CITY OF BURLINGTON, VERMONT
AIRPORT ENTERPRISE FUND

FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

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INDEPENDENT AUDITORS' REPORT

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

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, 2017 and 2016, 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 opinions 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 opinions.

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, 2017 and 2016, 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.

Opinions

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, 2017 and 2016, 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, the Schedule of Proportionate Share of Net Pension Liability, and the Schedule of Contributions 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 have also issued our report dated November 29, 2017 on our consideration of the Fund'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 29, 2017

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, 2017. 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, 2017, it shows our net position of $140,458,783, a change of $9,145,424 in comparison to the prior year.

> The largest portion of net position, $120,404,417, 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 $6,501,148 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, $14,150,479, (restricted net position) represents resources that are subject to external restrictions on how they may be used. This portion of net position increased $802,962 from the prior year primarily from the increase in restricted PFC cash balance.
>
> The remaining balance, or unrestricted net position, was $5,903,887. This portion of net position increased $1,841,314 from the prior year from a variety of reasons including principal debt service payment being less than asset depreciation (which reduced net investment in capital assets, as noted above, and increased unrestricted net position) and operations.

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, 2017 was $9,145,424. There are two significant components of this increase. The first is the net loss before capital contributions of $(1,288,605) which is primarily due to the Airport recognizing depreciation expense (not funded with rates and charges assessed) in excess of the principal debt service payments (funded with rates and charges). 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 $10,434,029. 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 adequately covered our operating expenses in fiscal year 2017.

Financial Highlights:

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

Summary of Net Position (000s)

	2017	2016	2015
Assets:			
Current and other assets	$ 27,608	$ 23,000	$ 19,908
Capital assets	160,243	153,755	150,781
Total assets	187,851	176,755	170,689
Deferred outflows of resources	1,480	1,279	803
Total assets and deferred outflows of resources	$ 189,331	$ 178,034	$ 171,492
Liabilities:			
Current liabilities	$ 7,701	$ 5,015	$ 3,905
Long term liabilities	40,974	41,706	42,803
Total liabilities	48,675	46,721	46,708
Deferred inflows of resources	197	-	152
Net position:			
Net investment in capital assets	120,404	113,903	109,584
Restricted	14,151	13,347	12,243
Unrestricted	5,904	4,063	2,805
Total net position	140,459	131,313	124,632
Total liabilities, deferred inflows of resources and net position	$ 189,331	$ 178,034	$ 171,492

Summary of Changes in Net Position (000s)

	2017	2016	2015
Operating revenues	$ 16,389	$ 16,303	$ 16,640
Operating expenses	(18,709)	(18,044)	(17,811)
Operating (loss)	(2,320)	(1,741)	(1,171)
Nonoperating revenues (expenses)			
Other revenue	2,980	3,046	3,182
Other expense	(1,948)	(2,259)	(2,966)
Total nonoperating revenues	1,032	787	216
Net income (loss) before capital contributions	(1,288)	(954)	(955)
Capital contributions - grant	10,434	7,635	6,508
Change in net position	9,146	6,681	5,553
Beginning net position, as restated	131,313	124,632	119,079
Ending net position	$ 140,459	$ 131,313	$ 124,632

Operating revenues changed by $85,495 in 2017, an increase of 0.52%. Reasons for this change can be found in the Revenues section of this MD&A.

Operating expenses changed by $664,858 in 2017, an increase of 3.68%. $457,316 of this change is attributed to the GASB 68 effect on pension expense. An additional factor in the increase was due to an increase in depreciation expense of $230,229.

Capital Assets:

Capital Assets - Net capital assets changed by $6,488,516 in 2017. This change is primarily the difference between current year additions, net of $12,647,387 and annual depreciation expense of $(6,158,871).

Significant capital asset additions in the current year include:

- $2,051,930 Glycol project
- $1,033,763 Taxiway K construction
- $1,314,585 Apron construction, phase 3
- $3,616,219 Land acquisition
- $ 664,193 Oshkosh HT2926 snow sweeper
- $ 588,707 MB model 4 snow plow
- $ 474,108 Taxiway gulf

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 $36,359,615, all of which was backed by the full faith and credit of the government.

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 2017, 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 2013:

Historical Revenues (000s)	*Fiscal Year Ended June 30*				
	2013	**2014**	**2015**	**2016**	**2017**
Airline Revenues					
Terminal Revenues	$ 2,114	$ 2,237	$ 2,447	$ 2,619	$ 2,331
Landing Fee Revenues	1,623	1,501	1,630	1,671	1,721
Total Airline Revenues	**3,737**	**3,738**	**4,077**	**4,290**	**4,052**
Non-Airlines Revenues					
Parking Lot/Garage	5,870	5,894	5,742	5,407	5,488
Car Rental Concessions	1,868	2,119	2,114	1,911	2,048
Terminal Concessions	469	657	670	654	644
Terminal Non-Airline Rent	510	538	578	580	599
Building and Ground Rent	1,223	1,247	1,329	1,274	1,238
Other Non-Airline Revenues	798	748	919	958	1,036
Total Non-Airline Operating Revenues	**10,738**	**11,203**	**11,352**	**10,784**	**11,053**
CFC Revenues	**1,155**	**1,267**	**1,211**	**1,229**	**1,283**
Total Operating Revenues	**$ 15,630**	**$ 16,208**	**$ 16,640**	**$ 16,303**	**$ 16,388**
Y-O-Y Operating revenue Growth		**3.7%**	**2.7%**	**-2.0%**	**0.5%**
PFC Revenues	**$ 2,285**	**$ 2,586**	**$ 2,391**	**$ 2,321**	**$ 2,378**

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. Revenues were adjusted for this true-up resulting in a decrease in airline revenues of 5.5% from the prior year. Terminal and landing fee revenue represented approximately 25% of the Airport's total Revenue in Fiscal Year 2017.

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 33.5% of the Airport's total Operating Revenue in Fiscal Year 2017, with an increase of 1.5% from the previous year.

Car Rental Facilities

Car rental revenues represented approximately 12.5% of the Airport's total Revenue in Fiscal Year 2017. Car Rental revenues increased 7% from the previous year. Car rental facilities occupy office and counter space within the terminal building adjacent to the luggage receiving area. Over the past six years, collectively, the car rentals have had a minimum annual revenue guarantee (MAG) of approximately $1.7 million per year, but the rental car companies have generated more revenue than the guaranteed minimum. In Fiscal Year 2017, the rental car companies generated Revenues to the airport approximately $227,000 above the MAG, while in Fiscal Year 2016 revenues were approximately $194,000 above 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 $1.283 million in revenue during Fiscal Year 2017. Approximately half of the collected CFCs are 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 other half 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 decreased by 1.5% for Fiscal Year 2017.

Terminal concession revenues represented approximately 4% or $643,600 of the Airport's total Revenue in Fiscal Year 2017. The Airport realized concession revenue growth during Fiscal Year 2014 and these revenues remained strong and stable during Fiscal Year 2015, 2016 and 2017.

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 11% of the Airport's total Revenue in Fiscal Year 2017. These revenues remained consistent 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 $2.378 million annually in PFC revenues, of which approximately $1.176 million are used to pay that portion of Bond Debt Service attributable to authorized PFC projects.

As of June 30, 2017, the Airport had approximately $4.659 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 8% from Fiscal Year 2016 to Fiscal Year 2017, which is primarily because of overtime cost increases of approximately 3% and approximately 2.5% from COLA increases. In addition, the Airport took over management of the garage parking attendants in FY 17. The costs of these employees now show in the salary and benefit line items. Previously, the garage related expenditures were expensed as management services paid to the Department of Public Works. Service contracts represent third party maintenance and other non-capital projects. The 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. The City and Airport implemented a requirement that all purchases require a purchase order, and this is tracked within the accounting software package. The new purchase order requirement is intended to ensure that no expense is over the budgeted plan.

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 2017. 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. The Airline's previous lease was executed in 1996. 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 2017, 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 $460,716 in Fiscal Year 2017.

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; and (iii) achieve Debt Service coverage well in excess of the Resolution's mandate of 1.25X of Debt Service. 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 2013 through 2017.

Rate Covenant Calculation
From FY 2013 to 2017 (000s)

	Fiscal Year Ended June 30				
	2013	**2014**	**2015**	**2016**	**2017**
Revenues	$ 15,890	$ 16,382	$ 16,933	$ 16,677	$ 16,625
O&M Expenses (as defined)	11,731	12,508	12,347	12,376	12,327
Net Revenues (as defined)	$ 4,159	$ 3,874	$ 4,586	$ 4,301	$ 4,298
PFC Revenues Available for DS	$ 1,938	$ 1,291	$ 1,284	$ 1,087	$ 1,176
Funds Available for DS	$ 6,097	$ 5,165	$ 5,870	$ 5,388	$ 5,474
25% PFC Revenue for DS coverage	485	323	321	272	294
Adjusted funds Available for DS	$ 6,582	$ 5,488	$ 6,191	$ 5,660	$ 5,768
Debt Service	$ 4,268	$ 3,402	$ 3,956	$ 3,386	$ 3,650
Debt Service Coverage	**1.43**	**1.52**	**1.48**	**1.59**	**1.50**
Adjusted Debt Service Coverage	**1.54**	**1.61**	**1.56**	**1.67**	**1.58**

Liquidity

The following table reflects changes to the Fund's Liquidity since fiscal year 2013:

Liquidity Position (000s) *Fiscal Year Ended June 30*

Cash and Investment balances	**2013**	**2014**	**2015**	**2016**	**2017**
Unrestricted cash[1]	$ 167	$ 1,440	$ 2,442	$ 4,271	$ 5,764
O&M Reserve	3,101	3,155	3,288	3,295	3,302
Renewal and Replacement Reserve	215	215	215	216	216
PFCs[2]	1,967	1,242	1,955	2,685	3,229
PFC Rolling Coverage	485	486	487	488	489
Debt Service Reserve Fund	4,351	4,047	3,740	3,782	3,751
Bond Debt Service Reserve[3]	2,846	3,798	2,558	2,882	3,162
Grant Anticipation Note Reserve	300	-	-	-	-
Total cash and investments	**$ 13,432**	**$ 14,383**	**$ 14,685**	**$ 17,619**	**$ 19,913**

[1] *At 6/30/17, includes $2,936 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. At June 30, 2016, includes $3,038 in CFC Funds and $679 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 $2,295,564 is primarily due to an increase of $1,492,602 in unrestricted cash and an increase of $544,794 in PFC reserves. Increase in unrestricted cash partly relates to timing of payments made to vendors (current year accounts payable is higher than prior year) and the current year use of the line of credit for AIP-related expenses drawn on prior to grant reimbursement.

Bond Rating Changes

On March 17, 2017, Moody's Investors Service (Moody's) affirmed its Baa3 rating for the Fund's revenue bonds and revised the outlook to positive from stable due to ongoing improvements in the Fund's liquidity as well as adoption of residual airline agreements. On August 18, 2017, Fitch Ratings affirmed its rating for the Fund's revenue bonds at BBB-, with a positive outlook for the same rating rationale as Moody's - improved fiscal profile demonstrated and implementing the airline agreements requiring achieving a stable debt coverage ratio of 1.5.

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, 2017 AND 2016

	2017	2016
ASSETS		
Current:		
Cash and cash equivalents	$ 5,763,681	$ 4,271,079
Accounts receivable, net of allowance for doubtful accounts	1,229,358	1,382,747
Intergovernmental receivables	4,560,110	2,634,698
PFC receivables	402,711	312,480
Inventory	303,847	247,544
Loan receivable	72,136	70,007
Deposit with escrow	455,000	-
Prepaid expense	8,119	-
Total current assets	12,794,962	8,918,555
Noncurrent:		
Restricted cash for passenger facility charges (PFC)	3,228,774	2,685,078
Restricted cash for prepaid cash reserve (PFC)	488,890	487,792
Restricted cash for R&R reserve fund	216,733	216,247
Restricted cash for debt service reserve	196,147	1,217,999
Restricted cash for bond debt service fund	3,162,453	2,881,487
Restricted cash for O&M reserve fund	3,302,216	3,294,755
Restricted investment for debt service reserve	3,555,266	2,564,159
Loan receivable	661,948	734,084
Land and construction in progress	61,664,518	56,119,246
Capital assets, net of accumulated depreciation	98,578,749	97,635,505
Total noncurrent assets	175,055,694	167,836,352
TOTAL ASSETS	187,850,656	176,754,907
DEFERRED OUTFLOWS OF RESOURCES		
Pension related:		
Changes in proportional share of contributions	417,128	712,624
Difference between actual and expected experience	215,110	102,628
Difference between projected and actual investment earnings	593,197	193,578
Deferred current year pension contributions	254,514	270,003
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,479,949	1,278,833
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 189,330,605	$ 178,033,740

(continued)

CITY OF BURLINGTON, VERMONT

AIRPORT ENTERPRISE FUND
STATEMENTS OF NET POSITION

JUNE 30, 2017

(continued)

		2017		2016
LIABILITIES				
Current:				
Accounts payable	$	3,203,916	$	1,865,694
Accrued liabilities		78,298		61,870
Retainage payable		369,541		217,282
Unearned revenue		1,385,224		1,384,957
Accrued interest		797,141		837,762
Line of credit		1,865,191		646,602
Other liabilties		1,405		-
Current portion of:				
Revenue bonds payable		2,283,793		2,198,155
Capital leases payable		295,436		154,786
Total current liabilities		10,279,945		7,367,108
Noncurrent:				
Revenue bonds payable, net of current portion		34,075,822		36,359,614
Net pension liability		2,631,042		2,169,468
Other post-employment benefits		139,084		139,084
Capital leases payable, net of current portion		1,318,609		492,324
Accrued employee compensated absences		230,462		192,783
Total noncurrent liabilities		38,395,019		39,353,273
TOTAL LIABILITIES		48,674,964		46,720,381
DEFERRED INFLOWS OF RESOURCES				
Pension related:				
Difference between projected and actual investment earnings		94,633		-
Changes in proportional share of contributions		102,225		-
TOTAL DEFERRED INFLOWS OF RESOURCES		196,858		-
NET POSITION				
Net investment in capital assets		120,404,417		113,903,269
Restricted		14,150,479		13,347,517
Unrestricted		5,903,887		4,062,573
TOTAL NET POSITION		140,458,783		131,313,359
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$	189,330,605	$	178,033,740

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, 2017 AND 2016

	2017	2016
Operating Revenues:		
Charges for services	$ 16,211,216	$ 16,148,693
Intergovernmental	177,238	154,266
Total Operating Revenues	16,388,454	16,302,959
Operating Expenses:		
Personnel costs	4,594,148	4,106,060
Non-personnel costs	7,955,944	8,009,403
Depreciation	6,158,871	5,928,642
Total Operating Expenses	18,708,963	18,044,105
Operating Loss	(2,320,509)	(1,741,146)
Other Income (Expenses):		
Passenger facility charges	2,378,109	2,321,431
Interest income	24,140	80,386
Amortization of bond premium	183,155	192,077
Interest expense and fiscal charges	(1,659,571)	(1,709,619)
Building rent	324,958	352,769
Building rental expenses	(288,706)	(549,408)
Gain on sale of asset	-	29,149
Other income	69,819	69,941
Total Other Income (Expenses)	1,031,904	786,726
Net Loss Before Capital Contributions	(1,288,605)	(954,420)
Capital contributions - AIP Grants	10,434,029	7,635,497
Change in Net Position	9,145,424	6,681,077
Net Position at Beginning of Year	131,313,359	124,632,282
Net Position at End of Year	$ 140,458,783	$ 131,313,359

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, 2017 AND 2016

	2017	2016
Cash Flows From Operating Activities:		
Receipts from customers and users	$ 16,434,689	$ 16,106,933
Receipts of operating grants	177,238	154,266
Other building rents	324,958	352,769
Payments to suppliers	(6,528,477)	(7,509,186)
Payments for wages and benefits	(4,082,725)	(3,850,185)
Other building expenses	(288,706)	(549,408)
Net Cash Provided By Operating Activities	6,036,977	4,705,189
Cash Flows From Noncapital Financing Activities:		
Interest paid on cash deficit to general fund	(292)	(4,077)
Loan payments from Burlington Community Development Corporation	70,007	67,956
Net Cash Provided By Noncapital Financing Activities	69,715	63,879
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(12,647,387)	(8,908,219)
Proceeds from sale of assets	-	35,434
Deposit with escrow agent for purchase of land	(455,000)	-
Capital grants	8,508,617	7,544,737
Passenger facility charges	2,287,878	2,331,485
Drawdowns on line of credit	5,307,921	1,017,925
Repayment of line of credit	(4,089,332)	(371,323)
Principal paid on revenue bonds	(2,015,000)	(1,650,000)
Proceeds from issuance of capital lease	1,252,900	-
Principal paid on capital leases	(285,965)	(150,798)
Interest paid on revenue bond	(1,594,350)	(1,675,525)
Interest paid on other debt	(105,549)	(90,134)
Net Cash Used For Capital and Related Financing Activities	(3,835,267)	(1,916,418)
Cash Flows From Investing Activities:		
Increase in restricted cash and investments	(802,962)	(1,104,219)
Receipt of interest and dividends	24,139	80,388
Net Cash Used For Investing Activities	(778,823)	(1,023,831)
Net Change in Cash and Cash Equivalents	1,492,602	1,828,819
Unrestricted Cash and Cash Equivalents, Beginning of Year	4,271,079	2,442,260
Unrestricted Cash and Cash Equivalents, End of Year	$ 5,763,681	$ 4,271,079

(continued)

CITY OF BURLINGTON, VERMONT

AIRPORT ENTERPRISE FUND
STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

(continued)

	2017	2016
Reconciliation of Operating Loss to Net Cash Provided By Operating Activities:		
Operating loss	$ (2,320,509)	$ (1,741,146)
Depreciation	6,158,871	5,928,642
Other building rents	324,958	352,769
Other income	69,817	69,941
Other building expenses	(288,706)	(549,408)
Changes in assets, liabilities, and deferred outflows/inflows:		
Customer and concessions receivable	153,389	(165,142)
Inventories	(56,302)	18,650
Prepaids	(8,119)	-
Deferred outflows of resources, pension related	(201,116)	(475,866)
Accounts payable	1,338,224	376,921
Accrued liabilities	-	(13,415)
Accrued salaries and wages	16,428	(12,276)
Retainage payable	152,259	118,061
Unearned revenue	267	53,441
Other liabilities	1,405	-
Post employment benefits	-	12,642
Accrued compensated absences	37,679	(7,264)
Net pension liability	461,574	890,962
Deferred inflows of resources, pension related	196,858	(152,323)
Net Cash Provided By Operating Activities	$ 6,036,977	$ 4,705,189

The accompanying notes are an integral part of these 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. 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 (5) 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:

	Depreciable Lives
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. As of June 30, 2017 and 2016 the Fund's bank balance was $16,233,886 and $14,959,082 respectively. 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, 2017 and 2016 the Fund invested in US Treasury Notes of $1,526,722 and $500,550 respectively, and U.S. Government Agencies of $2,028,545 and $2,063,609 respectively, which have an implied credit rating of AAA.

B. *Custodial 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, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Fund does not have a policy for custodial credit risk.

C. *Concentration of Credit Risk*

The Fund does not have an investment in one issuer greater than 5% of the total investments for the City.

D. *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 Fund does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Fund's investment in US Treasury Notes and U.S. Government Agencies had maturities of one to five years, for June 30, 2017 and 2016.

E. *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 US Treasuries Notes and U.S. Government Agencies were determined based on "Level 2" inputs for June 30, 2017 and 2016. 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

Receivables consisted of the following:

	2017	2016
Customer/concessions receivables	$ 1,255,679	$ 1,409,068
Less: Allowance for Doubtful Accounts	(26,321)	(26,321)
Net Receivables	$ 1,229,358	$ 1,382,747

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 2017 and 2016. Additional receivables represent other reimbursements from Federal and local governments. The receivables consisted of:

	2017	2016
Airport Improvement Projects:		
AIP 81 - 2010 Property Acquisition	$ -	$ 67,115
AIP 88 - 2011 Noise Land Acquisition (B)	-	59,248
AIP 92 - 2012 Noise Land Acquisition (A)	100,559	76,044
AIP 94 - 2012 Noise Land Acquisition (B)	38,520	60,713
AIP 97 - Design Update Security	-	64,386
AIP 101 - Security System Update	11,936	189,036
AIP 103 - Air Carrier Apron Phase II	275,594	220,738
AIP 104 - Taxiway K Construction	230,546	820,135
AIP 105 - 2015 Noise Land Acquisition	12,032	221,002
AIP 106 - Glycol Project	148,060	258,142
AIP 107 - Air Carrier Apron Phase III	1,039,059	61,862
AIP 108 - Noise Land Acquisition 2016	92,954	14,664
AIP 109 - Noise Land Acquisition 2017	38,156	-
AIP 110 - NCP Study Update 2016	48,667	-
AIP 111 - Beacon Replacement	1,450,137	-
AIP 112 - Taxiway Gulf Construction	593,322	-
Other AIP	272,557	270,858
Other Intergovernmental:		
City of Burlington - property tax refund	58,977	117,955
Law Enforcement Officer Grant	91,500	75,266
Other	57,534	57,534
Total	$ 4,560,110	$ 2,634,698

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:

	2017	2016
Balance due	$ 734,084	$ 804,091
Less: current portion	(72,136)	(70,007)
Long term portion	$ 661,948	$ 734,084

Future maturities are anticipated to be as follows:

Fiscal Year	Principal	Interest	Total
2018	$ 72,136	$ 21,036	$ 93,172
2019	74,330	18,842	93,172
2020	76,591	16,581	93,172
2021	78,921	14,251	93,172
2022	81,321	11,851	93,172
2023 - 2026	350,785	21,907	372,692
	$ 734,084	$ 104,468	$ 838,552

7. PROPERTY, PLANT AND EQUIPMENT

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

	2017			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 23,931,372	$ 5,537,979	$ -	$ 29,469,351
Construction in progress	32,187,874	2,636,809	(2,629,516)	32,195,167
Total capital assets, not being depreciated	56,119,246	8,174,788	(2,629,516)	61,664,518
Capital assets, being depreciated:				
Land improvements	77,609,575	5,555,068	-	83,164,643
Buildings and improvements	85,607,593	2,053	-	85,609,646
Machinery, equipment and vehicles	10,627,298	1,544,994	-	12,172,292
Total capital assets, being depreciated	173,844,466	7,102,115	-	180,946,581
Less accumulated depreciation for:				
Land improvements	(35,567,085)	(3,019,034)	-	(38,586,119)
Buildings and improvements	(34,511,833)	(2,491,712)	-	(37,003,545)
Machinery, equipment and vehicles	(6,130,043)	(648,125)	-	(6,778,168)
Total accumulated depreciation	(76,208,961)	(6,158,871)	-	(82,367,832)
Total capital assets, being depreciated, net	97,635,505	943,244	-	98,578,749
Total capital assets, net	$ 153,754,751	$ 9,118,032	$ (2,629,516)	$ 160,243,267

		2016			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 23,066,462	$ 864,910	$ -	$ 23,931,372
Construction in progress	35,020,624	5,382,299	(8,215,049)	32,187,874
Total capital assets, not being depreciated	58,087,086	6,247,209	(8,215,049)	56,119,246
Capital assets, being depreciated:				
Land improvements	68,169,214	9,440,361	-	77,609,575
Buildings and improvements	84,552,248	1,055,345	-	85,607,593
Machinery, equipment and vehicles	10,332,419	380,353	(85,474)	10,627,298
Total capital assets, being depreciated	163,053,881	10,876,059	(85,474)	173,844,466
Less accumulated depreciation for:				
Land improvements	(32,768,475)	(2,798,610)	-	(35,567,085)
Buildings and improvements	(31,984,299)	(2,527,534)	-	(34,511,833)
Machinery, equipment and vehicles	(5,606,733)	(602,498)	79,188	(6,130,043)
Total accumulated depreciation	(70,359,507)	(5,928,642)	79,188	(76,208,961)
Total capital assets, being depreciated, net	92,694,374	4,947,417	(6,286)	97,635,505
Total capital assets, net	$ 150,781,460	$ 11,194,626	$ (8,221,335)	$ 153,754,751

8. ACCOUNTS PAYABLE

Accounts payable and accrued liabilities represent 2017 expenditures paid on or after July 1, 2017.

9. SHORT-TERM DEBT - LINE OF CREDIT

The Fund used a line of credit to finance airport improvement projects prior to grant reimbursement from the Federal Aviation Administration and the State Department of Transportation. On September 22, 2015, the Fund entered into Grant Anticipation Line of Credit (LOC) in the principal amount of up to $7,000,000 with an interest rate of $2.75% which matured on September 20, 2016. On September 20, 2016, the line of credit was rolled at the adjusted overnight LIBOR rate, and matured on September 19, 2017. Subsequent to year end, the LOC was rolled, and now matures on November 13, 2018.

Short-term debt activity for the year ended June 30, 2017 was as follows:

Description	Balance at 7/1/16	Draws	Repayments	Balance at 6/30/17
Line of credit	$ 646,602	$ 5,307,921	$ (4,089,332)	$ 1,865,191

Short-term debt activity for the year ended June 30, 2016 was as follows:

Description	Balance at 7/1/15	Draws	Repayments	Balance at 6/30/16
Line of credit	$ -	$ 1,017,925	$ (371,323)	$ 646,602

10. 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:

	2017	2016
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.	$ 520,380	$ 693,840
Capital lease payable via the City's general master lease program for airport equipment. The rental payments are made twice a year for a total of $1,752 annually including interest at 1.96% annually, maturing on November 18, 2016.	-	876
Capital lease for airport equipment. The rental payments are made annually for $74,486 including interest at 2.77%, maturing on August 10, 2025.	670,379	-
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.	577,522	-
Total lease payments	1,768,281	694,716
Less: amount that represents interest	(154,236)	(47,606)
Total lease obligation	1,614,045	647,110
Less: amount due within one year	(295,436)	(154,786)
Capital lease obligation, net of current portion	$ 1,318,609	$ 492,324

Future minimum lease payments consisted of the following as of June 30, 2017:

Fiscal Year	
2018	$ 336,796
2019	336,796
2020	336,796
2021	163,336
2022	163,336
Thereafter	431,221
Subtotal	1,768,281
Less amounts representing interest	(154,236)
Total	$ 1,614,045

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

	2017	2016
Machinery, vehicles and equipment	$ 2,750,812	$ 1,497,912
Less: accumulated depreciation	(491,137)	(374,478)
Equipment under capital leases, net	$ 2,259,675	$ 1,123,434

11. 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:

2017

Description	Original Issue Amount	Serial Maturities Begin	Serial Maturities Through	Interest Rate(s)	Amount Outstanding as of 06/30/17
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%	2,780,000
Revenue Refunding Bond 2014 Series A	$ 15,660,000	7/1/2015	7/1/2030	4.00 - 5.00%	14,575,000
Total					$ 35,025,000

2016

Description	Original Issue Amount	Serial Maturities Begin	Serial Maturities Through	Interest Rate(s)	Amount Outstanding as of 06/30/16
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%	4,085,000
Revenue Refunding Bond 2014 Series A	$ 15,660,000	7/1/2015	7/1/2030	4.00 - 5.00%	15,285,000
Total					$ 37,040,000

Maturities are as follows (excluding the lease obligations):

Fiscal Year	Principal	Interest	Total
2018	$ 2,110,000	$ 1,551,838	$ 3,661,838
2019	2,195,000	1,465,063	3,660,063
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 - 2027	14,275,000	3,756,650	18,031,650
2028 - 2031	9,365,000	705,550	10,070,550
	$ 35,025,000	$ 11,222,251	$ 46,247,251

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:

	2017					
	Total Balance 7/1/16	Additions	Reduction	Total Balance 6/30/17	Less Current Portion	Equals Long Term Portion
Revenue refunding bond 2012 series A	$ 17,670,000	$ -	$ -	$ 17,670,000	$ -	$ 17,670,000
Revenue refunding bond 2012 series B	4,085,000	-	(1,305,000)	2,780,000	(1,365,000)	1,415,000
Revenue refunding bond 2014 series A	15,285,000	-	(710,000)	14,575,000	(745,000)	13,830,000
Total revenue bonds payable	37,040,000	-	(2,015,000)	35,025,000	(2,110,000)	32,915,000
Add unamortized premium	1,517,769	-	(183,154)	1,334,615	(173,793)	1,160,822
Subtotal	38,557,769	-	(2,198,154)	36,359,615	(2,283,793)	34,075,822
Net pension liability	2,169,468	461,574	-	2,631,042	-	2,631,042
Net OPEB obligation	139,084	-	-	139,084	-	139,084
Obligations under capital leases	647,110	1,252,900	(285,965)	1,614,045	(295,436)	1,318,609
Compensated absences	192,783	37,679	-	230,462	-	230,462
Total	$ 41,706,214	$ 1,752,153	$ (2,484,119)	$ 40,974,248	$ (2,579,229)	$ 38,395,019

	2016					
	Total Balance 7/1/15	Additions	Reduction	Total Balance 6/30/16	Less Current Portion	Equals Long Term Portion
Revenue refunding bond 2012 series A	$ 17,670,000	$ -	$ -	$ 17,670,000	$ -	$ 17,670,000
Revenue refunding bond 2012 series B	5,360,000	-	(1,275,000)	4,085,000	(1,305,000)	2,780,000
Revenue refunding bond 2014 series A	15,660,000	-	(375,000)	15,285,000	(710,000)	14,575,000
Total revenue bonds payable	38,690,000	-	(1,650,000)	37,040,000	(2,015,000)	35,025,000
Add unamortized premium	1,709,847	-	(192,078)	1,517,769	(183,155)	1,334,614
Subtotal	40,399,847	-	(1,842,078)	38,557,769	(2,198,155)	36,359,614
Net pension liability	1,278,506	890,962	-	2,169,468	-	2,169,468
Net OPEB obligation	126,442	12,642	-	139,084	-	139,084
Obligations under capital leases	797,908	-	(150,798)	647,110	(154,786)	492,324
Compensated absences	200,047	-	(7,264)	192,783	-	192,783
Total	$ 42,802,750	$ 903,604	$ (2,000,140)	$ 41,706,214	$ (2,352,941)	$ 39,353,273

The 2003, 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 on pension 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 2017 and 2016 with 1.50 and 1.59, respectively.

12. RESTRICTED NET POSITION

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

	2017	2016
Restricted for debt service and capital projects (PFC)	$ 3,228,774	$ 2,685,078
Restricted for prepaid cash reserve (PFC)	488,890	487,792
Restricted for renewal and replacement reserve	216,733	216,247
Restricted for debt service reserve fund	3,751,413	3,782,158
Restricted for debt service	3,162,453	2,881,487
Restricted for operations and maintenance reserve	3,302,216	3,294,755
Total	$ 14,150,479	$ 13,347,517

The restricted PFC cash above of $3,717,664 ($3,228,774 and $488,890) in addition to the PFC amount included in the debt service reserve above of $935,735 and $5,129 included in unrestricted cash, for a total of $4,658,528, is presented in the Schedule of Passenger Facility Charges Collected and Expended (other information).

13. 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* – an amendment of GASB Statement No. 27, 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 City began requiring a 3% contribution effective July 1, 2014. All employees including union and non-union contribute to the Retirement System. AFSCME union employees' contribution to their retirement was 3.8% for fiscal year 2017 and 3.4% for fiscal year 2016. Non-union employees' contribution to their retirement was 4% during fiscal year 2017 and 3.4% for fiscal year 2016. It is the current policy of the City of Burlington to fund the actuarially determined periodic contributions using the projected unit credit cost method. Gains (losses), as they occur, reduce (increase) the unfunded past service cost. 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, 2017, the Fund reported a net pension liability for its proportionate share of the City's total net pension liability per the new GASB 68. The net pension liability was measured as of June 30, 2016. The Fund's proportion of the net pension liability was based on a projection of the Fund's payroll relative to the total payroll of the City. At June 30, 2017 and 2016, Fund's proportions were 2.9511 and 3.1827 percent, respectively. For more information on the City's plan, see the City of Burlington, VT financial statements.

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 $270,003 and $281,375 for the measurement years ended June 30, 2016 and 2015, respectively, the measurement date of the net pension liability used for the June 30, 2015 reporting period.

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 total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3 percent
Salary increases	3.8 to 8.8 percent, including inflation
Investment rate of return	8 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 combined mortality tables for males and females, with full generational projection by scale BB.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of the most recent actuarial experience study, which was for the five year period ended June 30, 2012.

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, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Large Cap	30.09%	7.16%
US Mid Cap	8.99%	9.04%
US Small Cap	8.99%	9.03%
MSCI EAFE	9.31%	5.61%
MSCI Emerging Markets	10.40%	8.22%
Intermediate Government Credit	27.74%	1.72%
Real Estate	2.08%	6.63%
Private Equity	1.56%	8.31%
Cash	0.84%	0.86%
Total	100.00%	

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 3.00%.

Discount Rate: The discount rate used to measure the total pension liability was 8%. 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 of 8.00 percent, 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 (7.00%) or one percentage-point higher (9.00%) than the current rate:

Fund's net pension liability as of:	1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
June 30, 2017	$ 3,492,000	$ 2,631,042	$ 1,911,517
June 30, 2016	$ 3,047,906	$ 2,169,468	$ 1,435,808

Deferred Inflows and Outflows of Resources: As a result of implementing GASB 68, the differences between projected and actual investment earnings, difference between actual and expected experience, and changes in proportional share of contributions related to pension was reported as deferred inflows of resources and will be amortized over the next several future fiscal years.

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 will be recognized in pension expense in future fiscal years as follows:

	Net deferred outflows (inflows) of resources:	
Amortization Year:	As of 6/30/2017	As of 6/30/2016
2017	$ -	$ 635,345
2018	464,770	365,342
2019	290,907	191,479
2020	184,871	86,667
2021	88,029	-
	$ 1,028,577	$ 1,278,833

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.

14. OTHER POST-EMPLOYMENT BENEFITS (OTHER THAN PENSION)

The City follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 45) for reporting other post-employment benefits (OPEB) including healthcare, life insurance, and other non-pension benefits offered to retirees. The City allows certain retired employees to purchase health insurance through the City at the City's group rates, which is recognized as implicit subsidy. GASB 45 addresses how the City should account for and report its costs related to OPEB, such as the City's implicit subsidy of retiree health insurance and the City's direct subsidy of retiree health insurance. GASB 45 requires that the City recognize the cost of the retiree health subsidy during the period of employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of post-employment benefits and the financial impact on the City. The Fund's portion of the OPEB liability as presented in the long-term debt section.

Funding Policy: The City funds the benefits on a pay-as-you-go basis.

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

15. 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.

16. 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 2017 and 2016 was $346 and $(3,984), 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, 2017 and 2016, administrative and risk management fees paid to the City General Fund were $394,798 and $353,530, respectively.

The Fund contracted with other City departments to provide services such as security from the Police Department at a fee of $1,130,052 and $1,014,000 for fiscal years 2017 and 2016, respectively. The Airport also contracted with the Traffic Fund to operate its parking lot and parking garage at a fee of $50,000 and $50,000 for fiscal years 2017 and 2016, respectively.

17. 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 ended June 30, 2017 and 2016 was approximately $7,432,105 and $7,653,900, respectively. Future lease revenue estimated to be received in each of the next five fiscal years under these agreements are as follows:

2018	$ 7,900,000
2019	7,990,000
2020	8,070,000
2021	8,150,000
2022	8,230,000

18. 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 Part 16 Complaint with the FAA against the City, alleging the City has prevented Mansfield from becoming a Fixed-Base Operator (“FBO”) at BTV, and that its efforts in this regard effectively granted an exclusive right to Heritage Aviation, Inc. On September 5, 2017, the FAA dismissed the complaint and found that the Airport had not violated its grant assurances. The FAA did make some recommendations, including that the City issue a request for proposals to select a second qualified FBO. However, Mansfield Heliflight has appealed, and the appeal is being briefed. The City believes that Mansfield’s claims are without merit.

Other Claims

The City has been sued along with United Airlines for an injury suffered by a passenger who slipped and fell on ice on the jet bridge. *Messier v. United Airlines and City of Burlington.* That claim is being defended by insurance defense counsel, and monetary damages are still unspecified.

A claim has been made for a slip and fall on ice in April 2015, but no lawsuit has yet been filed on that claim. Currently, insurance has been handling the claim, and it is expected that insurance defense counsel will be retained if a suit is filed.

The City does not believe that any of the above-referenced matters will have a material, adverse effect upon the financial position of the Fund.

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 reconstruction, storm-water treatment projects, 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.

19. 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. Starting fiscal year 2016, the City has a large-deductible worker's compensation plan with Travelers Indemnity Company. Prior to fiscal year 2016, the City was self-insured for worker's compensation.

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:

Type	Allocation Method
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. While there were no claims in 2017, the City paid $14,904 in unemployment claims in 2016 .

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. Financial results of most airlines reflected substantial net losses. 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. Further bankruptcy filings, liquidations or major restructurings by members of the airline industry remain possible.

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 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, streamlining operations and significantly increasing the use of smaller, regional jets.

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.

20. 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:

	2017	2016
United	33%	32%
American	31%	27%
Delta	22%	22%

21. IMPLEMENTATION OF NEW GASB STANDARDS

The Governmental Accounting Standards Board (GASB) issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, replacing requirements of Statements No. 45 and 57, effective for the Fund beginning with its year ending

June 30, 2018. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet specific criteria and for employers whose employees are provided with defined contribution OPEB. Management's current assessment is that this pronouncement will have an impact on the Fund's basic financial statements by increasing the net OPEB liability and, as a result, decreasing unrestricted net position.

CITY OF BURLINGTON, VERMONT

SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2017
(Unaudited)

Burlington Employee's Retirement System

Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2017	June 30, 2016	2.9511%	$2,631,042	$ 1,795,630	146.52%	64%
June 30, 2016	June 30, 2015	3.1827%	$2,169,468	$ 1,664,402	130.35%	70%
June 30, 2015	June 30, 2014	2.3751%	$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

SCHEDULE OF PENSION CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017
(Unaudited)

Burlington Employee's Retirement System

Fiscal Year	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2017	$ 270,003	$ (270,003)	$ -	$ 1,795,630	15%
June 30, 2016	$ 281,375	$ (281,375)	$ -	$ 1,664,402	17%
June 30, 2015	$ 211,879	$ (211,879)	$ -	$ 1,642,817	13%

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

See Independent Auditors' Report.

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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

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, 2017. 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 *Government 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 requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion 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, 2017.

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, 2017, and have issued our report thereon dated November 29, 2017, 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 29, 2017

CITY OF BURLINGTON, VERMONT
SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED
FOR THE YEAR ENDED JUNE 30, 2017

Cash balance - July 1, 2016	$ 4,098,397
Receipts	
Passenger facility charges collected	2,287,878
Interest earnings	5,697
Total receipts	2,293,575
Disbursements	
Project No. 96-01-I-00-BTV	633,273
Project No. 00-03-C-00-BTV	53,607
Project No. 10-04-C-00-BTV	489,384
Project No. 11-05-C-00-BTV	146,154
Project No. 13-06-C-00-BTV	411,026
Total disbursements	1,733,444
Increase in cash balance	560,131
Cash balance - June 30, 2017	$ 4,658,528

See Note 12 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, 2017

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.