CITY OF BURLINGTON, VERMONT
BURLINGTON INTERNATIONAL AIRPORT
FINANCIAL STATEMENTS

FOR FISCAL YEARS ENDED

JUNE 30, 2020 AND 2019

TABLE OF CONTENTS

MELANSON

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Burlington International Airport, an Enterprise Fund of the City of Burlington, Vermont (the Airport) as of and for the years ended June 30, 2020 and 2019, as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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Andover, Massachusetts
Greenfield, Massachusetts
Ellsworth, Maine

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reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

As discussed in Note 1, the financial statements present only the Airport and do not purport to, and do not, present fairly the financial position of the City of Burlington, Vermont as of June 30, 2020 and 2019, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Airport Enterprise Fund of the City of Burlington, Vermont as of June 30, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we will also issue our report on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Airport's internal control over financial reporting and compliance.

Melanson

Merrimack, New Hampshire
November 25, 2020

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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, 2020. 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, 2020, it shows our net position of $170,548,448 a change of $5,728,300 in comparison to the prior year.

> The largest portion of net position, $148,760,524, 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 $6,654,413 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, $18,264,729, (restricted net position) represents resources that are subject to external restrictions on how they may be used. This portion of net position increased $1,616,257 from the prior year primarily from the increase in restricted PFC cash balance.
>
> The remaining balance, or unrestricted net position, was $3,523,195. This portion of net position decreased $2,542,370, or 42% from the prior. Please refer to page five for more information on operating revenues and expenses.

The Statement of Revenues, Expenses and Changes in Net Position summarize our operating results and reveals how much, if any, of a profit was earned for the year. As discussed in more detail below, our change in net position for June 30, 2020 was $5,728,300. There are three significant components of this increase. The first is the net income before capital contributions and special items of ($1,255,472). 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 $7,779,623. Lastly, the Airport recognized a special item of ($795,851) on the impairment of land assets. Collectively, these three components account for the net increase in Net Position.

The Statement of Cash Flows provides information about cash receipts and cash payments during the accounting period. It also provides information about investing and financing activities for the same period. A review of our Statement of Cash Flows indicates that cash receipts from operating activities plus PFC revenues adequately covered our debt service principal and interest in fiscal year 2020.

Financial Highlights:

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

Summary of Net Position (000s)

	2020	2019	2018
Assets:			
Current and other assets	$ 41,562	$ 33,462	$ 36,162
Capital assets	184,779	175,897	169,370
Total assets	226,341	209,359	205,532
Deferred outflows of resources	651	527	827
Total assets and deferred outflows of resources	$ 226,992	$ 209,886	$ 206,359
Liabilities:			
Current and other liabilities	$ 20,612	$ 6,224	$ 9,741
Long term liabilities	35,509	38,259	41,328
Total liabilities	56,121	44,483	51,069
Deferred inflows of resources	323	583	830
Net position:			
Net investment in capital assets	148,760	142,106	133,374
Restricted	18,265	16,648	14,468
Unrestricted	3,523	6,066	6,618
Total net position	170,548	164,820	154,460
Total liabilities, deferred inflows of resources and net position	$ 226,992	$ 209,886	$ 206,359

Summary of Changes in Net Position (000s)

	2020	2019	2018
Operating revenues	$ 16,211	$ 19,288	$ 18,736
Operating expenses	(21,610)	(21,904)	(20,267)
Operating loss	(5,399)	(2,616)	(1,531)
Nonoperating revenues (expenses)			
Other revenue	6,038	4,627	3,191
Other expense	(1,894)	(1,818)	(1,875)
Total nonoperating revenues and expenses	4,144	2,809	1,316
Net income (loss) before capital contributions and special items	(1,255)	193	(215)
Capital contributions - grants	7,779	10,167	14,182
Special items	(796)	-	-
Change in net position	5,728	10,360	13,967
Beginning net position	164,820	154,460	140,493
Ending net position	$ 170,548	$ 164,820	$ 154,460

Operating revenues changed by ($3,076,667) in 2020, a decrease of 16%. This decrease is a result of the COVID-19 pandemic which directly impacted enplanements, thus reducing revenues. The Airport experienced a reduction in flying passengers starting in March 2020. The biggest reductions in revenues occurred in parking garage, car rental concessions, CFC and PFC revenue. Additional discussion for this change can be found in the Revenues section of this MD&A.

Operating expenses changed by ($293,939) in 2020, a decrease of 1.3%. This change is mostly attributed the decrease in Non-personnel costs. Personnel costs were relatively flat and depreciation increased $244,835. In addition, the Airport spent nearly $1 million on runway repairs which are being reimbursed 100% under the Military Construction National Guard Grant agreement (reported as non-operating grant).

Capital Assets:

Capital Assets - Net capital assets changed by $8,881,826 in 2020, the difference between current year additions, net of CIP reclassification of $15,064,500 and annual depreciation expense of $6,182,674.

Significant capital asset additions in the current year include:

- $4,871,333 Quick turnaround facility
- $4,346,428 Taxiway Gulf Phase 2
- $3,841,208 Air Carrier apron phase 5&6
- $1,310,911 Taxiway Gulf phase 1
- $663,103 Air carrier apron phase 4
- $355,541 Terminal Integration Project
- $275,220 Air carrier apron phase 7
- $101,818 Access Control Security Upgrade

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 $29,318,142, all of which was backed by the full faith and credit of the government.

On May 22, 2018, Moody's Investors Service (Moody's) upgraded the airport's bond rating from Baa3 to Baa2. The upgrade to Baa2 reflects continued improvement in liquidity and stability in debt service coverage, combined with a strengthen cost recovery framework following the adoption of a five-year airline agreement that is residual in natured and provides for a 1.5X Debt Service Coverage Ratio and 200 days cash on hand. On July 14, 2020, Moody's affirmed the Baa2 rating and stable outlook.

Likewise, on September 19, 2018, Fitch Ratings upgraded the airport's bond rating from BBB- to BBB with a stable outlook. On April 9, 2020, Fitch affirmed the BBB rating and revised the outlook to negative due to the COVID uncertainly.

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 2020, 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 Airports 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 2016:

Historical Revenues (000s)

	Fiscal Year Ended June 30				
	2016	**2017**	**2018**	**2019**	**2020**
Airline Revenues					
Terminal Revenues	$ 2,619	$ 2,331	$ 2,787	$ 2,420	$ 2,827
Landing Fee Revenues	1,671	1,721	1,921	1,890	1,566
Airline Surplus	-	-	690	536	-
Total Airline Revenues	**4,290**	**4,052**	**5,398**	**4,846**	**4,393**
Non-Airlines Revenues					
Parking Lot/Garage	5,407	5,488	5,852	6,409	4,747
Car Rental Concessions	1,911	2,048	2,237	2,539	2,179
Terminal Concessions	654	644	672	737	550
Terminal Non-Airline Rent	580	599	608	622	641
Building and Ground Rent	1,274	1,238	1,502	1,488	1,420
Other Non-Airline Revenues	958	1,036	1,148	1,162	1,061
Total Non-Airline Operating Revenues	**10,784**	**11,053**	**12,019**	**12,957**	**10,598**
CFC Revenues	**1,229**	**1,283**	**1,319**	**1,485**	**1,220**
Total Operating Revenues	**$ 16,303**	**$ 16,388**	**$ 18,736**	**$ 19,288**	**$ 16,211**
Y-O-Y Operating revenue Growth		**0.5%**	**14.3%**	**2.9%**	**-16.0%**
PFC Revenues	**$ 2,321**	**$ 2,378**	**$ 2,535**	**$ 2,763**	**$ 1,964**

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. In 2019, Frontier began service at the Airport. They have not signed the Airport Airline Agreement and considered non-signatory.

The outbreak of coronavirus affected air travel beginning in March 2020. The Airlines reduced flights to correspond with lower flying public needs. The BTV airline agreement does give BTV the ability to set rates to reach 1.5X of Debt Service. However, it was the decision of management not to increase the airline rates this year. BTV was successful in meeting and exceeding the debt coverage requirement of 1.25% per the bond documents. The FY 2020 Debt coverage score is 1.31%.

Due to the new methodology within the Airline Agreement, the end of year true-up resulted in an Airline revenue surplus for the Fiscal years 2017-2019. Negotiated into the agreement is the requirement that the airport debt coverage ratio will be 1.5X of Debt Service. If the Airport debt coverage ratio exceeds 1.5X at year end, starting with Fiscal Year 2017, a credit will be issued back to the Airlines. If the Airport has less than 200 days cash on hand, only 50% of any overpayments will be due back to the airlines. Fiscal year 2019 surplus is $535,577. Fiscal year 2018 airline revenues recognized fiscal year 2018 and 2017 surpluses as a result of the true-up resulting in airline revenues showing 16% increase from the prior year, as $689,720 relates to surpluses ($572,162 for FY17 and $117,558 for FY18). The surplus from fiscal year 2019, 2018 and 2017 respectively, was retained by the Airport and used for various projects benefiting the airlines and approved by the airlines.

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 29% of the Airport's total Operating Revenue in Fiscal Year 2020, with a decrease of 26% from the previous year. This follows multiple years of substantial growth. The Fiscal year 2020 decrease was a directly related to the coronavirus impact.

Car Rental Facilities

Car rental revenues represented approximately 13.4% of the Airport's total Operating Revenue in Fiscal Year 2020. Car rental revenues decreased 14.1% from the previous year, again due to the effect of the coronavirus impact. Car rental facilities occupy office and counter space within the terminal building adjacent to the luggage receiving area. The car rentals had a minimum annual revenue guarantee (MAG) of approximately $2.1 million in Fiscal Year 2020. The rental car companies generated slightly more revenue than the guaranteed minimum. In Fiscal Year 2020, the rental car companies generated Revenues to the airport approximately $68,000 above the MAG. In the fall of 2015, the Airport finalized car rental concession agreements with Avis/Budget, Hertz, Dollar, Enterprise, National/Alamo, which are in effect through June 30, 2020. The airport is in discussions with the car rental companies regarding the agreements.

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 $1.2 million in revenue during Fiscal Year 2020. $610,020 of the collected CFCs were utilized to support the Debt Service allocable to the parking garage expansion and operating expenses of the garage per the car rental agreements. The City has allocated the remaining $610,020 of the CFC charges collected to complete the construction of a consolidated quick turnaround car wash/return facility (QTA) 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 in operation. The QTA is expected to open during fiscal year 2021.

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 25% for Fiscal Year 2020 due to the coronavirus impacts. Terminal concession revenues represented approximately 3.4% or $550,307 of the Airport's total Revenue in Fiscal Year 2020.

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 9% of the Airport's total Revenue in Fiscal Year 2020. These revenues decreased slightly 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. In Fiscal year 2020, the Airport received approximately $1.964 million in PFC revenues, of which approximately $832K were used to pay that portion of Bond Debt Service attributable to authorized PFC projects during FY 2020. In July 2020, the FAA approved the airport's PFC application to revised and increase the amount of PFC used for revenue bond payments related to the revenue bonds issued in 1997 & 2000. These revenue bonds were previously refunded.

As of June 30, 2020, the Airport had approximately $8.5 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 were virtually the same from Fiscal Year 2019 to Fiscal Year 2020, which is primarily because the airport had lower overtime costs and was able to defer and wait on filling certain positions. Service contracts represent third-party maintenance and other non-capital projects. This City interdepartmental expenses are the amounts reimbursed by the Airport to the City for financial, legal, and other necessary services the City provides to support the operations of the Airport.

Due to other Governments and Special Items

The Mayor and Director of Aviation received approval from the City and FAA during fiscal year 2020 to list and sell seven Airport-owned properties known as the Kirby Cottages, located on Lily Lane in South Burlington. These properties were initially purchased using Federal Aviation Administration (FAA) Airport Improvement Program grant monies (AIP-109). However, the City and Airport were able to pull these properties out of the grant for the purposes of avoiding demolition of residential housing. As part of the Airport's sound mitigation program, prior to June 2017, the Airport purchased seven properties in South Burlington. At the time, these properties were located within an area designated by the FAA as incompatible with airport use, based on the 2015 noise map approved by the FAA. Because of their location, under FAA rules, the only option was to purchase and tear down these homes. However, because concerns had been raised about the destruction of affordable housing in the area around the airport, the City negotiated an option with the FAA to delay destruction of these homes until the end of the grant. The grant is now completed, and the FAA is requiring that the homes either be torn down or the grant money returned. Mayor Weinberger has directed the airport to return the grant money and save these affordable homes because the newest noise map shows them to be outside the tear-down zone. At June 30th, 2020, the Airport owes the FAA $2.5 million related to the original cost of the properties, which is showing as Due to other governments. The airport sold all seven properties in August 2020. The final sale price was $795,851 less than the recorded book value of the houses. Therefore, a special item is shown on the Statement of Revenues and Expenses in fiscal year 2020.

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 2020. 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 outbreak of the coronavirus pandemic primarily impacted the last four months of fiscal year 2020. The entire travel industry was greatly affected with travel being significantly reduced for the time being. The FAA recognized this and responded by issuing CARES ACT grants to airports. The BTV airport received an $8.7 million CARES ACT grant in May 2020. The Airport used $2.3 million of this grant in fiscal year 2020 with the remaining $6.4 million grant being reserved for fiscal 2021.

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

In future Fiscal Years, as was done in Fiscal Years 2011-2020, 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 2020, 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 was $1,036,741 in Fiscal Year 2020.

It is the goal of these initiatives to (i) provide additional transparency in the handling of Airport funds; (ii) ensure timely and proactive responses to any unusual or unexpected financial events with respect to the Airport. Additionally, negotiated into the new airline agreement is the requirement that the airport debt coverage ratio will be 1.5X of Debt Service. The agreement allows the airport to increase rates to meet this ratio. However, due to the current coronavirus pandemic, the airport management team decided not to increase the rates charged to the airlines. The debt covenant requirement of net revenues to be 1.25% of debt service. The airport was able to exceed the bond requirement, with a score of 1.31%.

We believe this presentation tells our most accurate success story from fiscal years 2016 through 2020.

Rate Covenant Calculation From FY 2016 to 2020 (000s)	*Fiscal Year Ended June 30*				
	2016	**2017**	**2018**	**2019**	**2020**
Revenues	$ 16,677	$ 16,625	$ 17,716	$ 18,347	$ 18,377
O&M Expenses (as defined)	12,376	12,327	13,404	13,838	14,462
Net Revenues (as defined)	$ 4,301	$ 4,298	$ 4,312	$ 4,509	$ 3,915
PFC Revenues Available for DS	$ 1,087	$ 1,176	$ 1,180	$ 981	$ 832
Funds Available for DS	$ 5,388	$ 5,474	$ 5,492	$ 5,490	$ 4,747
25% PFC Revenue for DS coverage	272	294	295	245	208
Adjusted funds Available for DS	$ 5,660	$ 5,768	$ 5,787	$ 5,735	$ 4,955
Debt Service	$ 3,386	$ 3,650	$ 3,662	$ 3,660	$ 3,610
Debt Service Coverage	**1.59**	**1.50**	**1.50**	**1.50**	**1.31**
Adjusted Debt Service Coverage	**1.67**	**1.58**	**1.58**	**1.57**	**1.37**

Liquidity

The following table reflects changes to the Airport's Liquidity since fiscal year 2016:

Liquidity Position (000s)	*Fiscal Year Ended June 30*				
Cash and Investment balances	**2016**	**2017**	**2018**	**2019**	**2020**
Unrestricted cash	$ 4,256	$ 5,764	$ 7,754	$ 7,860	$ 14,389
O&M Reserve	3,295	3,302	3,307	3,312	3,317
Renewal and Replacement Reserve	216	216	217	217	217
PFCs[1]	2,685	3,229	3,845	5,867	7,315
PFC Rolling Coverage	488	489	490	490	491
Debt Service Reserve Fund	3,782	3,751	3,652	3,798	3,904
Bond Debt Service Reserve[2]	2,897	3,162	2,958	2,964	3,020
Total cash and investments	**$ 17,619**	**$ 19,913**	**$ 22,223**	**$ 24,508**	**$ 32,653**

[1] *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.*

[2] *Represents 1/6 Interest and 1/12 Principal Payments*

The current year increase in cash and investments of $8.1 million is primarily due to an increase of $11 million in the issuance of a Revenue Anticipation Note (RAN), the $2.5 million decrease of

CFC bank account to pay for construction of the Quick Turn Around facility and a decrease in the airport bank account due to lower revenues. The CARES ACT grant fund of $2.3 million were received after June 30th. Increase in PFC cash is due to both higher enplanements (until March 2020) increasing PFC collections and lower annual PFC disbursements. The Airport is preparing the next PFC application to add new eligible projects under this Federal program.

REQUESTS FOR INFORMATION:

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

Office of Clerk/Treasurer

City of Burlington, City Hall

149 Church Street

Burlington, VT 05401

CITY OF BURLINGTON, VERMONT

BURLINGTON INTERNATIONAL AIRPORT
STATEMENT OF NET POSITION

JUNE 30

		2020		2019
Assets				
Current:				
Cash and short-term investments	$	14,389,499	$	7,860,387
Escrows		18,367		2,803,347
Accounts receivable, net of allowance for doubtful accounts		1,704,535		1,651,415
Intergovernmental receivables		6,199,932		3,107,820
PFC receivables		59,210		500,248
Inventory		260,300		264,153
Loan receivable		78,921		76,591
Prepaid expense		154,656		37,778
Total current assets		22,865,420		16,301,739
Noncurrent:				
Restricted cash for passenger facility charges (PFC)		7,314,892		5,866,931
Restricted cash for prepaid cash reserve (PFC)		491,094		490,358
Restricted cash for R&R reserve fund		217,711		217,384
Restricted cash for debt service reserve		2,842,333		636,474
Restricted cash for bond debt service fund		3,019,881		2,963,560
Restricted cash for O&M reserve fund		3,317,059		3,312,088
Restricted investment for debt service reserve		1,061,759		3,161,677
Loan receivable		432,105		511,026
Land and construction in progress		89,031,891		84,370,228
Capital assets, net of accumulated depreciation		95,747,289		91,527,126
Total noncurrent assets		203,476,014		193,056,852
Total Assets		226,341,434		209,358,591
Deferred Outflows of Resources				
Pension related:				
Deferred current year pension contributions		238,269		216,312
Difference between actual and expected experience		30,207		36,743
Difference between projected and actual investment earnings		14,780		4,438
Change in assumptions		92,421		111,218
Change in proportional share of contributions		132,571		152,016
OPEB related:				
Difference between expected and actual experience		142,434		6,161
Total Deferred Outflows of Resources		650,682		526,888
Total Assets and Deferred Outflows of Resources	$	226,992,116	$	209,885,479

(continued)

CITY OF BURLINGTON, VERMONT

BURLINGTON INTERNATIONAL AIRPORT
STATEMENTS OF NET POSITION

JUNE 30

(continued)

	2020	2019
Liabilities, Deferred Inflows of Resources and Net Position		
Liabilities		
Current:		
Accounts payable	$ 3,843,350	$ 2,313,986
Accrued liabilities	90,153	84,358
Retainage payable	818,819	1,547,451
Due to other governments	2,447,766	-
Unearned revenue	1,113,096	1,207,407
Accrued interest	685,218	710,476
Grant anticipation note	498,672	351,528
Revenue anticipation note	11,100,000	-
Other liabilities	13,930	8,282
Current portion of:		
Revenue bonds payable	2,497,880	2,398,687
Capital leases payable	600,281	753,780
Accrued employee compensated absences	32,717	28,222
Total current liabilities	23,741,882	9,404,177
Noncurrent:		
Revenue bonds payable, net of current portion	26,820,262	29,318,142
Net pension liability	1,834,449	1,623,323
Other post-employment benefits	257,184	112,007
Capital leases payable, net of current portion	3,172,162	3,772,443
Accrued employee compensated absences	294,452	252,547
Total noncurrent liabilities	32,378,509	35,078,462
Total Liabilities	56,120,391	44,482,639
Deferred Inflows of Resources		
Pension related:		
Difference between expected and actual experience	39,466	69,206
Change in assumptions	82,544	120,788
Changes in proportional share of contributions	176,055	386,185
OPEB related:		
Change in assumptions	25,212	6,513
Total Deferred Inflows of Resources	323,277	582,692
Net Position:		
Net investment in capital assets	148,760,524	142,106,111
Restricted	18,264,729	16,648,472
Unrestricted	3,523,195	6,065,565
Total Net Position	170,548,448	164,820,148
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 226,992,116	$ 209,885,479

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

CITY OF BURLINGTON, VERMONT

BURLINGTON INTERNATIONAL AIRPORT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEARS ENDED JUNE 30

	2020	2019
Operating Revenues:		
Charges for services	$ 16,067,281	$ 19,143,074
Intergovernmental	143,950	144,824
Total Operating Revenues	16,211,231	19,287,898
Operating Expenses:		
Personnel costs	4,611,128	4,594,625
Non-personnel costs	10,816,615	11,371,892
Depreciation	6,182,674	5,937,839
Total Operating Expenses	21,610,417	21,904,356
Operating Loss	(5,399,186)	(2,616,458)
Other Income (Expenses):		
Passenger facility charges	1,963,840	2,763,221
Nonoperating grants	989,780	1,095,955
CARES grant	2,278,701	-
Interest income	147,113	195,798
Amortization of bond premium	153,687	163,991
Interest expense and fiscal charges	(1,467,226)	(1,586,476)
Building rent	363,396	353,535
Building rental expenses	(426,824)	(231,903)
Gain on sale of asset	37,468	-
Other income	103,779	55,620
Total Other Income (Expenses)	4,143,714	2,809,741
Net Income (Loss) Before Capital Contributions and Special Items	(1,255,472)	193,283
Capital contributions	7,779,623	10,166,707
Special items	(795,851)	-
Change in Net Position	5,728,300	10,359,990
Net Position at Beginning of Year	164,820,148	154,460,158
Net Position at End of Year	$ 170,548,448	$ 164,820,148

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

CITY OF BURLINGTON, VERMONT

BURLINGTON INTERNATIONAL AIRPORT
STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30

		2020		2019
Cash Flows From Operating Activities:				
Receipts from customers and users	$	15,919,850	$	18,795,598
Other receipts and reimbursements		103,779		55,620
Receipts of operating grants		143,950		144,824
Payments to suppliers		(11,604,519)		(12,007,816)
Payments for wages and benefits		(4,585,839)		(4,508,931)
Other building rents		363,396		353,535
Other building expenses		(426,824)		(231,903)
Net Cash Provided By (Used For) Operating Activities		(86,207)		2,600,927
Cash Flows From Noncapital Financing Activities:				
Nonoperating intergovernmental grants		989,780		1,095,955
Loan payments from Burlington Community Development Corporation		76,591		74,331
Net Cash Provided By Noncapital Financing Activities		1,066,371		1,170,286
Cash Flows From Capital and Related Financing Activities:				
Acquisition and construction of capital assets		(14,164,093)		(14,901,970)
Proceeds from sale of assets		37,468		-
Capital grants		9,198,978		14,159,404
Passenger facility charges		2,404,878		2,734,669
Drawdowns on line of credit		11,598,672		2,195,402
Repayment of line of credit		(351,528)		(2,538,456)
Principal paid on revenue bonds		(2,245,000)		(2,195,000)
Release from escrow		2,784,980		1,230,263
Principal paid on capital leases		(753,780)		(733,020)
Interest paid on revenue bond		(1,308,550)		(1,420,800)
Interest paid on other debt		(183,934)		(211,256)
Net Cash Provided By (Used For) Capital and Related Financing Activities		7,018,091		(1,680,764)
Cash Flows From Investing Activities:				
Sale of investments		2,099,918		338,049
Receipt of interest and dividends		147,114		195,799
Net Cash Provided By Investing Activities		2,247,032		533,848
Net Change in Cash and Cash Equivalents		10,245,287		2,624,297
Cash and Cash Equivalents, Beginning of Year		21,347,182		18,722,885
Cash and Cash Equivalents, End of Year	$	31,592,469	$	21,347,182

(continued)

CITY OF BURLINGTON, VERMONT

BURLINGTON INTERNATIONAL AIRPORT
STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30

(continued)

	2020	2019
Reconciliation of Operating Loss to Net Cash Provided by (Used For) Operating Activities:		
Operating loss	$ (5,399,186)	$ (2,616,458)
Depreciation	6,182,674	5,937,839
Other building rents	363,396	353,535
Other income	103,779	55,620
Other building expenses	(426,824)	(231,903)
Changes in assets, liabilities, and deferred outflows/inflows:		
Customer and concessions receivable	(53,120)	(301,480)
Inventories	3,853	35,268
Prepaids	(116,878)	(15,383)
Deferred outflows of resources	58,127	117,781
Accounts payable	(680,527)	(659,756)
Accrued liabilities	5,795	10,427
Unearned revenue	(94,311)	(45,996)
Other liabilities	5,648	3,947
Accrued compensated absences	46,400	22,904
Net pension liability	211,126	(6,961)
Total OPEB liability	145,177	7,315
Deferred inflows of resources	(441,336)	(65,772)
Net Cash Provided By (Used For) Operating Activities	$ (86,207)	$ 2,600,927

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 Airport) is a municipally owned airport organized in 1920. The Airport is located in South Burlington, Vermont.

The Airport 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 Airport 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 Airport 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 Airport 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 Airport consist of debt related securities which are carried at fair value.

G. Receivables

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

H. *Inventories*

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

I. *Capital Assets*

Capital assets include nondepreciable assets, such as construction in progress and land, and depreciable assets, such as land improvements, buildings and improvements, and machinery, vehicles, and equipment recorded at cost. Land includes all ancillary charges such as demolition costs. Equipment includes assets acquired under capital leases that transfer substantially all risks of ownership to the Airport. 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 Airport's capitalization policy considers two factors. Property will be capitalized when:

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

The Airport 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 Airport 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 Airport's statements revenue bonds payable, capital leases payable, accrued employee compensated absences, total OPEB liability, and net pension liability are reported as long-term liabilities.

2. DEPOSITS AND INVESTMENTS

A. *Custodial Credit Risk*

The custodial credit risk for deposits and investments is the risk that, in the event of bank or counterparty failure, deposits may not be returned or the value of investments or collateral securities that are in the possession of another party may not be recovered. The Airport's cash and short-term investments include deposits, money market accounts, and securities with original maturities of one year or less. The deposits and money market accounts are fully collateralized. Investments in securities are held in the Airport's name.

B. 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, 2020 and 2019, the Airport's investment in U.S. Treasury Notes of $553,223 and $2,032,459, respectively, and U.S. Government Agencies of $508,536 and $1,129,218, respectively, has an implied credit rating of AAA.

C. Concentration of Credit Risk

Concentration of credit risk is the risk that an individual investment represents a significant concentration of the total portfolio. The Airport's investment in U.S. Government Agencies makes up 48% of total investments. In addition, the Airport has a U.S. Treasury Note that makes up 38% of the total investments.

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 City's policy limits maturities for investments in U.S. Treasury Notes and U.S. Government Agencies to 10 years. The Airport's investments in U.S. Treasury Notes and U.S. Government Agencies mature from 1 to 5 years from June 30, 2020 and 2019.

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 Airport's investment in U.S. Treasuries Notes and U.S. Government Agencies were determined based on "Level 2" inputs for June 30, 2020. 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 Airport does not have any investments in the “Level 1” or “Level 3” category.

3. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30:

	2020	2019
Customer/concessions receivables	$ 1,712,379	$ 1,659,259
Less: Allowance for doubtful accounts	(7,844)	(7,844)
Net Receivables	$ 1,704,535	$ 1,651,415

4. 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 2020. Additional receivables represent other reimbursements from Federal and local governments. The intergovernmental receivable consists of the following at June 30:

	2020	2019
Airport Improvement Projects:		
AIP 118 - Taxiway Gulf Phase 2	$ 1,670,867	$ 741,316
AIP 116 - Air Carrier Apron Phase 5 & 6	584,609	-
AIP 114 - Air Carrier Apron Phase 4	483,478	621,677
AIP 109 - Noise Land Acquisition 2017	316,880	299,062
AIP 122 - Reconstruct Apron 7	275,220	-
AIP 120 - Security access upgrades	101,818	-
AIP 113 - Master Plan Update	81,757	410,337
AIP 112 - Taxiway Gulf Construction	-	371,134
AIP 108 - Noise Land Acquisition 2016	-	124,298
Other AIP	374,602	410,821
Other Intergovernmental:		
CARES Act	2,278,701	-
Law Enforcement Officer Grant	32,000	43,500
Vermont Air National Guard	-	85,675
Total	$ 6,199,932	$ 3,107,820

5. 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:

	2020	2019
Balance due	$ 511,026	$ 587,617
Less: current portion	(78,921)	(76,591)
Long term portion	$ 432,105	$ 511,026

Future maturities are anticipated to be as follows:

Fiscal Year	Principal	Interest	Total
2021	$ 78,921	$ 14,251	$ 93,172
2022	81,321	11,851	93,172
2023	83,795	9,378	93,173
2024	86,344	6,829	93,173
2025	88,970	4,203	93,173
2026	91,675	1,497	93,172
	$ 511,026	$ 48,009	$ 559,035

6. PROPERTY, PLANT AND EQUIPMENT

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

	2020			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 53,804,892	$ 1,646,774	$ (759,146)	$ 54,692,520
Construction in progress	30,565,336	14,637,170	(10,863,135)	34,339,371
Total capital assets, not being depreciated	84,370,228	16,283,944	(11,622,281)	89,031,891
Capital assets, being depreciated:				
Land improvements	45,704,261	10,005,821	-	55,710,082
Buildings	29,353,903	-	-	29,353,903
Building improvements	1,257,879	-	-	1,257,879
Infrastructure	96,395,313	-	-	96,395,313
Machinery & equipment	12,842,434	399,646	(302,950)	12,939,130
Vehicles	155,553	-	-	155,553
Total capital assets, being depreciated	185,709,343	10,405,467	(302,950)	195,811,860
Less accumulated depreciation for:				
Land improvements	(27,715,450)	(1,043,339)	-	(28,758,789)
Buildings	(10,826,641)	(588,459)	-	(11,415,100)
Building improvements	(162,990)	(52,320)	-	(215,310)
Infrastructure	(47,654,258)	(3,853,639)	-	(51,507,897)
Machinery & equipment	(7,783,990)	(629,362)	300,320	(8,113,032)
Vehicles	(38,888)	(15,555)	-	(54,443)
Total accumulated depreciation	(94,182,217)	(6,182,674)	300,320	(100,064,571)
Total capital assets, being depreciated, net	91,527,126	4,222,793	(2,630)	95,747,289
Total capital assets, net	$ 175,897,354	$ 20,506,737	$ (11,624,911)	$ 184,779,180

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

7. SHORT-TERM DEBT

Grant Anticipation Note

The Airport used a Grant Anticipation Note (GAN) to finance airport improvement projects prior to grant reimbursement from the Federal Aviation Administration and the State Department of Transportation. On November 14, 2017, the Airport entered into a GAN in the principal amount of up to $7,000,000 with an interest rate of 2.75% which matured on November 13, 2018. On November 14, 2019, the GAN was rolled at the adjusted overnight LIBOR rate.

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

Description	Balance at 7/1/19	Draws	Repayments	Balance at 6/30/20
Grant Anticipation Note	$ 351,528	$ 498,672	$ (351,528)	$ 498,672

Description	Balance at 7/1/18	Draws	Repayments	Balance at 6/30/19
Grant Anticipation Note	$ 694,582	$ 2,195,402	$ (2,538,456)	$ 351,528

Revenue Anticipation Note

Part of the Airport's COVID-19 emergency response measures was to obtain funds through temporary borrowing in order to pay the ordinary running operating expenses of the Airport as it was expected that there would not be sufficient funds on hand. On May 6, 2020, the Airport entered into a Revenue Anticipation Note (RAN) agreement in the principal amount of $11,100,000, with an interest rate of 1.85%. On May 7, 2020 the Airport drew down $11,100,000. The RAN is due May 6, 2021.

8. CAPITAL LEASE OBLIGATIONS

The Airport 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 Airport had the following leases outstanding at June 30:

	2020	2019
Capital lease for airport equipment. The rental payments are made twice a year for a total of $173,460 annually including interest at 3.214% annually, maturing on June 26, 2020.	$ -	$ 173,460
Capital lease for airport equipment. The rental payments are made annually for $74,486 including interest at 2.77%, maturing on August 10, 2025.	446,920	521,406
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.	310,973	399,823
Capital lease for the airport's Parking Access Revenue Control System (PARCS). The rental payments are made twice a year for total annual payments of $193,411 including interest at 2.37%, maturing on March 2, 2024.	809,527	1,002,937
Capital lease for airport equipment. The rental payments are made twice a year for total annual payments of $345,015 including interest at 2.99%, maturing on September 18, 2027.	2,587,609	2,932,624
Total lease payments	4,155,029	5,030,250
Less: amount that represents interest	(382,586)	(504,027)
Total lease obligation	3,772,443	4,526,223
Less: amount due within one year	(600,281)	(753,780)
Capital lease obligation, net of current portion	$ 3,172,162	$ 3,772,443

Future minimum lease payments consisted of the following as of June 30, 2020:

Fiscal Year	
2021	$ 701,761
2022	701,762
2023	686,557
2024	626,925
2025	501,000
Thereafter	937,024
Subtotal	4,155,029
Less: amounts representing interest	(382,586)
Total	$ 3,772,443

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

	2020	2019
Machinery, vehicles and equipment	$ 6,471,106	$ 4,712,580
Less: accumulated depreciation	(1,138,172)	(861,606)
Equipment under capital leases, net	$ 5,332,934	$ 3,850,974

9. LONG-TERM DEBT

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

2020					
Description	Original Issue Amount	Serial Maturities Begin	Serial Maturities Through	Interest Rates	Amount Outstanding as of 06/30/20
Revenue Refunding Bond 2012 Series A	$ 17,670,000	7/1/2019	7/1/2028	4.00 - 5.00%	$ 16,245,000
Revenue Refunding Bond 2014 Series A	$ 15,660,000	7/1/2015	7/1/2030	4.00 - 5.00%	12,230,000
Total					$ 28,475,000

2019						
Description	Original Issue Amount	Serial Maturities Begin	Serial Maturities Through	Interest Rates	Amount Outstanding as of 06/30/19
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 2014 Series A	$ 15,660,000	7/1/2015	7/1/2030	4.00 - 5.00%	13,050,000
Total					$ 30,720,000

Maturities are as follows (excluding the lease obligations):

Public Offering Revenue Bonds			
Fiscal Year	Principal	Interest	Total
2021	$ 2,355,000	$ 1,249,675	$ 3,604,675
2022	2,480,000	1,128,800	3,608,800
2023	2,605,000	1,001,675	3,606,675
2024	2,725,000	877,075	3,602,075
2025	2,855,000	755,275	3,610,275
2026 - 2030	14,050,000	1,793,050	15,843,050
2031	1,405,000	35,125	1,440,125
	$ 28,475,000	$ 6,840,675	$ 35,315,675

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:

	2020					
	Total Balance 7/1/19	Additions	Reductions	Total Balance 6/30/20	Less Current Portion	Equals Long Term Portion
Revenue refunding bond 2012 series A	$ 17,670,000	$ -	$ (1,425,000)	$ 16,245,000	$ (1,495,000)	$ 14,750,000
Revenue refunding bond 2014 series A	13,050,000	-	(820,000)	12,230,000	(860,000)	11,370,000
Total revenue bonds payable	30,720,000	-	(2,245,000)	28,475,000	(2,355,000)	26,120,000
Add: unamortized premium	996,829	-	(153,687)	843,142	(142,880)	700,262
Subtotal	31,716,829	-	(2,398,687)	29,318,142	(2,497,880)	26,820,262
Net pension liability	1,623,323	211,126	-	1,834,449	-	1,834,449
Total OPEB liability	112,007	145,177	-	257,184	-	257,184
Capital leases	4,526,223	-	(753,780)	3,772,443	(600,281)	3,172,162
Compensated absences	280,769	168,539	(122,139)	327,169	(32,717)	294,452
Total	$ 38,259,151	$ 524,842	$ (3,274,606)	$ 35,509,387	$ (3,130,878)	$ 32,378,509

	2019					
	Total Balance 7/1/18	Additions	Reductions	Total Balance 6/30/19	Less Current Portion	Equals Long Term Portion
Revenue refunding bond 2012 series A	$ 17,670,000	$ -	$ -	$ 17,670,000	$ (1,425,000)	$ 16,245,000
Revenue refunding bond 2012 series B	1,415,000	-	(1,415,000)	-	-	-
Revenue refunding bond 2014 series A	13,830,000	-	(780,000)	13,050,000	(820,000)	12,230,000
Total revenue bonds payable	32,915,000	-	(2,195,000)	30,720,000	(2,245,000)	28,475,000
Add: unamortized premium	1,160,822	-	(163,993)	996,829	(153,687)	843,142
Subtotal	34,075,822	-	(2,358,993)	31,716,829	(2,398,687)	29,318,142
Net pension liability	1,630,284	-	(6,961)	1,623,323	-	1,623,323
Total OPEB liability	104,692	7,315	-	112,007	-	112,007
Capital leases	5,259,243	-	(733,020)	4,526,223	(753,780)	3,772,443
Compensated absences	257,865	183,726	(160,822)	280,769	(28,222)	252,547
Total	$ 41,327,906	$ 191,041	$ (3,259,796)	$ 38,259,151	$ (3,180,689)	$ 35,078,462

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

On an annual basis, revenues must be sufficient after deducting operating expenses to meet minimum debt service coverage requirements of 1.25. Revenues for this purpose represent all rates, charges, rents and other income, including PFC revenues available for debt service. Operating expenses represent O&M (operation and maintenance), excluding depreciation. Certain other exclusions apply. City's Bond Counsel has determined that the effect of GASB 68 and 75 on pension and OPEB expense is excludable from O&M and, therefore, not included in determining Net Revenues available for debt service. In fiscal year 2020, the Airport recognized $2,278,701 in CARES Act revenue that is included in the debt coverage ration as this money was used 100% to cover operating expenses. If minimum debt service coverage requirements are not met, the Airport must take timely corrective action. The Airport met the required debt coverage ratio for 2020 with 1.31.

10. RESTRICTED NET POSITION

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

	2020	2019
Restricted for debt service and capital projects (PFC)	$ 7,314,892	$ 5,866,931
Restricted for prepaid cash reserve (PFC)	491,094	490,358
Restricted for renewal and replacement reserve	217,711	217,384
Restricted for debt service reserve fund	3,904,092	3,798,151
Restricted for debt service	3,019,881	2,963,560
Restricted for operations and maintenance reserve	3,317,059	3,312,088
Total	$ 18,264,729	$ 16,648,472

The restricted PFC cash above of $7,805,986 ($7,314,892 and $491,094) in addition to the PFC amount included in the debt service reserve above of $707,424 and $7,182 included in unrestricted cash, for a total of $8,520,592, is presented in the Schedule of Passenger Facility Charges Collected and Expended (other information).

11. RETIREMENT BENEFITS AND RESULTING NET PENSION LIABILITY

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

Plan Description: Substantially all employees of the Airport are members of the Plan and are classified as Class B members. Eligible employees must participate in the Plan.. 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, 2020, the Airport reported a net pension liability for its proportionate share of the City's total net pension liability per GASB 68. The net pension liability was measured as of June 30, 2019. At June 30, 2020 and 2019, Fund's proportion was 2.20% and 2.14%, respectively. For more information on the City's plan, see the City of Burlington, VT Comprehensive Annual Financial Report.

Benefits Provided: Class B retirees who have attained the age of 55 or older and completed 5 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 Comprehensive Annual Financial Report..

Contributions: The Airport contributed $238,269 and $216,312 for the fiscal years ending June 30, 2020 and 2019, respectively. Beginning in FY19, the City is using the direct rate smooth method for funding. The Airport's contributions were based on full time equivalents and wages. Employer and employee contribution rates are governed by the respective collective bargaining agreements. The employer and plan members share the cost of benefits. The plan members contribute 5.51% of the employee's base pay.

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 Comprehensive Annual Financial Report. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Actuarial assumptions: The net pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.6 percent
Salary increases	3.0 percent per year
Investment rate of return	7.4 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Adjusted to 2006 Total Dataset Mortality Table, projected to the valuation date with Scape MP-2019.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2012 through June 30, 2017, with discount rate updated from 7.50% to 7.40%.

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, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Core Equity	30.00%	7.50%
SMID Cap Core Equity	18.00%	10.20%
International Equity	10.00%	5.50%
Emerging Markets Equity	10.00%	10.10%
Private Equity	2.00%	10.90%
Real Estate / Timber	10.00%	8.40%
Core Fixed Income	20.00%	8.30%
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 2.60%.

Discount Rate: The discount rate used to measure the net pension liability was 7.40%. 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. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Fund's net pension liability as of:	1% Decrease	Discount Rate	1% Increase
June 30, 2020	$ 2,533,585	$ 1,834,449	$ 1,245,861
June 30, 2019	$ 2,276,834	$ 1,623,323	$ 1,073,212

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

Amortization Year	As of 6/30/20	As of 6/30/19
2020	$ -	$ (71,322)
2021	(80,623)	(132,395)
2022	(3,668)	(53,017)
2023	36,541	(15,030)
2024	19,664	-
	$ (28,086)	$ (271,764)

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 Pension Plan are included in the City of Burlington, Vermont's Comprehensive Annual Financial Report.

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

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

General Information about the OPEB Plan

Plan Description

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

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

Benefits Provided

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

Funding Policy

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

Contributions

Employer and employee contribution rates are governed by the respective collective bargaining agreements. The OPEB plan is currently funded on a pay-as-you-go basis. The employer and plan members share the cost of benefits. The plan members contribute 5.20% of the monthly premium cost, depending on the plan in which they are enrolled. The Airport contributes the balance of the premium costs.

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined by an actuarial valuation as of July 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.60% per year. This assumptions is consistent with the Social Security Administration's current best estimate of the ultimate long-term annual percentage increase in CPI, as published in the 2019 OASDI Trustees Report.
Rate of annual aggregate payroll growth	2.60% per year
Interest rate	2.21% as of June 30, 2020 (Prior: 3.51%)
Healthcare cost trend rates	6.50 % for 2019, reducing by 0.2% each year to an ultimate rate of 4.60% per year rate for 2029 and later.
Retirees' share of benefit-related costs	Retirees are responsible for a portion of premium rates not covered by the City.

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2017.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.21% and 3.51% for the years ending June 30, 2020 and 2019, respectively.

Since the OPEB plan is not funded, the selection of the discount rate is consistent with the GASB 75 standards linking the discount rate to the 20-year AA municipal bond index for unfunded OPEB plans. The discount rate used for the valuation is equal to the published Bond Buyer general obligation 20-year-Bond Municipal Index effective as of June 30, 2020 and 2019.

Total OPEB liability

The Airport's total OPEB liability of $257,184 and $112,007 was measured as of June 30, 2020 and 2019, respectively and was determined by an actuarial valuation as of July 1, 2019 and June 30, 2017, respectively.

Changes in the Total OPEB Liability

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

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

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

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
June 30, 2020	$294,221	$257,184	$226,540
June 30, 2019	$125,747	$112,007	$100,546

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

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

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
June 30, 2020	$233,242	$257,184	$286,358
June 30, 2019	$103,077	$112,007	$122,613

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

For the years ending June 30, 2020 and 2019, the Airport recognized an OPEB expense of $37,121 and $8,632, respectively. The remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense over the next 6 years.

Further disclosures about the OPEB Plan are included in the City of Burlington, Vermont's Comprehensive Annual Financial Report.

13. DEFERRED COMPENSATION PLAN

The Airport 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.

14. 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 2020 and 2019 was $5 and $145, 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, 2020 and 2019, administrative and risk management fees paid to the City General Fund was $391,216 and $429,667, respectively.

The Airport contracted with other City departments to provide services such as security from the Police Department at a fee of $1,205,150 and $1,164,400 for fiscal years 2020 and 2019, respectively.

15. LEASES

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

Lease revenue for the years ending June 30, 2020 and 2019 was approximately $8,224,000 and $8,892,000, respectively. Future lease revenue estimated to be received in each of the next five fiscal years under these agreements are as follows:

2021	$ 6,575,000
2022	$ 7,500,000
2023	$ 8,300,000
2024	$ 8,980,000
2025	$ 9,090,000

16. COMMITMENTS AND CONTINGENCIES

COVID-19 - The COVID-19 outbreak in the United States (and across the globe) has resulted in economic uncertainties. There is considerable uncertainty around the duration and scope of the economic disruption. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on individuals served by the Airport, employees, and vendors, potential vaccines, additional possible Federal Grant monies and the airline industry recovery, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

Grants - Amounts received or receivable from grantor agencies, including possible grant assurance violations at the Airport, 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 Airport expects such amounts, if any, to be immaterial.

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

17. RISK MANAGEMENT

A. *Insurance*

The Airport 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 Airport manages these risks through a combination of commercial insurance packages and through the City's risk management program.

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

The Airport 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 Airport 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. There were no claims 2020.

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. This year in particular, with the coronavirus affecting both the airline industry as well as the entire country, the airport is very closely monitoring this effect. The pandemic impacted the last quarter of fiscal year 2020 and continues to impact the new fiscal year. Prior to coronavirus, the airline industry was seeing tremendous enplanement growth, including growth at BTV airport. However, the pandemic has created some volatility in which the recovery will take some time. Historically, the airline industry's results have correlated with the performance of the economy. Regarding recent financial performance (pre-COVID), the Airlines had experienced their greatest profitable years, following several years of positive net revenues. The projections and outlook for 2021 remain uncertain, thought the speedy development and rollout of potential vaccines will aid air travel in the future.

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

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

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

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

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

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

18. MAJOR CUSTOMERS

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

The Airport's earnings and revenues could be materially and adversely affected should these major airlines discontinue operations, and should the Airport 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:

	2020	2019
United	31%	34%
American	30%	28%
Delta	24%	25%

19. SUBSEQUENT EVENTS

Management has evaluated subsequent events though November 25, 2020, which is the date the financial statements were available to be issued.

Subsequent to year-end the Airport obtained approval from the Federal Aviation Administration (FAA) for a new passenger facility charge (PFC), Application 20-07-C-00-BTV. The FAA acknowledged that the Airport would begin collecting a PFC at a $4.50 PFC level beginning August 1, 2021.

Subsequent to year-end Management increased the Grant Anticipation Note (GAN) from $7,000,000 on November 14, 2019 to $23,000,000 on July 1, 2020.

20. NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, Leases, effective for the Airport beginning with its fiscal year ending June 30, 2022. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the financial statements.

The Airport is currently evaluating the impact of the implementation of GASB No. 87 on its financial statements.

CITY OF BURLINGTON, VERMONT
BURLINGTON INTERNATIONAL AIRPORT

SCHEDULE OF PROPORTIONATE SHARE (GASB 68)
OF THE NET PENSION LIABILITY

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2020
(Unaudited)

Burlington Employees' 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, 2020	June 30, 2019	2.20%	$1,834,449	$2,538,239	72.27%	70.00%
June 30, 2019	June 30, 2018	2.14%	$1,623,323	$2,375,629	68.33%	71.41%
June 30, 2018	June 30, 2017	1.87%	$1,630,284	$1,899,810	85.81%	66.77%
June 30, 2017	June 30, 2016	2.95%	$2,631,042	$1,795,630	146.52%	63.75%
June 30, 2016	June 30, 2015	3.18%	$2,169,468	$1,664,402	130.35%	70.35%
June 30, 2015	June 30, 2014	2.38%	$1,278,506	$1,642,817	77.82%	75.00%

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

See Independent Auditors' Report.

CITY OF BURLINGTON, VERMONT
BURLINGTON INTERNATIONAL AIRPORT

SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020
(Unaudited)

Burlington Employees' 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, 2020	$ 238,269	$ (238,269)	$ -	$ 2,656,886	8.97%
June 30, 2019	$ 216,312	$ (216,312)	$ -	$ 2,538,239	8.52%
June 30, 2018	$ 203,967	$ (203,967)	$ -	$ 2,375,629	8.59%
June 30, 2017	$ 254,514	$ (254,514)	$ -	$ 1,899,810	13.40%
June 30, 2016	$ 270,003	$ (270,003)	$ -	$ 1,795,630	15.04%
June 30, 2015	$ 281,375	$ (281,375)	$ -	$ 1,664,402	16.91%

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

See Independent Auditors' Report.

CITY OF BURLINGTON, VERMONT
BURLINGTON INTERNATIONAL AIRPORT

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

(Unaudited)

City OPEB plan

Fiscal Year	Measurement Date	Proportion of the Total OPEB Liability	Proportionate Share of the Total OPEB Liability	Covered Payroll	Total OPEB Liability as a Percentage of Covered Payroll
June 30, 2020	June 30, 2020	3.9061%	$257,184	$2,302,374	11.17%
June 30, 2019	June 30, 2019	2.0995%	$112,007	$1,642,196	6.82%
June 30, 2018	June 30, 2018	2.0995%	$104,692	$1,600,581	6.54%

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

See Independent Auditors' Report.

MELANSON

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, City Council
and Burlington Airport Commission
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 Airport), 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, 2020. Our responsibility is to express an opinion the Airport'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 Airport'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

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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 Airport'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 Airport's Passenger Facility Charges Program. However, our audit does not provide a legal determination of the Airport'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, 2020.

Report on Internal Control Over Compliance

Management of the Airport 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 Airport'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 Airport'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 Airport) as of and for the year ended June 30, 2020, and have issued our report thereon dated November 25, 2020, 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 Airport'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

Merrimack, New Hampshire
November 25, 2020

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CITY OF BURLINGTON, VERMONT
BURLINGTON INTERNATIONAL AIRPORT
SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED
FOR THE YEAR ENDED JUNE 30, 2020

Cash balance - July 1, 2019	$ 7,062,113
Receipts	
Passenger facility charges collected	2,404,878
Interest earnings	11,012
Total receipts	2,415,890
Disbursements	
Project No. 96-01-I-00-BTV	288,133
Project No. 00-03-C-00-BTV	55,475
Project No. 10-04-C-00-BTV	488,030
Project No. 11-05-C-00-BTV	125,773
Total disbursements	957,411
Increase in cash balance	1,458,479
Cash balance - June 30, 2020	$ 8,520,592

See Note 10 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, 2020

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.