

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

**Independent Auditor's Report  
Basic Financial Statements and Required Supplemental Information  
Schedule of Findings**

**June 30, 2007**

## C o n t e n t s

	<b>Page</b>
<b>Officials</b>	1
<b>Independent Auditor's Report</b>	2 - 3
<b>Management's Discussion and Analysis</b>	4 - 10
<b>Financial Statements</b>	
Statement of Net Assets - Proprietary Fund	11
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Fund	12
Statement of Cash Flows - Proprietary Fund	13
Statement of Fiduciary Net Assets	14
Statement of Changes in Fiduciary Net Assets	15
Notes to Financial Statements	16 - 25
<b>Supplementary Information</b>	
Schedule of Revenues and Expenses	26
Schedule of Passenger Facility Charges Collected and Expended	27
<b>Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Governmental Auditing Standards</u></b>	28 - 29
<b>Independent Auditor's Report on Compliance With Requirements Applicable to the Passenger Facility Charge Program and on Internal Control Over Compliance</b>	30 - 31
<b>Schedule of Findings</b>	32 - 33

**Southeast Iowa Regional Airport Authority,  
A Component Unit of the City of Burlington  
Officials  
June 30, 2007**

<b>Name</b>	<b>Representing</b>
Steve Lewis	City of Burlington
Charles Walsh	City of Burlington
Dwight Mulch	City of Burlington
Alex Oblein	City of West Burlington
Dan Wiedemeier	Des Moines County
Sharon Leeper, Manager	



C P A A S S O C I A T E S P C  
C E R T I F I E D P U B L I C A C C O U N T A N T S

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## **Independent Auditor's Report**

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

We have audited the accompanying financial statements of the business type activities and fiduciary fund of the Southeast Iowa Regional Airport Authority, A Component Unit of the City of Burlington, as of June 30, 2007, which collectively comprise the Authority's basic financial statements listed in the table of contents. 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 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 respective financial position of the business type activities and fiduciary funds of Southeast Iowa Regional Airport Authority, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, 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 October 1, 2007 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, grants, 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 the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Southeast Iowa Regional Airport Authority's basic financial statements. Other supplementary information included on page 26 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of passenger facility charges collected and expended included on page 27 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 basic financial statements taken as a whole.

*CPA Associates PC*

October 1, 2007

**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, 2007. 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 2007 were \$14.6 million, a decrease of \$0.5 million from 2006. Southeast Iowa Regional Airport is an Essential Air Service (EAS) airport with three flights daily to St. Louis. The airline receives a subsidy from the U.S. Department of Transportation (DOT) under a two-year contract to provide the service between Burlington (BRL) and St Louis (STL). The Southeast Iowa region was experiencing many delayed and canceled flights due to a lack of available aircraft and pilots. The current two-year EAS contract was scheduled to expire June 30, 2007.

Due to the numerous cancellations and delayed flights, the DOT issued a notice on December 27, 2006 requesting proposals from carriers interested in providing essential air service at six communities for the two-year period beginning June 1, 2007. Burlington was one of the six communities in the request. There were four proposals received from carriers interested in providing the service at BRL including Regions Air (the current carrier), Great Lakes Airlines, Mesa Air, and Big Sky Airlines.

The community held public meetings to hear presentations from the carriers interested in serving BRL. The Airport Authority board recommended the service proposal from Mesa Air which would provide three daily flights to Kansas City. In recent years available connections out of St. Louis have declined, resulting in passengers finding it difficult to complete travel out of BRL through STL.

As service continued early in 2007, it was less than acceptable due to the numerous cancellations. On March 2, 2007 the Federal Aviation Administration (FAA) requested that the carrier (Regions Air) cease all operations due to an issue with one of the airlines training manuals. The airline worked on this issue and flights resumed on Sunday, March 5th. The FAA, however, did not accept the correction and once again the airline ceased operations on Thursday, March 8, 2007. The airline was unable to work through the issue with the training manual and the airport remained without commercial service through the end of the fiscal year on June 30, 2007.

The DOT issued an order on March 9, 2007 selecting Great Lakes Airlines to provide the EAS service at Burlington for a two year period beginning on July 1, 2007. Under normal circumstances when a new carrier is selected to provide the service, the current carrier will continue the service until the new carrier is able to begin operations. With the current carrier (Regions Air) unable to operate due to the issue with the FAA, and the new carrier (Great Lakes) unable to start operations because of a shortage of aircraft, the airport was in the precarious situation of continuing without commercial air service.

Obviously the lack of air service had a financial impact on the airport which included a decrease in terminal rent, landing fees, and passenger facility charges. The decrease in revenues related to commercial air service was offset by increases in revenues related to car rental and general aviation activities. The net result was that operating income before depreciation showed an increase of \$45,634 from 2006. Depreciation decreased by 6% in 2007.

Nonoperating income, net of expense, increased by 176%.

Capital contributions received in the form of grants from Federal and State governments decreased from \$4.3 million in 2006 to \$0.3 million in 2007 as a result of the timing of reimbursable expenditures for runway rehabilitation and terminal renovations.

#### Summary of Operations and Changes in Net Assets

	<u>2007</u>	<u>2006</u>
Operating revenues	\$ 359,759	\$ 325,990
Operating expenses	<u>(262,413)</u>	<u>(274,278)</u>
Income/(loss) before depreciation and other non-operating income and expenses	97,346	51,712
Depreciation	<u>(854,044)</u>	<u>(905,217)</u>
Loss before other non-operating income and expenses, net	(756,698)	(853,505)
Non-operating income and expenses, net	<u>2,869</u>	<u>(3,798)</u>
Loss before capital contributions	(753,829)	(857,303)
Capital contributions	<u>292,026</u>	<u>4,303,817</u>
(Decrease) Increase in Net Assets	<u>\$ (461,803)</u>	<u>\$ 3,446,514</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 \$14.6 million at June 30, 2007, a \$0.5 million decrease from June 30, 2006.

A condensed summary of the Authority's net assets at June 30, 2007 and 2006 is shown below:

	<u>2007</u>	<u>2006</u>
Assets:		
Current and other assets	\$ 93,173	\$ 50,370
Capital assets	<u>15,058,240</u>	<u>15,609,191</u>
Total assets	<u>15,151,413</u>	<u>15,659,561</u>
Liabilities:		
Current liabilities	197,040	142,942
Noncurrent liabilities	<u>390,214</u>	<u>490,657</u>
Total liabilities	<u>587,254</u>	<u>633,599</u>
Net Assets:		
Invested in capital assets, net of related debt	14,496,160	15,006,611
Unrestricted	<u>67,999</u>	<u>19,351</u>
Total net assets	<u>\$14,564,159</u>	<u>\$15,025,962</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, 2007, and the amount and percentage of change in relation to prior year amounts is as follows:

	2007 Amount	% of Total	Increase (Decrease) from prior year	% Increase/ (Decrease)
Operating:				
Terminal	\$ 43,739	6.43	\$ 3,518	8.75
Airfield/Runways	25,890	3.81	(3,008)	(10.41)
General Aviation/Hangars	84,983	12.49	16,227	23.60
Landside/Parking	41,940	6.17	9,355	28.71
Fuel Farm	4,825	0.71	(292)	(5.71)
Contributions from member governments	<u>158,382</u>	<u>23.28</u>	<u>7,969</u>	5.30
Total Operating	<u>359,759</u>	<u>52.89</u>	<u>33,769</u>	10.36
Non-operating:				
Passenger facility charges	22,656	3.33	(6,010)	(20.97)
Interest and investment revenue	326	0.05	(1,173)	(78.25)
Other income	<u>5,426</u>	<u>0.80</u>	<u>5,425</u>	100.00
Total Non-operating	28,408	4.18	(1,758)	(5.83)
Capital contributions	<u>292,026</u>	<u>42.93</u>	<u>(4,011,791)</u>	(93.21)
Total Revenues	<u>\$ 680,193</u>	<u>100.00</u>	<u>\$ (3,979,780)</u>	(85.40)

## Expenses

A summary of expenses for the year ended June 30, 2007, and the amount and percentage change in relation to prior year amounts is as follows:

	<u>2007</u> <u>Amount</u>	<u>% of</u> <u>Total</u>	Increase (Decrease) from prior <u>year</u>	% Increase/ (Decrease) <u>(Decrease)</u>
Operating:				
Terminal	\$ 32,867	2.88	\$ (16,439)	(33.34)
Airfield/Runways	81,549	7.14	14,687	21.97
General Aviation/Hangars	5,261	0.46	(10,905)	(67.46)
ARFF	46	-	(717)	(93.97)
Landside/Parking	10,323	0.90	(4,795)	(31.72)
Fuel Farm	9,512	0.83	8,700	1,071.43
Administration	<u>122,855</u>	<u>10.76</u>	<u>(2,396)</u>	(1.91)
Total Operating	<u>262,413</u>	<u>22.98</u>	<u>(11,865)</u>	(4.33)
Depreciation	<u>854,044</u>	<u>74.79</u>	<u>(51,173)</u>	(5.65)
Non-operating:				
Interest expense	24,824	2.17	(409)	(1.62)
Miscellaneous expense	<u>715</u>	<u>0.06</u>	<u>(8,016)</u>	(91.81)
Total Non-operating	<u>25,539</u>	<u>2.24</u>	<u>(8,425)</u>	(24.81)
Total Expenses	<u>\$ 1,141,996</u>	<u>100.00</u>	<u>\$ (71,463)</u>	(5.89)

## 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.

	<u>2007</u>	<u>2006</u>
Cash flow from operating activities	\$ 56,036	\$ 43,229
Cash flow from non-capital financing activities	4,713	(8,728)
Cash flow from capital and related financing activities	326	1,499
Cash flow from investing activities	<u>(43,531)</u>	<u>(69,092)</u>
Net increase (decrease) in cash and cash equivalents	17,544	(33,092)
Cash and cash equivalents, beginning of year	<u>2,709</u>	<u>35,801</u>
Cash and cash equivalents, end of year	<u>\$ 20,253</u>	<u>\$ 2,709</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 2007, the Authority expended \$304,579 on capital activities. These activities included continued work on the rehabilitation of Runway 18/36, Taxiways C & D and the installation of a self-fueling station.

## **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.

During the year ended June 30, 2006, the Authority borrowed \$274,000 from F&M Bank to finance the local share of an FAA funded airport improvement project and to purchase equipment.

## **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, 2007, the Authority has collected PFCs, including interest earnings thereon, totaling \$381,856. 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 Sharon Leeper, 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).

**Southeast Iowa Regional Airport Authority,  
A Component Unit of the City of Burlington  
Statement of Net Assets - Proprietary Fund  
June 30, 2007**

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**Assets**

**Current Assets**

Cash and cash equivalents	\$ 20,253
Receivables	12,022
Related party receivables	<u>60,898</u>
Total current assets	<u>93,173</u>

**Noncurrent Assets**

Capital assets:	
Land	1,684,326
Land improvements	15,314,385
Building and improvements	2,234,036
Furniture and equipment	1,056,028
Less accumulated depreciation	<u>(5,237,065)</u>
Total capital assets	15,051,710
Deferred debt expense	<u>6,530</u>
Total noncurrent assets	<u>15,058,240</u>
Total assets	<u>15,151,413</u>

**Liabilities**

**Current Liabilities**

Accounts payable	13,923
Accrued expenses	9,495
Current portion of long term debt	30,336
Deferred revenue	8,286
Related party payable	<u>135,000</u>
Total current liabilities	<u>197,040</u>

**Long-Term Liabilities**

Related party payable	210,500
Long term debt, net of current portion	<u>179,714</u>
Total noncurrent liabilities	<u>390,214</u>
Total liabilities	<u>587,254</u>

**Net Assets**

Invested in capital assets, net of related debt	14,496,160
Unrestricted	<u>67,999</u>
Total net assets	<u>\$ 14,564,159</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  
Year Ended June 30, 2007**

<b>Operating Revenues</b>	
Rent income	\$ 142,595
Charges for services	58,782
Contributions from member governments	<u>158,382</u>
Total operating revenues	<u>359,759</u>
<b>Operating Expenses</b>	
Terminal	32,867
Airfield/Runways	81,549
General Aviation/Hangars	5,261
ARFF	46
Landside/Parking	10,323
Fuel Farm	9,512
Administration	<u>122,855</u>
Total operating expenses	<u>262,413</u>
Operating income before depreciation	97,346
Depreciation	<u>854,044</u>
Operating loss before nonoperating income and expenses	<u>(756,698)</u>
<b>Nonoperating Income (Expenses)</b>	
Passenger facility charges	22,656
Interest and investment revenue	326
Other income	5,426
Interest expense	(24,824)
Miscellaneous expense	<u>(715)</u>
Total nonoperating income and (expenses)	<u>2,869</u>
Loss before capital contributions	(753,829)
Capital contributions	<u>292,026</u>
Decrease in net assets	(461,803)
<b>Net assets, beginning</b>	<u>15,025,962</u>
<b>Net assets, ending</b>	<u>\$ 14,564,159</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  
Year Ended June 30, 2007**

<b>Cash Flows From Operating Activities</b>	
Receipts from customers	\$ 218,368
Receipts from member governments	109,746
Payments to suppliers	(148,428)
Payments to employees	<u>(123,650)</u>
Net cash provided by operating activities	<u>56,036</u>
<b>Cash Flows From Non-Capital Financing Activities</b>	
Other receipts	<u>4,713</u>
Net cash provided by non-capital financing activities	<u>4,713</u>
<b>Cash Flows From Capital and Related Financing Activities</b>	
Passenger facility charges	29,880
Capital grants received	292,026
Purchase of capital assets	(304,579)
Principal paid on capital debt	(39,013)
Interest paid on capital debt	<u>(21,845)</u>
Net cash used by capital and related financing activities	<u>(43,531)</u>
<b>Cash Flows From Investing Activities</b>	
Interest	<u>326</u>
Net cash provided by investing activities	<u>326</u>
Net increase in cash and cash equivalents	17,544
Cash and cash equivalents, beginning of year	<u>2,709</u>
Cash and cash equivalents, end of year	<u>\$ 20,253</u>
<b>Reconciliation of Operating Deficit to Net Cash Provided by Operating Activities</b>	
Operating deficit	\$ (756,698)
Adjustments to reconcile operating deficit to net cash used by operating activities:	
Depreciation expense	854,044
Changes in assets and liabilities:	
Receivables	(32,483)
Accounts payable and accrued expenses	(9,665)
Deferred revenue	<u>838</u>
Net cash provided by operating activities	<u>\$ 56,036</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, 2007**

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	<b>Fiduciary Fund Employee Retirement Plan Trust</b>
<b>Assets</b>	
Investments at fair value	\$ <u>97,205</u>
<b>Net Assets</b>	
Held in trust for pension benefits	\$ <u>97,205</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  
Year Ended June 30, 2007**

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	<b>Fiduciary Fund Employee Retirement Plan Trust</b>
<b>Additions</b>	
Contributions:	
Plan members	\$ <u>3,850</u>
Total contributions	<u>3,850</u>
Investment earnings:	
Net increase in fair value of investments	<u>18,623</u>
Total investment return	<u>18,623</u>
Total net additions	<u>22,473</u>
<b>Deductions</b>	
Net withdrawals	<u>-</u>
Total deductions	<u>-</u>
Increase in net assets	22,473
<b>Net assets, beginning</b>	<u>74,732</u>
<b>Net assets, ending</b>	<u>\$ 97,205</u>

See notes to financial statements.

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

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**Note 1. Nature of the Authority**

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 agreement was amended effective July 1, 2005 to include Des Moines County.

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

**Note 2. Summary of Significant Accounting Policies**

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.

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.

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

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**Note 2. Summary of Significant Accounting Policies (continued)**

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.

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.

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

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**Note 2. Summary of Significant Accounting Policies (continued)**

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, 2007.

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, 2007 is \$854,044. 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, 2007, no interest costs were capitalized since there were no qualifying assets.

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. There were no parking revenues or expenditures for parking lot improvements during the year ended June 30, 2007.

Designated net assets consist of the following:

Designated for capital improvements	\$ (7,732)
Honor parking fees - designated for parking lot improvements	<u>4,715</u>
	<u>\$ (3,017)</u>

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

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**Note 2. Summary of Significant Accounting Policies (continued)**

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.

**Note 3. Cash and Investments**

The Authority's deposits at June 30, 2007 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.

**Note 4. Capital Assets**

A summary of capital assets at June 30, 2007 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ <u>1,678,455</u>	\$ <u>5,871</u>	\$ <u>-</u>	\$ <u>1,684,326</u>
Capital assets, being depreciated:				
Land improvements	15,130,455	183,930	-	15,314,385
Building and improvements	2,119,258	114,778	-	2,234,036
Furniture and equipment	<u>1,057,028</u>	<u>-</u>	<u>(1,000)</u>	<u>1,056,028</u>
Total capital assets being depreciated	18,306,741	298,708	(1,000)	18,604,449
Less accumulated depreciation	<u>4,384,021</u>	<u>854,044</u>	<u>(1,000)</u>	<u>5,237,065</u>
Total capital assets being depreciated, net	<u>13,922,720</u>	<u>(555,336)</u>	<u>-</u>	<u>13,367,384</u>
Capital assets, net	\$ <u>15,601,175</u>	\$ <u>(549,465)</u>	\$ <u>-</u>	\$ <u>15,051,710</u>

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

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**Note 5. Long-Term Liabilities**

Change in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Note payable, F&M Bank	\$ 221,877	\$ -	\$ 21,044	\$ 200,833	\$ 21,854
Note payable, F&M Bank	17,186	-	7,969	9,217	8,482
City of Burlington	<u>355,500</u>	<u>-</u>	<u>10,000</u>	<u>345,500</u>	<u>135,000</u>
	<u>\$ 594,563</u>	<u>\$ -</u>	<u>\$ 39,013</u>	<u>\$ 555,550</u>	<u>\$ 165,336</u>

F&M Bank

During the year ended June 30, 2006, the Authority borrowed funds from F&M Bank to finance the local share of an FAA funded airport improvement project and to purchase equipment.

A municipal loan of \$250,000 was used to finance the local share of an FAA funded airport improvement project. The note is dated October 20, 2005, bears interest at 4.25% and is payable in annual payments of \$30,189, including interest, each December 31. The loan is secured by substantially all assets of the authority.

A commercial loan of \$24,000 was secured to finance the purchase of a tractor. The note is dated July 29, 2005, bears interest at 6.75% and is payable in monthly installments of \$738.42, including interest. The loan is secured by substantially all assets of the authority.

City of Burlington

During the year ended June 30, 2002, the City of Burlington issued general obligation bonds to be used by the Authority to fund its 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 4% to 4.5%. 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, 2007, the authority amortized \$1,487 of bond issue costs, leaving deferred debt expense of \$6,530.

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. No interest is charged on the outstanding obligation.

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

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**Note 5. Long-term Liabilities** (continued)

Details of the Authority's indebtedness are as follows:

<u>Year ending</u>	City of Burlington				
	<u>Capital Improvements</u>	<u>Bond Principal</u>	<u>Total Principal</u>	<u>Bond Interest</u>	<u>Interest Rates</u>
June 30, 2007 unpaid	\$ 10,000	\$ 55,000	\$ 65,000	\$ 1,795	4.00%
June 30, 2008	10,000	60,000	70,000	11,390	4.05%
June 30, 2009	5,500	65,000	70,500	8,960	4.20%
June 30, 2010	-	70,000	70,000	6,230	4.40%
June 30, 2011	-	70,000	70,000	3,150	4.50%
	\$ 25,500	\$ 320,000	345,500	\$ 31,525	

Current	(135,000)
Noncurrent	\$ 210,500

<u>Year ending</u>	F&M Bank			
	Municipal loan 4.25% Interest Rate		Commercial Loan 6.75% Interest Rate	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
June 30, 2008	21,854	8,335	8,482	364
June 30, 2009	22,676	7,513	735	4
June 30, 2010	156,303	4,062	-	-
	200,833	\$ 19,910	9,217	\$ 368
Current	(21,854)		(8,482)	
Noncurrent	\$ 178,979		\$ 735	

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

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**Note 6. 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, 2007, 2006, and 2005 were \$5,128, \$5,666, and \$6,046 respectively, equal to the required contributions for each year.

**Note 7. Employee Retirement Plan Trust**

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 \$97,205 as of June 30, 2007.

**Note 8. 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.

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

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**Note 8. Related Organization** (continued)

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 through June 30, 2011. 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 do 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.

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 accrued \$8,600 for the fiscal year ended June 30, 2007. 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 9. Related Party Transactions**

The Authority received a \$18,623 contribution from the City of West Burlington for the year ended June 30, 2007. There are no amounts due from the City of West Burlington as of June 30, 2007.

The Authority received a \$21,560 contribution from Des Moines County for the year ended June 30, 2007. There are no amounts due from Des Moines County as of June 30, 2007.

The Authority received the following payments from the City of Burlington during the year ended June 30, 2007:

Rent and lease payments	\$ 3,000
Contribution of Airport Tax Levy	<u>57,661</u>
	<u>\$ 60,661</u>

The following payments are due from the City of Burlington as of June 30, 2007.

Contribution of Airport Tax Levy	\$ 60,898
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The Authority paid the City of Burlington \$8,500 for ARFF services during the year ended June 30, 2007. As of June 30, 2007, \$8,600 is due to the City of Burlington for ARFF services.

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

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**Note 9. Related Party Transactions** (continued)

During the fiscal year ended June 30, 2007 the Authority paid the City principal of \$10,000 and interest of \$11,795 on an outstanding long-term liability.

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, 2007, \$10,000 was paid by the Authority to the City. The related party payable has not been discounted.

One of the Authority's trustees is an officer with a local bank. The Authority has balances with the bank as follows:

Checking accounts	\$ 35,634
Loans and accrued interest	210,050

The Authority paid \$10,037 in loan interest during the year ended June 30, 2007.

**Note 10. 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.

**Note 11. 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, 2007 was \$17,007.

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, 2007.

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, 2007 was \$39,825.

The Authority leases hangar space to individuals on a month-to-month basis. Rental income for the year ended June 30, 2007 totaled \$67,976.

The Authority rents farm ground to individuals under leases which terminate March 31, 2009. Rental income for the year ended June 30, 2007 was \$17,787.

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

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**Note 11. Operating Leases - Lessor** (continued)

Property held for leasing is summarized as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>
Building & Improvement	\$ 596,824	\$ 295,929

**Note 12. 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, 2007	\$ 29,880
Changes in Passenger Facility Charges receivable	<u>(7,224)</u>
	<u>\$ 22,656</u>
Total collection authority remaining	<u>\$ 143,482</u>

**Southeast Iowa Regional Airport Authority, A Component Unit of the City of Burlington**  
**Supplementary Schedule of Revenues and Expenses**  
**Year Ended June 30, 2007**

	Total	Terminal	Airfield/ Runways	General Aviation/ Hangars	ARFF	Landside/ Parking	Fuel Farm	Administration
<b>Operating Revenues</b>								
Rent	\$ 142,595	\$ 36,818	\$ 17,787	\$ 84,983	\$ -	\$ 3,007	\$ -	\$ -
Charges for services	58,782	6,921	8,103	-	-	38,933	4,825	-
Contributions from member governments	158,382	-	-	-	-	-	-	158,382
Total operating revenues	<u>359,759</u>	<u>43,739</u>	<u>25,890</u>	<u>84,983</u>	<u>-</u>	<u>41,940</u>	<u>4,825</u>	<u>158,382</u>
<b>Operating Expenses</b>								
Personal services	123,355	2,585	47,686	1,573	11	2,579	553	68,368
Advertising	5,379	-	-	-	-	-	-	5,379
Consulting and professional fees	9,051	-	-	-	-	-	-	9,051
Dues and memberships	1,653	-	-	-	-	-	-	1,653
Liability insurance	10,500	-	-	-	-	-	-	10,500
Utilities	47,827	17,634	11,444	2,392	-	7,439	228	8,690
Contract work	22,419	9,457	734	621	33	580	8,650	2,344
Office supplies	2,145	-	-	-	-	-	-	2,145
Postage	851	-	-	-	-	-	-	851
Printing and binding	858	-	-	-	-	-	-	858
Telephone	2,801	558	-	-	-	-	-	2,243
Travel and training	5,450	-	-	-	-	-	-	5,450
Chemicals	2,326	-	2,326	-	-	-	-	-
Fuel & oil	8,050	377	6,984	230	2	376	81	-
Janitorial supplies	1,519	1,519	-	-	-	-	-	-
Small equipment	5,173	-	-	-	-	13	-	5,160
Repairs and maintenance	13,056	737	12,375	445	-	(664)	-	163
Total operating expense	<u>262,413</u>	<u>32,867</u>	<u>81,549</u>	<u>5,261</u>	<u>46</u>	<u>10,323</u>	<u>9,512</u>	<u>122,855</u>
Operating income/(loss) before depreciation	97,346	10,872	(55,659)	79,722	(46)	31,617	(4,687)	35,527
Depreciation	<u>854,044</u>	<u>9,944</u>	<u>772,323</u>	<u>21,863</u>	<u>33,566</u>	<u>659</u>	<u>4,464</u>	<u>11,225</u>
Operating income/(loss) before nonoperating income/(expenses)	<u>(756,698)</u>	<u>928</u>	<u>(827,982)</u>	<u>57,859</u>	<u>(33,612)</u>	<u>30,958</u>	<u>(9,151)</u>	<u>24,302</u>
<b>Nonoperating Income (Expenses)</b>								
Passenger facility charges	22,656	-	22,656	-	-	-	-	-
Interest and investment revenue	326	-	-	-	-	-	-	326
Other income	5,426	-	-	-	-	-	-	5,426
Interest expense	(24,824)	-	-	-	-	-	-	(24,824)
Miscellaneous expense	(715)	(6)	-	-	-	-	-	(709)
Total nonoperating revenues (expenses)	<u>2,869</u>	<u>(6)</u>	<u>22,656</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,781)</u>
Income/(loss) before capital contributions	(753,829)	922	(805,326)	57,859	(33,612)	30,958	(9,151)	4,521
Capital contributions	<u>292,026</u>	<u>-</u>	<u>178,192</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>113,834</u>
Increase (decrease) in net assets	<u>\$ (461,803)</u>	<u>\$ 922</u>	<u>\$ (627,134)</u>	<u>\$ 57,859</u>	<u>\$ (33,612)</u>	<u>\$ 30,958</u>	<u>\$ (9,151)</u>	<u>\$ 118,355</u>

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, 2007**

	PFC Receipts	Interest Earned	Expenditures	Unliquidated PFC Revenue
Balance at June 30, 2006	\$ 346,125	\$ 5,789	\$ (347,918)	\$ 3,996
Quarter ending September 30, 2006	9,937	21	(9,937)	<u>21</u>
Balance at September 30, 2006				4,017
Quarter ending December 31, 2006	9,157	19	(9,176)	<u>-</u>
Balance at December 31, 2006				4,017
Quarter ending March 31, 2007	7,064	10	(7,064)	<u>10</u>
Balance at March 31, 2007				4,027
Quarter ending June 30, 2007	<u>3,722</u>	<u>12</u>	<u>(3,722)</u>	<u>12</u>
Balance at June 30, 2007				<u>\$ 4,039</u>
Cumulative	<u>\$ 376,005</u>	<u>\$ 5,851</u>	<u>\$ (377,817)</u>	

See accompanying independent auditor's report.



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C E R T I F I E D P U B L I C A C C O U N T A N T S

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**Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with Governmental Auditing Standards**

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

We have audited the accompanying financial statements of the business type activities and fiduciary fund of Southeast Iowa Regional Airport Authority, A Component Unit of the City of Burlington, as of and for the year ended June 30, 2007, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 1, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Southeast Iowa Regional Airport 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, but not for the purpose of expressing our opinion on the effectiveness of Southeast Iowa Regional Airport Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Southeast Iowa Regional Airport Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Southeast Iowa Regional Airport Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Southeast Iowa Regional Airport Authority's financial statements that is more than inconsequential will not be prevented or detected by Southeast Iowa Regional Airport Authority's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Southeast Iowa Regional Airport Authority's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items 07-A and 07-B are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southeast Iowa Regional Airport Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters that is described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Authority's operations for the year ended June 30, 2007 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.

Southeast Iowa Regional Airport Authority's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Authority's responses, we did not audit Southeast Iowa Regional Airport Authority's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Southeast Iowa Regional Airport Authority and other parties to whom Southeast Iowa Regional Airport Authority may report, including 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.

*CPA Associates PC*

October 1, 2007



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C E R T I F I E D P U B L I C A C C O U N T A N T S

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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**

Authority Board Members  
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 (the Guide), issued by the Federal Aviation Administration, for its passenger facility charge program for the year ended June 30, 2007. 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 and 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, that 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, 2007.

## 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.

*CPA Associates PC*

October 1, 2007

**Southeast Iowa Regional Airport Authority,  
A Component Unit of the City of Burlington  
Schedule of Findings  
For the Year Ended June 30, 2007**

**Findings Related to the Financial Statements**

**Significant Deficiencies**

07-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.

07-B Financial Reporting - During the audit, we identified material amounts of receivables, liabilities and capital asset additions that were not properly reported in the Authority's financial statements. Adjustments were subsequently made by the Authority to properly include these amounts in the financial statements.

Recommendation - The Authority should implement procedures to ensure all receivables, liabilities and capital asset additions are identified and properly reported in the Authority's financial statements.

Response - We will continue to review and improve our year end closing procedures to make sure all receivables, liabilities and capital asset additions are identified and properly reported in the Authority's financial statements.

Conclusion - Response accepted.

**Southeast Iowa Regional Airport Authority,  
A Component Unit of the City of Burlington  
Schedule of Findings  
For the Year Ended June 30, 2007**

**Instances of Noncompliance**

No matters were reported

**Other Findings Related to Required Statutory Reporting**

- 07-1 Official Depositories - A resolution naming official depositories has been adopted by the Authority. A maximum deposit amount was not stated in the resolution. Deposit amounts exceeded FDIC insurance limits during the year.

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

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

Conclusion - Response accepted.

- 07-2 Deposits and Investments - The Authority has adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.
- 07-3 Travel Expense - No expenditures of Authority money for travel expenses of spouses of Authority members or employees were noted.
- 07-4 Board Minutes - No transactions were found that we believe should have been approved in the Authority minutes but were not.

Although minutes of Board proceedings were published, they were not provided to the newspaper to be published within one week following adjournment of the meeting as required by Chapter 28E.6 of the Code of Iowa. One month's minutes were not submitted for publication. Also, the Authority did not publish annual gross salaries as required by Chapter 28E.6 of the Code of Iowa.

Recommendation – The Authority should comply with Chapter 28E.6 of the Code of Iowa and should publish minutes and annual individual salaries as required.

Response – We will comply with the Code requirements to publish minutes and salaries as required.

Conclusion – Response accepted.

- 07-5 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.