fund’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

| of: | <u>1% Decrease</u> | <u>Discount Rate</u> | <u>1% Increase</u> |
|---------------|--------------------|----------------------|--------------------|
| June 30, 2019 | \$ 2,276,834 | \$ 1,623,323 | \$ 1,073,212 |
| June 30, 2018 | \$ 2,255,179 | \$ 1,630,284 | \$ 1,109,308 |

Deferred Inflows and Outflows of Resources: Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized in pension expense for of subsequent fiscal year. Other amounts reported as deferred outflows and inflows of resources related to pension are recognized in pension expense in future fiscal years as follows:

| Amortization <u>Year</u> | <u>As of 6/30/19</u> | <u>As of 6/30/18</u> |
|-----------------------------|--------------------------|--------------------------|
| 2019 | \$ - | \$ 33,286 |
| 2020 | (71,322) | (78,478) |
| 2021 | (132,395) | (127,236) |
| 2022 | (53,017) | (35,346) |
| 2023 | (15,030) | - |
| | <u>\$ (271,764)</u> | <u>\$ (207,774)</u> |

Pension Plan Fiduciary Net Position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued City of Burlington financial report. No separate stand-alone report is issued for the pension system. Further disclosures about the Plan are included in the City of Burlington’s financial statements.

Further disclosures about the Pension Plan are included in the City of Burlington, Vermont’s financial statements.

13. OTHER POST-EMPLOYMENT BENEFITS (OTHER THAN PENSION) – OPEB GASB 75

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, replaces the requirements of *Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. This Statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

General Information about the OPEB Plan

Plan Description

In addition to providing the pension benefits described, the City provides postemployment healthcare and life insurance benefits for retired employees through the City's plan.

In addition, the City allows certain retired employees to purchase health insurance through the City at the City's group rates. GASB No. 75 recognizes this as an implied subsidy and requires accrual of this liability.

Benefits Provided

The City provides medical, prescription drug, mental health/substance abuse and life insurance to retirees and their covered dependents. All active employees who retire from the City and meet the eligibility criteria may receive these benefits.

Funding Policy

The Plan Sponsor's Funding Policy is to contribute the employer portion of retiree benefit payments annually.

Contributions

Employer and employee contribution rates are governed by the respective collective bargaining agreements. The OPEB plan is currently funded on a pay-as-you-go basis. The employer and plan members share the cost of benefits. The plan members contribute 5.51% of the monthly premium cost, depending on the plan in which they are enrolled. The Airport contributes the balance of the premium costs.

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|--|---|
| Inflation | 2.60% per year. This assumptions is consistent with the Social Security Administration's current best estimate of the ultimate long-term annual percentage increase in CPI, as published in the 2017 OASDI Trustees Report. |
| Rate of annual aggregate payroll growth | 2.60% per year |
| Discount rate | 3.51% |
| Healthcare cost trend rates | 7.0% for 2017, fluctuating 0.5%, to an ultimate rate of 4.60% as of 2022 and later years |
| Retirees' share of benefit-related costs | Retirees are responsible for a portion of premium rates not covered by the City. |

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2012.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.51% and 3.87% for the years ending June 30, 2019 and 2018, respectively.

Since the OPEB plan is not funded, the selection of the discount rate is consistent with the GASB 75 standards linking the discount rate to the 20-year AA municipal bond index for unfunded OPEB plans. The discount rate used for the valuation is equal to the published Bond Buyer general obligation 20-year-Bond Municipal Index effective as of June 30, 2019 and 2018.

Total OPEB liability

The Fund's total OPEB liability of \$112,007 was measured as of June 30, 2019 and was determined by an actuarial valuation as of June 30, 2017.

Changes in the Total OPEB Liability

Detailed information about the changes in total OPEB liability is available in the separately issued City of Burlington, Vermont's Comprehensive Annual Financial Report.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

| | 1% Decrease in Discount Rate | Current Discount Rate | 1% Increase in Discount Rate |
|---------------|------------------------------------|--------------------------|------------------------------------|
| | <u>Rate</u> | <u>Discount Rate</u> | <u>Rate</u> |
| June 30, 2019 | \$125,747 | \$112,007 | \$100,546 |
| June 30, 2018 | \$117,248 | \$104,692 | \$94,188 |

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

| | 1% Decrease | Healthcare Cost Trend Rates | 1% Increase |
|---------------|-------------|-----------------------------------|-------------|
| | <u>Rate</u> | <u>Discount Rate</u> | <u>Rate</u> |
| June 30, 2019 | \$103,077 | \$112,007 | \$122,613 |
| June 30, 2018 | \$97,028 | \$104,692 | \$113,726 |

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the years ending June 30, 2019 and 2018, the Fund recognized an OPEB expense of \$8,632 and \$199, respectively. The remaining amounts reported as deferred inflows of resources and deferred outflows related to OPEB will be recognized in OPEB expense over the next 6 years.

Further disclosures about the OPEB Plan are included in the City of Burlington, Vermont's financial statements.

14. DEFERRED COMPENSATION PLAN

The Fund offers its employees a deferred compensation plan administered through the City in accordance with Section 457 of the Internal Revenue Code (IRC). The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or for "unforeseeable emergency" as defined by IRS guidelines. The assets of the plan are not included in the accompanying financial statements.

15. RELATED PARTY TRANSACTIONS

It is the City's policy to charge or pay interest based on outstanding balances advanced to or borrowed from the municipal funds of the City. The interest rate is based on the average interest rate which would have been earned in the City's sweep account. Total interfund interest received/(paid), net, during 2019 and 2018 was \$145 and \$39, respectively.

The City Clerk/Treasurer's office charges all departments for administration and risk management fees. The City Council approves, through the budget process, the annual assessments. For the years ending June 30, 2019 and 2018, administrative and risk management fees paid to the City General Fund was \$429,667 and \$398,305, respectively.

The Fund contracted with other City departments to provide services such as security from the Police Department at a fee of \$1,164,400 and \$1,146,500 for fiscal years 2019 and 2018, respectively.

16. LEASES

The Fund leases office, building and ground space to various Airport related businesses, including airlines, car rental companies, food and gift concessions, governmental agencies and others. The lease rates vary and are computed based upon square footage, percentages of gross revenues and combinations of the two. The leases expire at varying dates through 2033.

Lease revenue for the years ending June 30, 2019 and 2018 was approximately \$8,900,000 and \$8,508,000, respectively. Future lease revenue estimated to be received in each of the next five fiscal years under these agreements are as follows:

| | |
|------|--------------|
| 2020 | \$ 8,815,000 |
| 2021 | \$ 8,900,000 |
| 2022 | \$ 8,990,000 |
| 2023 | \$ 9,080,000 |
| 2024 | \$ 9,170,000 |

17. **COMMITMENTS AND CONTINGENCIES**

The following include outstanding legal issues:

Mansfield Heliflight, Inc. v. City of Burlington, Vermont

On or around July 29, 2014, Mansfield Heliflight, Inc. (“Mansfield”) filed a complaint with the Federal Aviation Administration against the City pursuant to 14 CFR Part 16. Mansfield’s complaint alleged that the City had prevented Mansfield from becoming a fixed-base operator at BTV and that, in doing so, the City had granted an exclusive right to a Heritage Aviation, Inc., in violation of federal law. The City contested the allegations vigorously. On September 5, 2017, the FAA issued a Director’s Determination dismissing the complaint, and on June 26, 2018, the FAA issued a Final Agency Decision affirming the Director’s Determination. Mansfield appealed the Final Agency Decision to the U.S. Court of Appeals, but on January 2, 2019, the court dismissed the appeal for failure to file an opening brief.

Other Claims

A claim has been filed with the Vermont Attorney General’s Office and the EEOC by a former employee alleging discrimination on the basis of age and sex. The employee’s position was among those eliminated as part of a reorganization, and the employee was not hired for two new positions. The Attorney General’s Office is conducting an investigation, and no specific relief has yet been requested.

In the case of Roberts v. City of Burlington, filed in the Vermont Superior Court, the plaintiff asserted she suffered injuries from a slip and fall in the airport parking garage in 2015. The case was settled by the City’s insurance carrier and dismissed in February 2019.

Other claims are below the level of materiality and are expected to be covered by the City’s insurance.

Grants - Amounts received or receivable from grantor agencies, including possible grant assurance violations at the Fund, are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed

by the grantor cannot be determined at this time, although the Fund expects such amounts, if any, to be immaterial.

Construction Commitments – The Airport has a number of ongoing Airport Improvement Program (AIP) projects for construction and land acquisition, as well as several Passenger Facility Program (PFC) projects for terminal improvements that are funded from restricted assets. AIP projects include taxiway and apron reconstruction, Master Plan and Noise Compatibility Program planning grants, and building demolition related to previously acquired property and land acquisition. The PFC projects include energy projects, cargo apron reconstruction, escalator and baggage carousel projects and related work.

18. RISK MANAGEMENT

A. Insurance

The Fund is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employee; and natural disasters. The Fund manages these risks through a combination of commercial insurance packages and through the City’s risk management program.

The City carries commercial insurance to cover its property, casualty and general liability risks. Commercial property insurance, inland marine and employment practices insurance coverage is provided by Travelers and is offered on a guaranteed cost basis with a deductible of \$50,000. The City has a large-deductible worker’s compensation plan with Travelers Indemnity Company.

The Fund also carries Airport Owners and Operators General Liability insurance with the following limits:

| | |
|--|---------------|
| Completed Operations Aggregate | \$100 million |
| Personal Injury and Advertising Injury Aggregate | \$50 million |
| Malpractice Aggregate | \$50 million |
| Each occurrence limit | \$100 million |
| Fire Damage – any one fire | \$500,000 |
| Medical Expenses – any one person | \$10,000 |
| Hangarkeepers Limit – any one aircraft | \$100 million |
| Hangarkeepers Limit – any one occurrence | \$100 million |

For Health and Dental insurance, the City self-insures with appropriate stop-loss coverage in place to cover large claims. The stop-loss limits are as follows:

| | |
|------------------|--|
| Health insurance | \$130,000 per occurrence with no stop loss coverage |
| Dental insurance | The benefit from this coverage cannot exceed \$1,500 per participant |

All of the City’s self-insurance programs are administered by a third-party administrator, which processes and pays the claims and then bills the City for the amount of the total claims paid.

The costs associated with these self-insurance plans are budgeted in the City’s General Fund and allocated to the Fund based on the following:

| <u>Type</u> | <u>Allocation Method</u> |
|-----------------------|--|
| Worker's compensation | 50% Experience and 50% Exposure |
| Health | Number of employees and levels of coverage |
| Dental | Actual claims and administrative fees paid |
| Liability | Adjusted operating budgets |
| Property | Insured value of city structures |

The City has elected to pay actual unemployment claims instead of enrolling in an unemployment insurance program. There were no claims 2019.

B. Factors Affecting the Airline Industry

The City’s ability to derive Revenues from its operation of the Airport depends upon many factors, many of which are not subject to the control of the City. Revenues may be affected by the ability of the Signatory Airlines, individually and collectively, to meet their respective obligations under the Airport Agreements. The financial results of the airline industry have been subject to substantial volatility since deregulation of the airline industry in 1978. Recent years of airline mergers, takeovers, asset transfers and bankruptcies have resulted, and may continue to result, in a consolidation of the industry. The impact of further consolidation within the U.S. airline industry cannot be predicted at this time. Historically, the airline industry’s results have correlated with the performance of the economy. Regarding recent financial performance, the Airlines have experienced their greatest profitable years, following several years of positive net revenues. The projections and outlook for 2020 remain positive. The Airlines have experienced significant growth in enplanements as well as revenues from changes in their fee structures.

The City’s ability to generate Net Revenues and PFCs depends on sufficient levels of aviation activity and passenger traffic at the Airport. The achievement of increased passenger traffic will depend partly on the profitability of the airline industry and the ability of individual airlines to provide sufficient capacity to meet demand. The airline industry has been adding seats and experiencing significant enplanement growth with growth in recent years.

The City’s ability to derive Net Revenues from its operation of the Airport depends upon many factors which affect the airlines’ operations at the Airport, many of which are not subject to the control of the City, including the economy, domestic and international affairs, air transportation disruptions, the threat of terrorism and international conflict, health crises, cost structure of the airlines, including the cost of aviation fuel, and labor issues. The City cannot assess the impact that these factors will have on the airline industry and, in turn, on the Net Revenues.

In addition, many factors have combined to create structural changes in the travel market that have altered consumer travel patterns. As a result of increased security protocols from

the Department of Homeland Security, the Transportation Security Administration has mandated various security measures that have resulted in security taxes and fees and potentially longer passenger processing and wait times at airports. Both add to the costs of air travel and make air travel less attractive to consumers relative to ground transportation, especially to short-haul destinations. Additionally, consumers have become more price sensitive. Efforts of airlines to stimulate traffic by heavily discounting fares have changed consumer expectations regarding airfares with the introduction of Ultra-Low-Cost Carriers (ULCC). Consumers have come to expect extraordinary low fares from ULCC operators (Spirit, Allegiant, etc.). In addition, the availability of fully transparent price information on the Internet now allows quick and easy comparison shopping, which has changed consumer purchasing habits. This has made pricing and marketing even more competitive in the U.S. airline industry. Smaller corporate travel budgets, combined with the higher costs of travel, have made business customers more amenable to communications substitutes such as tele- and video-conferencing.

Faced with the growth of lower-cost airlines and evolving business technology, legacy airlines (United, Delta, and American) have been forced to change their business practices, including reducing or eliminating service on unprofitable routes, reducing their workforces, implementing pay cuts, reducing fares to compete with low-cost carriers, deferring aircraft deliveries and streamlining operations.

The aviation industry is cyclical and subject to intense competition and variable demand. Further, airline debt levels remain high, many airlines have large unfunded pension obligations and many airlines have an aging aircraft fleet and/or aging computer systems. The airlines are vulnerable to fuel price spikes, labor activity, recession and external shocks (such as terrorism, pandemics, military conflicts and natural disasters). As a result, financial performance can fluctuate dramatically from one reporting period to the next, however, airlines have recently shown record profitability. Typically, at small and non-hub airports, airlines serve these markets with smaller regional airline affiliates. These are typically flown with smaller aircraft with lower paying pilots. Burlington International Airport has seen differences in this trend with introduction of legacy carrier mainline (larger) aircraft serving multiple markets. The Airport, through on-going communication with airline partners, have also been made aware of legacy carriers liquidating the smaller aircraft in their fleets.

The City makes no representation with respect to the continued viability of any of the carriers serving the Airport, airline service patterns, or the impact of any airline failures on the Net Revenues and PFC or CFC collections. Additionally, no assurance can be given that adverse or catastrophic events will not happen in the future.

19. MAJOR CUSTOMERS

A significant portion of the Fund's earnings and revenues are directly or indirectly attributed to the activity of a few major airlines.

The Fund's earnings and revenues could be materially and adversely affected should these major airlines discontinue operations and should the Fund be unable to replace the airline with similar

activity. The level of operations is determined based upon the relative share of enplaned passengers. The following represents major concentrations and their respective airline passenger shares:

| | <u>2019</u> | <u>2018</u> |
|----------|-------------|-------------|
| United | 34% | 32% |
| American | 28% | 31% |
| Delta | 25% | 23% |
| Jet Blue | 13% | 14% |
| Frontier | 1% | 0% |

**CITY OF BURLINGTON, VERMONT
BURLINGTON AIRPORT
SCHEDULE OF PROPORTIONATE SHARE (GASB 68)
OF THE NET PENSION LIABILITY
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019
(Unaudited)**

Burlington Employee's Retirement System

| <u>Fiscal Year</u> | <u>Measurement Date</u> | <u>Proportion of the Net Pension Liability</u> | <u>Proportionate Share of the Net Pension Liability</u> | <u>Covered Payroll</u> | <u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u> | <u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u> |
|--------------------|-------------------------|--|---|------------------------|--|--|
| June 30, 2019 | June 30, 2018 | 2.14% | \$1,623,323 | \$ 2,375,629 | 68.33% | 71% |
| June 30, 2018 | June 30, 2017 | 1.87% | \$1,630,284 | \$ 1,899,810 | 85.81% | 67% |
| June 30, 2017 | June 30, 2016 | 2.95% | \$2,631,042 | \$ 1,795,630 | 146.52% | 64% |
| June 30, 2016 | June 30, 2015 | 3.18% | \$2,169,468 | \$ 1,664,402 | 130.35% | 70% |
| June 30, 2015 | June 30, 2014 | 2.38% | \$1,278,506 | \$ 1,642,817 | 77.82% | 75% |

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

**CITY OF BURLINGTON, VERMONT
BURLINGTON AIRPORT**

**SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019
(Unaudited)**

Burlington Employee's Retirement System

| <u>Fiscal Year</u> | <u>Measurement Date</u> | <u>Contractually Required Contribution</u> | <u>Contributions in Relation to the Contractually Required Contribution</u> | <u>Contribution Deficiency (Excess)</u> | <u>Covered Payroll</u> | <u>Contributions as a Percentage of Covered Payroll</u> |
|------------------------|-----------------------------|--|---|---|----------------------------|---|
| June 30, 2019 | June 30, 2018 | \$ 216,312 | \$ (216,312) | \$ - | \$ 2,538,239 | 9% |
| June 30, 2018 | June 30, 2017 | \$ 203,967 | \$ (203,967) | \$ - | \$ 2,375,629 | 9% |
| June 30, 2017 | June 30, 2016 | \$ 254,514 | \$ (254,514) | \$ - | \$ 1,899,810 | 13% |
| June 30, 2016 | June 30, 2015 | \$ 270,003 | \$ (270,003) | \$ - | \$ 1,795,630 | 15% |
| June 30, 2015 | June 30, 2014 | \$ 281,375 | \$ (281,375) | \$ - | \$ 1,664,402 | 17% |

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

**CITY OF BURLINGTON, VERMONT
BURLINGTON AIRPORT**

**SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY (GASB 75)
REQUIRED SUPPLEMENTARY INFORMATION**

(Unaudited)

| <u>Fiscal Year</u> | <u>Measurement Date</u> | <u>Proportion of the Net OPEB Liability</u> | <u>Proportionate Share of the Net OPEB Liability</u> |
|--------------------|-------------------------|---|--|
| June 30, 2019 | June 30, 2019 | 2.0995% | \$112,007 |
| June 30, 2018 | June 30, 2018 | 2.0995% | \$104,692 |

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

REPORT ON COMPLIANCE WITH REQUIREMENTS OF
THE PASSENGER FACILITY CHARGE PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE PASSENGER FACILITY CHARGE
AUDIT GUIDE FOR PUBLIC AGENCIES

Additional Offices:
Andover, MA
Greenfield, MA
Manchester, NH
Ellsworth, ME

Independent Auditors' Report

To the Honorable Mayor and City Council
City of Burlington, Vermont

Report on Compliance for the Passenger Facility Charge Program

We have audited the Burlington International Airport, an enterprise fund of the City of Burlington, Vermont (the Fund), for compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies (the Guide)* issued by the Federal Aviation Administration, applicable to its passenger facility charge program that could have a direct and material effect on the Airport's passenger facility charge program for the year ended June 30, 2019. Our responsibility is to express an opinion the Fund's compliance based on our audit procedures.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the Passenger Facility Charges Program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Fund's passenger facility charge program based on our audit of the types of compliance requirements referred to above.

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 *Govern-ment Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide 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 the passenger facility charges program occurred. An audit includes examining, on a test basis, evidence about the Fund's compliance with those require-ments and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the Fund's Passenger Facility Charges Program. However, our audit does not provide a legal determination of the Fund's compliance.

Opinion on Passenger Facility Charge Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Passenger Facility Charge program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the Fund is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Fund's internal control over compliance with the types of requirements that could have a direct and material effect on the Passenger Facility Charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the Passenger Facility Charge program and to test and report on internal control over compliance in accordance with the Guide, 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 Fund's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *Passenger Facility Charge Audit Guide for Public Agencies*. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Revenues and Expenditures of Passenger Facility Charges

We have audited the financial statements of the Burlington International Airport, the enterprise fund of the City of Burlington, Vermont (the Fund) as of and for the year ended June 30, 2019, and

have issued our report thereon dated November 22, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Fund's basic financial statements. The accompanying schedule of revenues and expenditures of passenger facility charges is presented for purposes of additional analysis as required by the *Passenger Facility Charge Audit Guide for Public Agencies* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of passenger facility charges is fairly stated in all material respects in relation to the basic financial statements as a whole.

Melanson Heath

November 22, 2019

CITY OF BURLINGTON, VERMONT
 SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED
 FOR THE YEAR ENDED JUNE 30, 2019

| | |
|--------------------------------------|----------------------------|
| Cash balance - July 1, 2018 | \$ 5,417,600 |
| | |
| Receipts | |
| Passenger facility charges collected | 2,734,669 |
| Interest earnings | 7,884 |
| Total receipts | <u>2,742,553</u> |
| | |
| Disbursements | |
| Project No. 96-01-I-00-BTV | 436,424 |
| Project No. 00-03-C-00-BTV | 56,770 |
| Project No. 10-04-C-00-BTV | 488,030 |
| Project No. 11-05-C-00-BTV | 108,494 |
| Project No. 13-06-C-00-BTV | 8,322 |
| Total disbursements | <u>1,098,040</u> |
| | |
| Increase in cash balance | <u>1,644,513</u> |
| | |
| Cash balance - June 30, 2019 | <u><u>\$ 7,062,113</u></u> |

See Note 11 for reconciliation of above cash to the restricted accounts presented in the financial statements.

BURLINGTON INTERNATIONAL AIRPORT

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019**

I. Summary of Auditor's Results

Financial Statements

Type of auditors' report issued: unmodified

Internal Control over Financial Reporting:

- Material weaknesses identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Passenger Facility Charges Program

Internal Control over the Programs:

- Material weaknesses identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

Type of auditors' report issued on compliance for the Programs: unmodified

- Any audit findings disclosed that are required to be reported in accordance with Passenger Facility Charges Audit Guide for Public Agencies? Yes No

II. Financial Statement Findings

None reported.

III. Findings and Questioned Costs for the Program

None reported.