

**Southeast Iowa Regional Airport Authority,  
A Component Unit of the City of Burlington**

**Independent Auditor's Report  
Management's Discussion and Analysis  
Financial Statements and Supplemental Information  
Independent Auditor's Reports on Compliance and Internal Control  
Schedule of Findings**

**June 30, 2004**

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**Southeast Iowa Regional Airport Authority,  
A Component Unit of the City of Burlington  
Board of Trustees  
June 30, 2004**

**Trustee**

**Representing**

Steve Lewis

City of Burlington

Charles E. Walsh

City of Burlington

Gregg J. Mandsager

City of West Burlington

James Walker, CPA  
James Egerton, CPA  
Kimberly Hunsaker, CPA  
Melodee Walker, CPA  
Stephanie Hoschek, CPA  
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## Independent Auditor's Report

To the Commission Members  
Southeast Iowa Regional Airport Authority,  
A Component Unit of the City of Burlington  
Burlington, Iowa

We have audited the accompanying statement of net assets of the proprietary fund and statement of fiduciary net assets of the Southeast Iowa Regional Airport Authority, A Component Unit of the City of Burlington, as of June 30, 2004, and the related statement of revenues, expenses, and changes in net assets, and cash flows of its proprietary fund, and the statement of changes in fiduciary net assets for the year then ended. These financial statements are the responsibility of the Authority's management. 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, Chapter 11 of the Code of Iowa; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southeast Iowa Regional Airport Authority, as of June 30, 2004, and the changes in its net assets and cash flows for the year then ended in conformity with auditing standards generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2004 on our consideration of Southeast Iowa Regional Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information included on page 24 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards included on page 25 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The accompanying schedule of passenger facility charges collected and expended included on page 26 is presented for purposes of additional analysis as specified in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the aforementioned financial statements taken as a whole.

*Walker Egerton & Hunsaker PC*

August 19, 2004

**Southeast Iowa Regional Airport Authority,  
A Component Unit of the City of Burlington  
Management's Discussion and Analysis**

This Management Discussion and Analysis (MD&A) of the Southeast Iowa Regional Airport Authority's activities and financial performance provides the reader with an introduction and overview to the financial statements of the Southeast Iowa Regional Airport Authority (Authority) for the fiscal year ended June 30, 2004. The information contained in this MD&A should be considered in conjunction with the Authority's basic financial statements.

Following this MD&A are the basic financial statements of the Authority together with the notes thereto which are essential to a full understanding of the data contained in the financial statements.

**Financial Operations Highlights**

Net assets for 2004 were \$11.5 million, an increase of \$1.3 million from 2003. This was accomplished in a year of continued struggling to rebuild with continued challenges in the aviation industry. With only three flights a day and one car rental agency, we experienced an 8% decrease in landing fees and a 3% decrease in terminal concessions. This posed challenges to the airport as we continued with taxiway improvements and the funding for the 10% sponsor portion of the federally funded project. As a result of these challenges, there was a 18% decrease in operating revenues and a 18% decrease in operating expenses. The net result was that operating income before depreciation showed a decrease of 7% from 2003. Depreciation increased by 6% in 2004, primarily due to depreciation taken on runway improvements.

Nonoperating income, net of expense, increased by 72%, due principally to refunds received in 2004 of sales taxes paid on runway construction contracts.

Capital contributions received in the form of grants from the Federal and State governments increased from \$1.6 million in 2003 to \$1.8 million in 2004 as a result of the timing of reimbursable expenditures for runway rehabilitation and terminal renovations.

## Summary of Operations and Changes in Net Assets

	2004	2003
Operating revenues	\$ 295,862	\$ 359,255
Operating expenses	<u>(283,431)</u>	<u>(345,934)</u>
Income/(loss) before depreciation and other non-operating income and expenses	12,431	13,321
Depreciation	<u>(616,716)</u>	<u>(581,045)</u>
Loss before other non-operating income and expenses, net	(604,285)	(567,724)
Non-operating income and expenses, net	<u>52,325</u>	<u>30,480</u>
Loss before capital contributions	(551,960)	(537,244)
Capital contributions	<u>1,846,155</u>	<u>1,648,044</u>
Increase in Net Assets	\$ <u>1,294,195</u>	\$ <u>1,110,800</u>

## Financial Position Summary

Net assets may serve over time as a useful indicator of the Authority's financial position. The Authority's assets exceeded liabilities by \$11.5 million at June 30, 2004, a \$1.3 million increase from June 30, 2003.

A condensed summary of the Authority's net assets at June 30, 2004 is shown below:

	2004	2003
Assets:		
Current and other assets	\$ 143,159	\$ 378,814
Capital assets	<u>11,893,464</u>	<u>10,406,188</u>
Total assets	<u>12,036,623</u>	<u>10,785,002</u>
Liabilities:		
Current liabilities	100,751	88,325
Noncurrent liabilities	<u>410,500</u>	<u>465,500</u>
Total liabilities	<u>511,251</u>	<u>553,825</u>
Net Assets:		
Invested in capital assets, net of related debt	11,417,095	9,878,428
Unrestricted	<u>108,277</u>	<u>352,749</u>
Total net assets	\$ <u>11,525,372</u>	\$ <u>10,231,177</u>

The largest portion of the Authority's net assets each year represents its investment in capital assets (e.g., land, buildings, improvements, and equipment), less the related indebtedness outstanding used to acquire those capital assets. The Authority used these capital assets to provide services to its passengers and visitors to the Airport; consequently these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations, since it is unlikely the capital assets themselves will be liquidated to pay liabilities.

## Revenues

A summary of revenues for the year ended June 30, 2004, and the amount and percentage of change in relation to prior year amounts is as follows:

	2004 Amount	% of Total	Increase (Decrease) from prior year	% Increase/ (Decrease)
Operating:				
Terminal	\$ 36,589	9.92	\$ (47,904)	(56.70)
Airfield/Runways	28,608	7.75	3,326	13.16
General Aviation/Hangars	65,899	17.86	(5,688)	(7.95)
Landside/Parking	25,999	7.05	(4,580)	(14.98)
Fuel Farm	7,217	1.96	125	1.76
Contributions from member governments	<u>131,550</u>	<u>35.66</u>	<u>(8,672)</u>	<u>(6.18)</u>
Total Operating	<u>295,862</u>	<u>80.19</u>	<u>(63,393)</u>	<u>(17.65)</u>
Non-operating:				
Grant revenues	-	-	(10,368)	(100.00)
Passenger facility charges	29,752	8.06	(3,694)	(11.04)
Interest and investment revenue	1,824	0.49	(5,715)	(75.81)
Other income	4,505	1.22	2,745	155.97
Gain on sales of equipment	<u>37,007</u>	<u>10.03</u>	<u>37,007</u>	<u>100.00</u>
Total Non-operating	<u>73,088</u>	<u>19.81</u>	<u>19,975</u>	<u>37.61</u>
Total Revenues	<u>\$ 368,950</u>	<u>100.00</u>	<u>\$ (43,418)</u>	<u>(10.53)</u>

## Expenses

A summary of expenses for the year ended June 30, 2004, and the amount and percentage change in relation to prior year amounts is as follows:

	2004 Amount	% of Total	Increase (Decrease) from prior year	% Increase/ (Decrease)
Operating:				
Terminal	\$ 37,070	4.03	\$ (83,122)	(69.16)
Airfield/Runways	68,110	7.40	15,766	30.12
General Aviation/Hangars	11,489	1.25	1,642	16.68
ARFF	8,227	0.89	185	2.30
Landside/Parking	23,199	2.52	1,967	9.26
Fuel Farm	2,371	0.26	562	31.07
Administration	<u>132,965</u>	<u>14.44</u>	<u>497</u>	<u>0.38</u>
Total Operating	<u>283,431</u>	<u>30.78</u>	<u>(62,503)</u>	<u>(18.07)</u>
Depreciation	<u>616,716</u>	<u>66.97</u>	<u>35,671</u>	<u>6.14</u>
Non-operating:				
Interest expense	20,187	2.19	(1,389)	(6.44)
Miscellaneous expense	<u>576</u>	<u>0.06</u>	<u>(481)</u>	<u>(45.51)</u>
Total Non-operating	<u>20,763</u>	<u>2.25</u>	<u>(1,870)</u>	<u>(8.26)</u>
Total Expenses	<u>\$ 920,910</u>	<u>33.03</u>	<u>\$ (28,702)</u>	<u>(3.02)</u>

## Summary of Cash Flow Activities

The following shows a summary of the major sources and uses of cash and cash equivalents for the past two years. Cash equivalents are considered to be cash-on-hand, bank deposits and highly liquid investments with an original maturity of three months or less.

	2004	2003
Cash flow from operating activities	\$ 65,540	\$ (34,966)
Cash flow from non-capital financing activities	3,927	703
Cash flow from capital and related financing activities	1,824	7,539
Cash flow from investing activities	<u>(259,668)</u>	<u>(176,691)</u>
Net (decrease) in cash and cash equivalents	(188,377)	(203,415)
Cash and cash equivalents, beginning of year	<u>286,124</u>	<u>489,539</u>
Cash and cash equivalents, end of year	<u>\$ 97,747</u>	<u>\$ 286,124</u>

## **Financial Statements**

The Authority's financial statements are prepared on an accrual basis in accordance with U.S. generally accepted accounting principals promulgated by the Government Accounting Standards Board (GASB). The Authority is structured as a single enterprise fund with revenues recognized when earned, not received. Expenses are recognized when incurred, not when they are paid. Capital assets are capitalized and (except land) are depreciated over their useful lives. See the notes to the financial statements for a summary of the Authority's significant accounting policies.

## **Capital Acquisitions and Construction Activities**

During 2004, the Authority expended \$2.1 million on capital activities. These activities included runway rehabilitation, new hangar construction, and maintenance building renovations. Construction is to continue on the Taxiway "A" project. Acquired funding has been expended for Phase II and Phase III construction is underway.

## **Long-Term Debt**

During the year ended June 30, 2002, the City of Burlington issued \$540,000 in general obligation bonds to be used by the Authority to fund it's share of the cost of FAA funded airport improvement projects. The bonds are dated July 1, 2001 and semi annual principal and interest payments are due to the City through June 1, 2011, bearing interest rates of 3% to 4.5%.

The Authority has also agreed to reimburse the City of Burlington for certain capital improvement expenses incurred by the City. The City has agreed to accept \$10,000 per year from the Authority until the total reimbursement is paid.

## **Passenger Facility Charge (PFC)**

The Authority received approval from the FAA to impose a PFC of \$3.00 per enplaned passenger beginning July 1, 1997, not to exceed \$460,000, to finance airport capital improvements. An amendment was received effective September 1, 2001 to increase the charge to \$4.50 with a total collection authority of \$521,299. Through June 30, 2004, the Authority has collected PFCs, including interest earnings thereon, totaling \$296,741. For further details, see the Schedule of Passenger Facility Charges in the Compliance Section of this report.

## **Request for Information**

This financial report is designed to provide a general overview of the Authority's finances for all those interested. Questions concerning any of the information provided in this report or request for additional information should be addressed in writing to the Airport Manager, Southeast Iowa Regional Airport Authority, 2515 Summer Street, Burlington, IA 52601-3330 or by email to [director@brlairport.com](mailto:director@brlairport.com).

Respectfully submitted,

Sharon Leeper  
Airport Manager

**Southeast Iowa Regional Airport Authority,  
A Component Unit of the City of Burlington  
Statement of Net Assets - Proprietary Fund  
June 30, 2004**

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**Assets**

Current assets:

Cash and cash equivalents	\$ 97,747
Receivables	35,408
Due from other governments	<u>10,004</u>
Total current assets	<u>143,159</u>

Noncurrent assets:

Capital assets:

Land	1,666,393
Land improvements	9,987,156
Building and improvements	1,954,264
Furniture and equipment	1,048,403
Less accumulated depreciation	<u>(2,773,621)</u>
Total capital assets	<u>11,882,595</u>
Deferred debt expense	<u>10,869</u>
Total noncurrent assets	<u>11,893,464</u>
Total assets	<u>\$12,036,623</u>

**Liabilities**

Current liabilities:

Accounts payable	\$ 26,463
Accrued expenses	13,254
Deferred revenue	6,034
Related party payable	<u>55,000</u>
Total current liabilities	<u>100,751</u>

Noncurrent liabilities:

Related party payable	<u>410,500</u>
Total liabilities	<u>511,251</u>

**Net assets**

Invested in capital assets, net of related debt	11,417,095
Unrestricted	<u>108,277</u>
Total net assets	<u>11,525,372</u>
Total liabilities and fund net assets	<u>\$12,036,623</u>

See notes to financial statements.

**Southeast Iowa Regional Airport Authority,  
A Component Unit of the City of Burlington  
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Fund  
For the Year Ended June 30, 2004**

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<b>Operating revenues</b>	
Rent income	\$ 118,317
Charges for services	45,995
Contributions from member governments	<u>131,550</u>
Total operating revenues	<u>295,862</u>
<b>Operating expenses</b>	
Terminal	37,070
Airfield/Runways	68,110
General Aviation/Hangars	11,489
ARFF	8,227
Landside/Parking	23,199
Fuel Farm	2,371
Administration	<u>132,965</u>
Total operating expenses	<u>283,431</u>
Operating income before depreciation	12,431
Depreciation	<u>616,716</u>
Operating loss before nonoperating income and expenses	<u>(604,285)</u>
<b>Nonoperating income (expenses)</b>	
Passenger facility charges	29,752
Interest and investment revenue	1,824
Other income	4,505
Sales tax refunds	37,007
Interest expense	(20,187)
Miscellaneous expense	<u>(576)</u>
Total nonoperating income and (expenses)	<u>52,325</u>
Loss before capital contributions	(551,960)
Capital contributions	<u>1,846,155</u>
Increase in net assets	1,294,195
Net assets, beginning	<u>10,231,177</u>
Net assets, ending	<u>\$11,525,372</u>

See notes to financial statements.

**Southeast Iowa Regional Airport Authority,  
A Component Unit of the City of Burlington  
Statement of Cash Flows - Proprietary Fund  
For the Year Ended June 30, 2004**

<b>Cash flows from operating activities</b>	
Receipts from customers	\$ 151,192
Receipts from member governments	190,280
Payments to suppliers	(139,139)
Payments to employees	<u>(136,793)</u>
Net cash provided by operating activities	<u>65,540</u>
<b>Cash flows from non-capital financing activities</b>	
Other receipts (payments)	<u>3,927</u>
Net cash provided by non-capital financing activities	<u>3,927</u>
<b>Cash flows from capital and related financing activities</b>	
Sales tax refunds	37,007
Passenger facility charges	31,415
Capital grants received	1,846,155
Purchase of capital assets	(2,105,383)
Principal paid on capital debt	(50,000)
Interest paid on capital debt	<u>(18,862)</u>
Net cash used by capital and related financing activities	<u>(259,668)</u>
<b>Cash flows from investing activities</b>	
Interest	<u>1,824</u>
Net cash provided by investing activities	<u>1,824</u>
Net decrease in cash and cash equivalents	(188,377)
Cash and cash equivalents, beginning of year	<u>286,124</u>
Cash and cash equivalents, end of year	<u>\$ 97,747</u>
<b>Reconciliation of operating deficit to net cash used by operating activities</b>	
Operating deficit	\$ (604,285)
Adjustments to reconcile operating deficit to net cash used by operating activities:	
Depreciation expense	616,716
Changes in assets and liabilities:	
Receivables	45,615
Accounts payable and accrued expenses	7,499
Deferred revenue	<u>(5)</u>
Net cash provided by operating activities	<u>\$ 65,540</u>

Cash consists of cash on hand and in checking accounts.

See notes to financial statements.

**Southeast Iowa Regional Airport Authority,  
A Component Unit of the City of Burlington  
Statement of Fiduciary Net Assets  
June 30, 2004**

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	<b>Fiduciary Fund Employee Retirement Plan Trust</b>
<b>Assets</b>	
Investments at fair value	\$ <u>54,631</u>
<b>Net Assets</b>	
Held in trust for pension benefits	\$ <u>54,631</u>

See notes to financial statements.

**Southeast Iowa Regional Airport Authority,  
A Component Unit of the City of Burlington  
Statement of Changes in Fiduciary Net Assets  
For the Year Ended June 30, 2004**

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	<b><u>Fiduciary Fund Employee Retirement Plan Trust</u></b>
<b>Additions</b>	
Contributions:	
Plan members	\$ <u>4,000</u>
Total contributions	<u>4,000</u>
Investment earnings:	
Net increase in fair value of investments	<u>7,504</u>
Total investment return	<u>7,504</u>
Total net additions	<u>11,504</u>
<b>Deductions</b>	
Net withdrawals	<u>-</u>
Total deductions	<u>-</u>
Change in net assets	11,504
Net assets - beginning of year	<u>43,127</u>
Net assets - end of year	<u>\$ 54,631</u>

See notes to financial statements.

**Southeast Iowa Regional Airport Authority,  
A Component Unit of the City of Burlington  
Notes to Financial Statements  
June 30, 2004**

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**Note 1. Summary of Significant Accounting Policies**

The Southeast Iowa Regional Airport Authority was created July 1, 1996 under the statutory rule of Iowa Code Chapter 330A. The Authority is a public body created by a Charter agreement of the member municipalities. The purpose of the Authority is to operate and maintain a viable commercial air service airport certified under 14CFR Part 139, to encourage economic growth and orderly development of general aviation and to provide adequate commercial services and facilities for airport users.

The governing body of the Authority is a Board of Trustees consisting of three representatives of the member municipalities. The Board of Trustees is composed of two representatives of the City of Burlington and one representative from the City of West Burlington.

Reporting Entity

For financial reporting purposes, the Authority has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The Authority has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Authority are such that exclusion would cause the Authority's financial statements to be misleading or incomplete.

The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Entity to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Entity.

Based on the above criteria, there are no agencies or entities which should be combined with the financial statements of the Authority. However, based on these criteria, the Authority is a component unit of the City of Burlington for financial reporting purposes. The City of Burlington has financial accountability for the Authority because it appoints a voting majority of the Authority's Board of Trustees and provides financial benefit to the Authority.

**Southeast Iowa Regional Airport Authority,  
A Component Unit of the City of Burlington  
Notes to Financial Statements  
June 30, 2004**

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**Note 1. Summary of Significant Accounting Policies** (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the Authority are prepared in accordance with U.S. generally accepted accounting principles. The Authority's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The proprietary fund financial statements apply Financial Accounting Standards Board pronouncements and Accounting Principles Board Opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The accounts of the Authority are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The transactions of each fund or account group are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenues and expenses.

The accounts of the Southeast Iowa Regional Airport Authority are primarily organized as an enterprise fund, which is a proprietary fund type. 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 revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The activities in proprietary funds are accounted for similar to those often found in the private sector using the flow of economic resources measurement focus and the accrual basis of accounting. The accounting objectives are a determination of net income, financial position and changes in cash flow. All assets, liabilities, net assets, revenues and expenses are accounted for under a single enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

Revenues from airlines, concessions, rental cars and parking are reported as operating revenues. Transactions which are capital, financing or investing are reported as non-operating revenues. All expenses related to operating the Airport are reported as operating expenses. Interest expense and financing costs are reported as non-operating expenses.

**Southeast Iowa Regional Airport Authority,  
A Component Unit of the City of Burlington  
Notes to Financial Statements  
June 30, 2004**

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**Note 1. Summary of Significant Accounting Policies** (continued)

The Authority also has a Pension Trust fund, which is a Fiduciary Fund type. The Trust fund is used to account for the deferred compensation plan assets, which are being held by the Authority in a trustee capacity. The Authority reports resources held in trust and the receipt, investment, and distribution of retirement contributions.

Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash Equivalents - The Authority considers all short-term investments with an original maturity of three months or less to be cash equivalents. The Authority did not have any short-term investments or certificates of deposit during the year ended June 30, 2004.

Property and Equipment - Property and equipment is stated at cost. Property and equipment acquired from the City of Burlington is stated at the City's cost, net of its accumulated depreciation.

Depreciation expense for the year ended June 30, 2004 is \$616,716. Depreciation of property and equipment is computed by the straight-line method at rates based on the following estimated useful lives:

Land improvements	5-39 years
Building and improvements	5-39 years
Furniture and equipment	5-7 years

The cost of assets sold, retired, or otherwise disposed of and the related allowance for depreciation are eliminated from the accounts, and any resulting gain or loss is included in operations.

Expenditures for maintenance and repairs are charged against operations. Renewals and betterments that materially extend the life of an asset are capitalized.

During the year ended June 30, 2004, no interest costs were capitalized since there were no qualifying assets.

**Southeast Iowa Regional Airport Authority,  
A Component Unit of the City of Burlington  
Notes to Financial Statements  
June 30, 2004**

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**Note 1. Summary of Significant Accounting Policies** (continued)

Changes in property and equipment consist of the following:

	<u>Beginning</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending</u>
Land	\$ 1,666,393	\$ -	\$ -	\$ 1,666,393
Land improvements	7,916,756	2,070,400	-	9,987,156
Building and improvements	1,919,281	34,983	-	1,954,264
Furniture and equipment	<u>1,048,403</u>	<u>-</u>	<u>-</u>	<u>1,048,403</u>
	<u>\$12,550,833</u>	<u>\$2,105,383</u>	<u>\$ -</u>	<u>\$14,656,216</u>

Designated Net Assets

The Board of Trustees has designated all passenger facility charges for capital improvements.

The Board of Trustees has also designated 25% of honor parking fees for parking lot improvements. Designated earnings exceeded expenditures for parking lot improvements during the year ended June 30, 2004 by \$66.

Designated net assets consist of the following:

Designated for capital improvements	\$ 11,731
Honor parking fees - designated for parking lot improvements	<u>4,715</u>
	<u>\$ 16,446</u>

Deferred Revenue

The Authority has recorded a liability for deferred (unearned) rent revenue.

Use of Estimates

The preparation of financial statements in conformity with U.S. 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Southeast Iowa Regional Airport Authority,  
A Component Unit of the City of Burlington  
Notes to Financial Statements  
June 30, 2004**

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**Note 2. Pension and Retirement Benefits**

The Authority contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306.

Plan members are required to contribute 3.70% of their annual salary and the Authority is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The Authority's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$5,817, \$6,514, and \$6,608 respectively, equal to the required contributions for each year.

**Note 3. Deposits**

The Authority's deposits at June 30, 2004 were entirely covered by Federal depository insurance or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Authority is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Authority and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

**Southeast Iowa Regional Airport Authority,  
A Component Unit of the City of Burlington  
Notes to Financial Statements  
June 30, 2004**

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**Note 4. Deferred Compensation**

The Authority offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the Authority (without being restricted to the provisions of benefits under the plan), subject only to the claims of the Authority's general creditors. Participants' rights under the plan are equal to those of general creditors of the Authority in an amount equal to the fair market value of the deferred account for each participant. The plan assets are invested in an annuity account and are recorded at their fair market value of \$54,631 as of June 30, 2004.

**Note 5. Related Organization**

Based on criteria set by the Governmental Accounting Standards Board, the Southeast Iowa Regional Airport Authority is a component unit of the City of Burlington for financial reporting purposes. The City of Burlington has financial accountability for the Authority under these criteria because it appoints a voting majority of the Authority's Board of Trustees and provides financial benefits to the Authority.

Intergovernmental Agreement

The Authority has an agreement with the City of Burlington pursuant to Chapters 28E, 28F, 28G and 445B of the Code of Iowa to provide for shared services between the City and the Authority for the continued operation and maintenance of an airport facility. The current agreement began

July 1, 2001 and continues through June 30, 2006. The agreement outlines services provided to the Authority by the City, which include ARFF (fire fighter) services as outlined below, airport security in accordance with FAA directives, snow removal, equipment use, miscellaneous repair work as mutually agreed, and pavement preventative maintenance and minor repair projects whose costs does not exceed \$10,000 per year. The agreement also recognizes the Authority's participation in the City's All Lines Aggregate Insurance Program and Loss Fund, and requires the Authority to provide an accrual basis financial statement audit to the City each year for inclusion in the City's Comprehensive Annual Financial Report.

**Southeast Iowa Regional Airport Authority,  
A Component Unit of the City of Burlington  
Notes to Financial Statements  
June 30, 2004**

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**Note 5. Related Organization** (continued)

ARFF Services - Joint Use Fire Station

The Charter agreement of the member municipalities calls for the joint construction and use of a fire station by the Authority and the City of Burlington. Title to the fire station, which is located on Authority land, vests in the Authority. An intergovernmental agreement calls for specific ARFF services, in accordance with FAA regulations, to be provided to the Authority by the City of Burlington. The Authority is required to reimburse the City a scheduled amount for these services which increases by \$200 each succeeding year of the agreement. The Authority paid \$8,100 for the fiscal year ended June 30, 2004, a payment of \$7,900 was also made for the fiscal year ended June 30, 2003. The Authority is also required to maintain an account of \$2,000 each year to be utilized by the City for the ARFF Capital Improvement Program.

**Note 6. Related Party Transactions**

The Authority received a \$18,623 contribution from the City of West Burlington for the year ended June 30, 2004. There are no amounts due from the City of West Burlington as of June 30, 2004.

The Authority received the following payments from the City of Burlington during the year ended June 30, 2004:

Rent and lease payments	\$ 8,250
Contribution of Airport Tax Levy	<u>170,617</u>
	<u>\$178,867</u>

There are no amounts due from the City of Burlington as of June 30, 2004:  
During the year ended June 30, 2002, the City of Burlington issued general obligation bonds to be used by the Authority to fund it's share of the cost of FAA funded airport improvement projects. The bonds are dated July 1, 2001 and semi annual principal and interest payments are due to the City through June 1, 2011, bearing interest rates of 3% to 4.5%. During the fiscal year ended June 30, 2004 the Authority paid the City principal of \$40,000 and interest of \$18,862. At June 30, 2004 the Authority recognized \$1,295 in accrued interest expense. Bond issue costs of \$15,000 have been deferred and are being amortized by the Authority as interest expense over the life of the bond issue. During the year ended June 30, 2004, the authority amortized \$1,391 of bond issue costs.

**Southeast Iowa Regional Airport Authority,  
A Component Unit of the City of Burlington  
Notes to Financial Statements  
June 30, 2004**

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**Note 6. Related Party Transactions** (continued)

The Authority has agreed to reimburse the City of Burlington \$85,500 for certain capital improvement expenses incurred by the City. The City has agreed to accept \$10,000 per year from the Authority until the total reimbursement is paid. During the fiscal year ended June 30, 2004, \$10,000 was paid by the Authority to the City. The related party payable has not been discounted.

The annual payments due to the City of Burlington for the bond issue and the capital improvement reimbursement are as follows:

<u>Year ending</u>	<u>Capital Improvement</u>	<u>Bond Principal</u>	<u>Total Principal</u>	<u>Bond Interest</u>
	\$			
June 30, 2005	\$ 10,000	\$ 45,000	\$ 55,000	\$ 17,423
June 30, 2006	10,000	55,000	65,000	15,735
June 30, 2007	10,000	55,000	65,000	13,590
June 30, 2008	10,000	60,000	70,000	11,390
June 30, 2009	5,500	65,000	70,500	8,960
June 30, 2010	-	70,000	70,000	6,230
June 30, 2011	-	70,000	70,000	3,150
	<u>\$ 45,500</u>	<u>\$ 420,000</u>	465,500	<u>\$ 76,478</u>
Current			<u>(55,000)</u>	
Noncurrent			<u>\$ 410,500</u>	

In addition to bond issue and capital improvement reimbursements, the Authority paid \$100 in inspection fees to the City of Burlington and \$4,993 in fees for airport security.

**Note 7. Risk Management**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by participation in the City of Burlington's All Lines Aggregate Insurance Program, and by the purchase of commercial airport liability insurance purchased from an independent third party. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

**Southeast Iowa Regional Airport Authority,  
A Component Unit of the City of Burlington  
Notes to Financial Statements  
June 30, 2004**

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**Note 8. Operating Leases - Lessor**

The Authority leases property used for equipment storage to individuals and to the City of Burlington on a month-to-month basis. Rental income for the year ended June 30, 2004 was \$12,259.

The Authority leases a building to the Civil Air Patrol under an annually renewable lease calling for \$1 a year rent. No rent was received during the year ended June 30, 2004.

The Authority leases terminal, office space, and parking space to commercial airlines, the Federal Aviation Administration, the Transportation Security Agency, a private air transportation operator and auto rental concessionaires on a month-to-month basis. Rental income for the year ended June 30, 2004 was \$36,069.

The Authority leases hangar space to individuals on a month-to-month basis. Rental income for the year ended June 30, 2004 totaled \$53,640.

The Authority rents farm ground to individuals under leases which terminate March 31, 2006. Rental income for the year ended June 30, 2004 was \$16,349.

**Note 9. Passenger Facility Charges**

The Authority has been authorized by the Federal Aviation Administration (FAA) to collect Passenger Facility Charges for project activities completed in previous years. The total collection authority approved by the FAA is \$521,299.

Passenger Facility Charges received - year ended June 30, 2004	\$ 31,415
Changes in Passenger Facility Charges receivable	<u>(1,663)</u>
	<u>\$ 29,752</u>
 Total collection authority remaining	 <u>\$ 228,442</u>

**Note 10. Commitments and Contingencies**

At June 30, 2004, the Authority had a commitment for completion of Phase III of Taxiway A reconstruction. The projected balance remaining to complete the project is \$852,000. The Authority has secured from the Federal Aviation Administration \$1,935,000 in grants to be used for the project, of which \$444,146 remains.

**Southeast Iowa Regional Airport Authority, A Component Unit of the City of Burlington**  
**Supplementary Schedule of Revenues and Expenses**  
**Year Ended June 30, 2004**

	Total	Terminal	Airfield/ Runways	General Aviation/ Hangars	ARFF	Landside/ Parking	Fuel Farm	Administration
<b>Operating Revenues</b>								
Rent	\$ 118,317	\$ 34,789	\$ 16,349	\$ 65,899	\$ -	\$ 1,280	\$ -	\$ -
Charges for services	45,995	1,800	12,259	-	-	24,719	7,217	-
Contributions from member governments	131,550	-	-	-	-	-	-	131,550
Total operating revenues	<u>295,862</u>	<u>36,589</u>	<u>28,608</u>	<u>65,899</u>	<u>-</u>	<u>25,999</u>	<u>7,217</u>	<u>131,550</u>
<b>Operating Expenses</b>								
Personal services	137,955	12,570	38,185	3,372	120	10,293	1,506	71,909
Advertising	12,292	-	-	-	-	-	-	12,292
Consulting and professional fees	6,935	-	-	-	-	-	-	6,935
Dues and memberships	1,289	-	-	-	-	-	-	1,289
Liability insurance	12,752	-	-	-	-	-	-	12,752
Utilities	37,674	12,527	9,242	7,029	-	1,956	-	6,920
Contract work	20,886	7,675	2,348	438	8,100	333	-	1,992
Office supplies	5,090	-	-	-	-	-	-	5,090
Postage	1,805	-	-	-	-	-	-	1,805
Printing and binding	1,132	-	-	-	-	-	-	1,132
Telephone	3,322	445	-	-	-	-	-	2,877
Travel and training	4,939	-	-	-	-	-	-	4,939
Chemicals	7,761	-	7,761	-	-	-	-	-
Fuel & oil	5,277	488	3,514	237	7	811	89	131
Janitorial supplies	1,889	1,889	-	-	-	-	-	-
Security	372	372	-	-	-	-	-	-
Small equipment	540	-	-	-	-	400	-	140
Repairs and maintenance	21,521	1,104	7,060	413	-	9,406	776	2,762
Total operating expense	<u>283,431</u>	<u>37,070</u>	<u>68,110</u>	<u>11,489</u>	<u>8,227</u>	<u>23,199</u>	<u>2,371</u>	<u>132,965</u>
Operating income/(loss) before depreciation	12,431	(481)	(39,502)	54,410	(8,227)	2,800	4,846	(1,415)
Depreciation	<u>616,716</u>	<u>10,516</u>	<u>493,059</u>	<u>60,197</u>	<u>33,566</u>	<u>1,263</u>	<u>-</u>	<u>18,115</u>
Operating income/(loss) before nonoperating income/(expenses)	<u>(604,285)</u>	<u>(10,997)</u>	<u>(532,561)</u>	<u>(5,787)</u>	<u>(41,793)</u>	<u>1,537</u>	<u>4,846</u>	<u>(19,530)</u>
<b>Nonoperating income (expenses)</b>								
Passenger facility charges	29,752	-	29,752	-	-	-	-	-
Interest and investment revenue	1,824	-	-	-	-	-	-	1,824
Other income	4,505	-	3,675	-	-	-	-	830
Sales tax refunds	37,007	-	-	-	-	-	-	37,007
Interest expense	(20,187)	-	-	-	-	-	-	(20,187)
Miscellaneous expense	(576)	-	-	-	-	-	-	(576)
Total nonoperating revenues (expenses)	<u>52,325</u>	<u>-</u>	<u>33,427</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,898</u>
Income/(loss) before capital contributions	(551,960)	(10,997)	(499,134)	(5,787)	(41,793)	1,537	4,846	(632)
Capital contributions	<u>1,846,155</u>	<u>-</u>	<u>1,825,997</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,158</u>
Increase (decrease) in net assets	<u>\$ 1,294,195</u>	<u>\$ (10,997)</u>	<u>\$ 1,326,863</u>	<u>\$ (5,787)</u>	<u>\$ (41,793)</u>	<u>\$ 1,537</u>	<u>\$ 4,846</u>	<u>\$ 19,526</u>

See accompanying independent auditor's report.

**Southeast Iowa Regional Airport Authority  
Schedule of Expenditures of Federal Awards  
June 30, 2004**

<u>Project Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
U.S. Department of Transportation:		
Federal Aviation Administration	20.106	
AIP 17 - Project #19-0010-17		\$ 46,003
AIP 18 - Project #19-0010-18		289,140
AIP 19 - Project #19-0010-19		713,166
AIP 21 - Project #19-0010-21		<u>777,688</u>
		<u>\$ 1,825,997</u>

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Southeast Iowa Regional Airport Authority and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

See accompanying independent auditor's report.

**Southeast Iowa Regional Airport Authority**  
**A Component Unit of the City of Burlington**  
**Schedule of Passenger Facility Charges Collected and Expended**  
**June 30, 2004**

	PFC Receipts	Interest Earned	Expenditures	Unliquidated PFC Revenue
Balance at June 30, 2003	\$ 259,648	\$ 5,405	\$ (261,443)	\$ 3,610
Quarter ending September 30, 2003	8,968	63	(8,968)	<u>63</u>
Balance at September 30, 2003				3,673
Quarter ending December 31, 2003	8,670	80	(8,670)	<u>80</u>
Balance at December 31, 2003				3,753
Quarter ending March 31, 2004	6,463	113	(6,463)	<u>113</u>
Balance at March 31, 2004				3,866
Quarter ending June 30, 2004	<u>7,313</u>	<u>18</u>	<u>(7,313)</u>	<u>18</u>
Balance at June 30, 2004				\$ <u>3,884</u>
Cumulative	\$ <u>291,062</u>	\$ <u>5,679</u>	\$ <u>(292,857)</u>	

See accompanying independent auditor's report.

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## **Independent Auditor's Report on Compliance and Internal Control Over Financial Reporting**

To the Board of Trustees  
Southeast Iowa Regional Airport Authority,  
A Component Unit of the City of Burlington  
Burlington, Iowa

We have audited the financial statements of Southeast Iowa Regional Airport Authority, A Component Unit of the City of Burlington, as of and for the year ended June 30, 2004, and have issued our report thereon dated August 19, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of non-compliance that is described in the accompanying schedule of findings and questioned costs as item 04-1.

Comments involving statutory and other legal matters about the Authority's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Authority. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Authority's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 04-A.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no reportable conditions that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the Board, management, authority members and federal and state awarding agencies. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Southeast Iowa Regional Airport Authority during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Walker Egerton & Hunsaker PC*

August 19, 2004

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**Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control  
Over Compliance in Accordance with OMB Circular A-133**

To the Board of Trustees  
Southeast Iowa Regional Airport Authority,  
A Component Unit of the City of Burlington  
Burlington, Iowa

Compliance

We have audited the compliance of Southeast Iowa Regional Airport Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2004. Southeast Iowa Regional Airport Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Southeast Iowa Regional Airport Authority's management. Our responsibility is to express an opinion on their compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Southeast Iowa Regional Airport Authority'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. Our audit does not provide a legal determination on Southeast Iowa Regional Airport Authority's compliance with those requirements.

In our opinion Southeast Iowa Regional Airport Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

## Internal Control over Compliance

The management of Southeast Iowa Regional Airport Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Southeast Iowa Regional Airport Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the Board, management, authority members and federal and state awarding agencies of Southeast Iowa Regional Airport Authority and other parties to whom Southeast Iowa Regional Airport Authority may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

*Walker Egerton & Hunsaker PC*

August 19, 2004

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## **Independent Auditor's Report on Compliance With Requirements Applicable to the Passenger Facility Charge Program and on Internal Control Over Compliance**

To the Board of Trustees  
Southeast Iowa Regional Airport Authority,  
A Component Unit of the City of Burlington  
Burlington, Iowa

### Compliance

We have audited the compliance of Southeast Iowa Regional Airport Authority, A Component Unit of the City of Burlington, with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, for its passenger facility charge program for the year ended June 30, 2004. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of Southeast Iowa Regional Airport Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa; 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 non-compliance with the compliance requirements referred to above could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about Southeast Iowa Regional Airport Authority'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. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, Southeast Iowa Regional Airport Authority, a component unit of the City of Burlington, complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the year ended June 30, 2004.

## Internal Control Over Compliance

The management of Southeast Iowa Regional Airport Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations applicable to the passenger facility charge program. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on the passenger facility charge program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with the Guide.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws and regulations that would be material in relation to the passenger facility charge program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the Board, management, and the Federal Aviation Administration. This report is not intended to be and should not be used by anyone other than these specified parties.

*Walker Egerton & Hunsaker PC*

August 19, 2004

**Southeast Iowa Regional Airport Authority,  
A Component Unit of the City of Burlington  
Schedule of Findings  
For the Year Ended June 30, 2004**

**Part I: Summary of the Independent Auditor's Results**

- (a) An unqualified opinion was issued on the financial statements.
- (b) One reportable condition disclosed during the audit of the financial statements is reported in the Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. The reportable condition is not a material weakness.
- (c) No instances of noncompliance material to the financial statements of Southeast Iowa Regional Airport Authority, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- (d) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (e) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (f) Major program was as follows:  
CFDA Number 20.106 - U.S. Department of Transportation, Federal Aviation Administration  
- Airport Improvement Program
- (g) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (h) Southeast Iowa Regional Airport Authority qualified as a low-risk auditee.

**Part II: Findings Related to the Financial Statements**

**Reportable Conditions**

04-A Segregation of Duties - Due to the size of office staff, there is a lack of segregation of duties normally considered necessary for adequate internal control. We consider this situation to be a weakness for which corrective action may not be practicable in the circumstances, but we are required, under our professional responsibilities, to call your attention to the situation.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the Authority should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our operating procedures to obtain the maximum internal control possible under the circumstances.

Conclusion - Response accepted.

### **Part III: Findings and Questioned Costs for Federal Awards**

#### **Instances of Noncompliance**

None

### **Part IV: Other Findings Related to Required Statutory Reporting**

04-1 Official Depositories - A resolution naming official depositories has been adopted by the Authority. The maximum deposit amounts stated in the resolution were exceeded during the year.

Recommendation - A new resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted in accordance with Chapter 12C of the Code of Iowa.

Response - A resolution naming official depositories with sufficient amounts will be adopted by the Authority.

Conclusion - Response accepted.

04-2 Deposits and Investments - The Authority has adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

04-3 Travel Expense - No expenditures of Authority money for travel expenses of spouses of Authority members or employees were noted.

04-4 Board Minutes - No transactions were found that we believe should have been approved in the Authority minutes but were not.

04-5 Questionable Disbursements - No disbursements were found that did not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979.