



## **CITY OF BURLINGTON, VERMONT**

Management Letter  
For the Year Ended June 30, 2021

## Table of Contents

	<u>Page</u>
<b>Introductory Letter</b>	1
<b>Recommendations:</b>	
1. Improve Controls Over Journal Entries and Adhere to a Formal Closing Schedule	3
2. Improve Capital Project Accounting	3
3. Evaluate Funding Sources for the Parking Facilities Special Revenue Fund	4



To the Honorable Mayor  
and City Council  
City of Burlington  
149 Church Street  
Burlington, Vermont 05401

In planning and performing our audit of the basic financial statements of the City of Burlington, Vermont as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, significant deficiencies or material weaknesses may exist that have not been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonable possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

---

Merrimack, New Hampshire  
Andover, Massachusetts  
Greenfield, Massachusetts  
Ellsworth, Maine



During our audit, we became aware of other matters that we believe represent opportunities for strengthening internal controls and operating efficiency. The recommendations that accompany this letter summarize our comments and suggestions concerning those matters.

The City's written responses to our comments and suggestions have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of management, Mayor, and City Council, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Melanson".

Merrimack, New Hampshire  
February 25, 2022



**1. Improve Controls Over Journal Entries and Adhere to a Formal Closing Schedule (Prior Year Comment)**

During our audit, we observed improvements over journal entries related to year-end closing. Although enhancements have been made, we continue to see untimely entries. Accurate and timely statements provide key data to support fiscal monitoring. A significant tax revenue adjusting entry was provided in January 2022 that affected the results of operations for General Fund for the year ending June 30, 2021 (fiscal year 2021). Further, some of the City's Enterprise funds have reporting requirements under General Bond Resolutions that require annual audits to be completed between 150 days after the end of the fiscal year. For the City to comply with these reporting requirements, the City must adhere to a formal closing schedule; specifically, as it relates to capital asset reporting. The capital assets reports for fiscal year 2021 were not provided until January 2022.

We continue to recommend that the City perform year end closing more timely. Implementation of this recommendation should result in earlier identification of the need for additional entries, improved internal reporting, and will streamline the year-end closing process.

**City's Response:**

The Clerk/Treasurer's Office agrees with the recommendations above and acknowledges that all entries must be completed in a timely manner this fiscal year. We continue to work with CLA, an outside consultant, to improve on our new capital asset methodology, which reduces in half the time to process capital assets. In addition, we will provide existing staff the training required to ensure our tax revenues are booked in a timely fashion.

**2. Improve Capital Project Accounting**

During the year, the City has made substantial improvements in the general ledger for the reporting of the capital projects, particularly expanding the number of general ledger funds. From July 1, 2020, the City began using a new project and general ledger account structure that allows the City to track the balances spent against each project, the source of funds, and deficit or excess balances. This enables the City to have an easier access to life to date activity of the individual capital projects. However, the initial analytical review of the City's various Capital Project funds for deficits was not timely performed and journal entries were processed by the City six months after year end. The City should monitor all funds for deficits timely and ensure that all funds have proper funding sources. We recommend that the City consider a capital project accountant position as well as a grant accountant position.

City's Response:

The Clerk / Treasurer's Office thanks our auditors for acknowledging our improvements on capital projects. Further, we would like to thank the Board of Finance and City Councilor for their support of consultant services that helped CT office to develop the new system. In addition, per the auditor's recommendation, the City is considering the addition of a Capital Project / Grant Accountant position.

**3. Evaluate Funding Sources for the Parking Facilities Special Revenue Fund**

The Parking Facilities Special Revenue Fund incurred a loss of \$4,468,376. The ending fund deficit for the fund as of June 30, 2021 was \$3,348,326 primarily resulting from the debt service principal and interest payment of \$3,752,060 from paying off the fund's long-term loan. We are in agreement with the City to carry the deficit forward without impacting the general fund unassigned fund balance as the City has plans to cure this deficit in fiscal year 2022. We recommend that management evaluate the deficit and determine the appropriate funding sources that are needed to cure the deficit of this fund by the end of the fiscal year 2022.

City's Response:

The Parking Facility Special Revenue Fund losses and fund balance deficit sited above was driven almost exclusively by COVID-19. The City's revenue streams were severely reduced to almost nothing for a period of many months. Since many of this Fund's expenditures are fixed it experienced large losses. These losses resulted in the Special Revenue Fund not able to achieve the Debt Coverage Ratios, or Reserve Requirements from our bank. This meant the City needed to pay off the loan in full to eliminate all non-compliance issues and avoid any issues with our Moody's credit rating. This resulted in a reduction in our cash reserves while eliminating the long-term debt from our books.

We accept and will act upon your recommendation that management evaluate the deficit, and determine the appropriate funding by the end of the fiscal year 2022.