

CITY OF BURLINGTON, VERMONT

Independent Auditors' Reports Pursuant
to Governmental Auditing Standards
and Uniform Guidance

For the Year Ended June 30, 2019

TABLE OF CONTENTS

	<u>PAGE</u>
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	1
REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE	3
Schedule of Expenditures of Federal Awards	6
Notes to Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs	9

Additional Offices:

Andover, MA
Greenfield, MA
Manchester, NH
Ellsworth, ME

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Independent Auditors' Report

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Burlington, Vermont (the City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 23, 2020.

Our report includes a reference to other auditors who audited the financial statements of the School District and Electric Department, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Electric Department were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 a 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 *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Melanson Heath

January 23, 2020

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM,
REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND
REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

We have audited the City of Burlington, Vermont's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City's major federal programs for the year ended June 30, 2019. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The City's financial statements include the operation of the School District (a discretely presented component unit) which expended \$7,340,155 in Federal awards which is not included in the City's Schedule of Expenditures of Federal Awards for the year ended June 30, 2019. Our audit, described below, did not include the operations of the School District because a separate single audit in accordance with Uniform Guidance was performed.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City'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 for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal 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 each of its major federal programs for the year ended June 30, 2019.

Other Matters

Subsequent to June 30, 2019 the City had a material subsequent event as further discussed in the Notes to the Schedule of Federal Expenditures, Note 3. Our opinion on each major federal program is not modified with respect to this matter.

Report on Internal Control Over Compliance

Management of the City 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 City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 City'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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated January 23, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Melanson Heath

March 13, 2020

CITY OF BURLINGTON, VERMONT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

<u>Federal Agency</u>	Federal	Pass Through		Passed
Cluster	CFDA	Identifying		Through to
Pass-through Agency			Federal	Subrecipient
Program Title	<u>Number</u>	<u>Number</u>	<u>Expenditures</u>	
<u>U.S. Department of Defense</u>				
Direct Federal Program				
Military Construction, National Guard	12.400	N/A	\$ 1,095,955	\$ -
Total U.S. Department of Defense			1,095,955	-
<u>U.S. Department of Housing and Urban Development</u>				
CDBG - Entitlement Grants Cluster				
Direct Federal Program				
Community Development Block Grants/Entitlement Grants	14.218	N/A	880,853	623,195
Total CDBG - Entitlement Grants Cluster			880,853	623,195
Direct Federal Program				
Home Investment Partnerships Program	14.239	N/A	471,620	-
Continuum of Care Program	14.267	N/A	30,796	-
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	N/A	727,374	-
Total U.S. Department of Housing and Urban Development			2,110,643	623,195
<u>U.S. Department of Justice</u>				
Direct Federal Program				
Missing Children's Assistance	16.543	N/A	9,294	-
Bulletproof Vest Partnership Program	16.607	N/A	23,465	-
Public Safety Partnership and Community Policing Grants	16.710	N/A	245,248	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	833	-
Passed Through Vermont Center for Crime Victim Services				
Crime Victim Assistance	16.575	02160-VOCA16-40096-8	133,562	-
Crime Victim Assistance	16.575	02160-VOCA17-2-40096-8	6,228	-
Total U.S. Department of Justice			418,630	-
<u>U.S. Department of Transportation</u>				
Direct Federal Program				
Airport Improvement Program	20.106	N/A	9,698,862	-
Highway Planning and Construction Cluster				
Passed Through Vermont Agency of Transportation				
Highway Planning and Construction - Wayfinding	20.205	FHWA ER VT13-1	60,122	-
Highway Planning and Construction - Route 127	20.205	FHWA ER VT17-1	64,083	-
Highway Planning and Construction - Southern Connector	20.205	ME-GC-M5000(1)	1,129,075	-
Highway Planning and Construction - Champlain Crosswalk	20.205	STP BP13(6)	21,747	-
Highway Planning and Construction - North Avenue Crosswalks	20.205	Burlington TAP TA15(1)	155,846	-
Highway Planning and Construction - Colchester Avenue Sidepath	20.205	Burlington STP SDWK(19)	21,931	-
Total Highway Planning and Construction Cluster			1,452,804	-
Highway Safety Cluster				
Passed Through Vermont Agency of Transportation				
State and Community Highway Safety	20.600	GR 1310	29,034	-
Total Highway Safety Cluster			29,034	-
Total U.S. Department of Transportation			11,180,700	-
<u>Corporation for National and Community Service</u>				
Passed Through Vermont Commission on National and Community Services				
AmeriCorps	94.006	03400-16AFH-CEDO-FY18	145,425	-
AmeriCorps	94.006	03400-16AFH-CEDO-FY19	76,196	-
Total Corporation for National and Community Service			221,621	-
<u>U.S. Department of Homeland Security</u>				
Direct Federal Program				
Law Enforcement Officer Reimbursement Agreement Program	97.090	N/A	144,824	-
Total U.S. Department of Homeland Security			144,824	-
Total Federal Expenditures			\$ 15,172,373	\$ 623,195

The accompanying notes are an integral part of this schedule.

City of Burlington, Vermont

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2019

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of the City under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

Note 2. Summary of Significant Accounting Policies

- Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement.
- The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3. Subsequent Events

Airport Improvement Program – 109 (CFDA #20.106)

Approximately three years ago the Airport proceeded with grant AIP-109 to finalize the last properties to be purchased as part of the noise mitigation program. This was the last purchasing grant in preparation to modify the noise mitigation program to include a sound insulation program. As part of this grant, seven parcels known as the Kirby Cottages were included in this grant. These homes are approximately 10-12 years old with highly efficient and well detailed build outs. The Mayor of Burlington, the City Council of Burlington, and the City Council of South Burlington asked that the Airport hold off on removing the structures to find alternative methods to preserve the housing; alternatives such as physically moving the structures to an alternative site, dismantling and reconstructing on an alternate site, or possibly selling the structures with a different land use. The Airport spent the last two and half years analyzing this situation all while preserving the infrastructure for potential resale. In early 2020, the City received a letter from the Federal Aviation Administration (FAA) New England Region Office, requiring the airport to make a decision on removing the structures or reselling the properties on the open market. Collaborating with many of our community partners the Airport has decided to resell the properties on the

market, which also requires reimbursing acquisition costs back to AIP-109 grant. The Airport met with FAA and let them know this decision, and they responded by requiring final closeout of this grant by September 2020, and by May 15, 2020 the Airport will be required to refund the project costs (estimated to be \$2,300,000) associated with Kirby Cottages. The Airport's intent is to put them on the market and to resell them and recover all costs to reimburse the FAA. Fair Market Value Appraisals are ongoing as of the end of February 2020 and the Airport expects these reports soon.

City of Burlington, Vermont

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2019

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
12.400	Military Construction, National Guard
20.106	Airport Improvement Program

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

None.

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None.

SECTION IV - SCHEDULE OF PRIOR YEAR FINDINGS

There were no findings in the prior year.