

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

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

**June 30, 2009**

## 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 - 9
<b>Basic Financial Statements</b>	
Statement of Net Assets - Proprietary Fund	10
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Fund	11
Statement of Cash Flows - Proprietary Fund	12
Statement of Fiduciary Net Assets	13
Statement of Changes in Fiduciary Net Assets	14
Notes to Financial Statements	15 - 24
<b>Supplementary Information</b>	
Schedule of Revenues and Expenses	25
Schedule of Passenger Facility Charges Collected and Expended	26
<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 <i>Government Auditing Standards</i></b>	27 - 28
<b>Independent Auditor's Report on Compliance With Requirements Applicable to the Passenger Facility Charge Program and on Internal Control Over Compliance</b>	29 - 30
<b>Schedule of Findings</b>	31 - 32

**Southeast Iowa Regional Airport Authority,  
A Component Unit of the City of Burlington  
Officials  
June 30, 2009**

<b>Name</b>	<b>Representing</b>
Charles E. Walsh	City of Burlington
Dwight Mulch	City of Burlington
Kurt Bangert	City of Burlington
Dennis Krieger	City of West Burlington
Dan Wiedemeier	Des Moines County

Mary Beard, Airport Manager



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## Independent Auditor's Report

Board of Directors  
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 (Authority), A Component Unit of the City of Burlington, as of and for the year ended June 30, 2009, 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the Authority did not record or disclose the net annual required contribution for other postemployment benefits (OPEB) or the OPEB net liability obligation as required by Government Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

In our opinion, except for the omission of the information described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities and fiduciary fund of Southeast Iowa Regional Airport Authority, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2009 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or 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 on pages 4 through 9 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 required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information included on page 25 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 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. The information on these pages has been subjected to the auditing procedures applied in the audit of the basic 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

September 30, 2009

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

Southeast Iowa Regional Airport Authority (Authority) provides this Management's Discussion and Analysis (MD&A) of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information 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 and Operating Highlights**

- The Authority's operating revenues increased 7%, or \$28,392, from fiscal 2008 to fiscal 2009. Rent income, contributions from member governments and grant reimbursements related to operations increased.
- The Authority's operating expenses, before depreciation, were 8%, or \$26,631, less in fiscal 2009 than in fiscal 2008. The decrease in operating expenses is primarily due to personnel reductions.
- The Authority's grant revenues and capital contributions decreased 65%, or \$198,844, from 2008 to fiscal 2009. The decrease is primarily the result of the timing of reimbursements for Airport Improvement Project reimbursements from the Federal Aviation Administration.
- Net assets for 2009 were \$13.4 million, a decrease of \$0.6 million from 2008.

Southeast Iowa Regional Airport, which is operated by the Authority, is an Essential Air Service airport. During the fiscal year ended June 30, 2009, commercial air service was provided by Great Lakes Airlines. The airline provided daily round trip flights to St. Louis, Missouri (STL) and Kansas City, Missouri (MCI) at the beginning of the fiscal year, but dropped commercial air service to St Louis in August 2008. Great Lakes Airlines provided three daily round trip flights to Kansas City, Missouri for most of the fiscal year.

The economic downturn and the rise in fuel prices continues to provide challenges for general and commercial aviation as well as overall airport operations. The discontinuance of air service from Burlington to St. Louis combined with an industry wide decline in passenger enplanements related to the economic downturn contributed to the decrease in passenger enplanements for Southeast Iowa Regional Airport.

**Using This Annual Report**

The Authority is a single Enterprise Fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Authority's financial activities.

The Statement of Net Assets presents information on the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Assets is the basic statement of activities for proprietary funds. This statement presents information on the Authority's operating revenues and expenses, non-operating revenues and expenses and whether the Authority's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Authority's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Authority financed its activities and how it met its cash requirements.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

## Financial Analysis of the Authority

### *Statement of Net Assets*

As noted earlier, net assets may serve over time as a useful indicator of the Authority's financial position. The Authority's net assets at the end of fiscal 2009 totaled approximately \$13.4 million, compared to approximately \$14.1 million at the end of fiscal 2008. A summary of the Authority's net assets at June 30, 2009 and 2008 is shown below:

	Net Assets	
	<u>2009</u>	<u>2008</u>
Assets:		
Current and other assets	\$ 104,066	\$ 101,949
Capital assets	<u>13,773,977</u>	<u>14,537,205</u>
Total assets	<u>13,878,043</u>	<u>14,639,154</u>
Liabilities:		
Current liabilities	223,759	260,440
Noncurrent liabilities	<u>216,695</u>	<u>296,690</u>
Total liabilities	<u>440,454</u>	<u>557,130</u>
Net Assets:		
Invested in capital assets, net of related debt	13,368,941	14,061,642
Unrestricted	<u>68,648</u>	<u>20,382</u>
Total net assets	<u>\$ 13,437,589</u>	<u>\$ 14,082,024</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.

*Statement of Revenues, Expenses and Changes in Net Assets*

The Statement of Revenues, Expenses and Changes in Net Assets reflects a decrease in net assets at the end of the fiscal year. A summary of revenues, expenses and changes in net assets for the years ended June 30, 2009 and 2008 is presented below:

Revenues, Expenses and Changes in Net Assets		
	<u>2009</u>	<u>2008</u>
Operating revenues	\$ 439,398	\$ 411,006
Operating expenses	<u>(321,493)</u>	<u>(348,124)</u>
Operating income before depreciation	117,905	62,882
Depreciation	<u>(854,092)</u>	<u>(842,364)</u>
Operating loss	(736,187)	(779,482)
Non-operating income (expenses), net	<u>(15,426)</u>	<u>(8,675)</u>
Loss before capital contributions	(751,613)	(788,157)
Grant revenues and capital contributions	<u>107,178</u>	<u>306,022</u>
Decrease in net assets	(644,435)	(482,135)
Net assets, beginning of year	<u>14,082,024</u>	<u>14,564,159</u>
Net assets, end of year	<u>\$ 13,437,589</u>	<u>\$ 14,082,024</u>

*Revenues*

A summary of revenues for the year ended June 30, 2009, and the amount and percentage of change in relation to prior year amounts follows:

	<u>Amount</u>	<u>% of Total</u>	<u>Increase (Decrease) From Prior Year</u>	<u>% Increase (Decrease)</u>
Operating:				
Terminal	\$ 39,089	7.02 %	\$ 2,332	6.34 %
Airfield/Runways	37,220	6.68	5,046	15.68
General Aviation/Hangars	100,355	18.02	4,987	5.23
Landside/Parking	34,584	6.21	(4,673)	(11.90)
Fuel Farm	6,318	1.13	(1,946)	(23.55)
Contributions from member governments	<u>221,832</u>	<u>39.83</u>	<u>22,646</u>	11.37
Total operating	<u>439,398</u>	<u>78.89</u>	<u>28,392</u>	6.91
Non-operating:				
Passenger facility charges	9,251	1.66	562	6.47
Interest and investment revenue	815	0.15	411	101.73
Other income	<u>308</u>	<u>0.06</u>	<u>(14,933)</u>	(97.98)
Total non-operating	<u>10,374</u>	<u>1.87</u>	<u>(13,960)</u>	(57.37)
Grant revenues and capital contributions	<u>107,178</u>	<u>19.24</u>	<u>(198,844)</u>	(64.98)
Total revenues	<u>\$ 556,950</u>	<u>100.00 %</u>	<u>\$ (184,412)</u>	(24.87)%

## Expenses

A summary of expenses for the year ended June 30, 2009, and the amount and percentage change in relation to prior year amounts follows:

	<u>Amount</u>	<u>% of Total</u>	<u>Increase (Decrease) From Prior Year</u>	<u>% Increase (Decrease)</u>
Operating:				
Personal services	\$ 114,779	9.55 %	\$ (21,984)	(16.07)%
Advertising	6,387	0.53	(10,561)	(62.31)
Consulting and professional fees	9,862	0.82	(8,511)	(46.32)
Dues and memberships	960	0.08	(858)	(47.19)
Liability insurance	7,500	0.62	-	-
Utilities	48,574	4.04	(2,596)	(5.07)
Contract work	91,152	7.59	21,679	31.20
Office supplies	1,610	0.13	(35)	(2.13)
Postage	485	0.04	(416)	(46.17)
Printing and binding	115	0.01	115	-
Telephone	1,773	0.15	(516)	(22.54)
Travel and training	3,527	0.29	(2,411)	(40.60)
Botanicals	160	0.01	160	DIV/0
Chemicals	5,295	0.44	930	21.31
Fuel and oil	8,182	0.68	(1,691)	(17.13)
Janitorial supplies	2,007	0.17	439	28.00
Small equipment	1,412	0.12	1,412	-
Repairs and maintenance	<u>17,713</u>	<u>1.49</u>	<u>(1,787)</u>	(9.16)
Total operating	<u>321,493</u>	<u>26.76</u>	<u>(26,631)</u>	(7.65)
Depreciation	<u>854,092</u>	<u>71.09</u>	<u>11,728</u>	1.39
Non-operating:				
Interest expense	22,207	1.85	996	4.70
Miscellaneous expense	<u>3,593</u>	<u>0.30</u>	<u>(8,205)</u>	(69.55)
Total non-operating	<u>25,800</u>	<u>2.15</u>	<u>(7,209)</u>	(21.84)
Total expenses	<u>\$ 1,201,385</u>	<u>100.00 %</u>	<u>\$ (22,112)</u>	(1.81)%

## Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, non-capital financing, capital and related financing, and investing activities. Cash provided by operating activities includes rent income, landing fees, concession and fixed-based operator fees, operating grants from federal and state agencies and member government contributions. Cash used from capital and related financing activities includes capital grants received as well as disbursements for the purchase of capital assets and the payment of debt principal and interest obligations.

## **Capital Acquisitions and Construction Activities**

During 2009, the Authority expended \$91,418 on capital activities. These activities included continued work on the rehabilitation of Runway 18/36, Taxiway C, hangar and terminal improvements, and the design and acquisition of an Aircraft Rescue and Fire Fighting vehicle.

## **Long-term Debt**

During the year ended June 30, 2002, the City of Burlington issued \$540,000 in general obligation bonds to be loaned to the Authority to fund its share of the cost of Federal Aviation Administration (FAA) funded airport improvement projects. During year ended June 30, 2009, the City of Burlington refunded their general obligation bonds and extended the terms of the principal and interest payments due from the Authority to the City. The City's new loan terms require annual principal payments of \$27,000 on June 1st and semi-annual interest payments on December 1st and June 1st. The loan bears an incrementally increasing interest rate ranging from 3.5% to 4.5%.

The Authority had also agreed to reimburse the City of Burlington for certain capital improvement expenses incurred by the City. As of July 1, 2008, the remaining balance of the reimbursement obligation of \$25,500 was forgiven by the City. The forgiven balance has been recorded as a capital contribution to the Authority.

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. The remaining balance of \$156,905 matures December 31, 2009.

Additional information about the Authority's long-term debt is included in the notes to the Authority's financial statements.

## **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, 2009, the Authority has collected PFCs, including interest earnings thereon, totaling \$398,083. For further details, see the Schedule of Passenger Facility Charges in the Compliance Section included as supplementary information to the financial statements.

## **Economic Factors**

The Essential Air Service contract with Great Lakes Airlines expires in October 2009. The U.S. Department of Transportation has received bids to provide commercial air service to Burlington by Great Lakes Airlines, Gulfstream International and Air Choice One. If a change in air service carrier is granted, the Authority will be challenged to increase passenger enplanements and increase commercial air service marketing efforts.

During the fiscal year 2010, the Authority will complete the Airport Master Plan Update and Small Community Air Service Development program and acquire an Aircraft Rescue and Fire Fighting vehicle.

As the economic downturn continues to challenge airport operations and general and commercial aviation, the Authority will continue to strive to provide a safe and efficiently operated airport.

## **Contacting the Authority's Financial Management**

This financial report is designed to provide Authority members' citizens and taxpayers and the Authority's customers and creditors with a general overview of the Authority's finances and to show accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed in writing to Mary Beard, Airport Manager, Southeast Iowa Regional Airport Authority, 2515 Summer Street, Burlington, IA 52601-3330 or by e-mail 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, 2009**

<b>Assets</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 29,975
Receivables	16,145
Related party receivables	<u>57,946</u>
Total current assets	<u>104,066</u>
<b>Noncurrent Assets</b>	
Capital assets:	
Land	1,686,781
Land improvements	15,576,271
Building and improvements	2,348,568
Furniture and equipment	1,085,542
Less accumulated depreciation	<u>(6,927,621)</u>
Total capital assets	13,769,541
Prepaid debt issuance costs, net of accumulated amortization	<u>4,436</u>
Total noncurrent assets	<u>13,773,977</u>
Total assets	<u>13,878,043</u>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts payable	18,866
Accrued expenses	10,234
Current portion of long term debt	156,905
Deferred revenue	10,754
Due to City of Burlington	<u>27,000</u>
Total current liabilities	<u>223,759</u>
<b>Long-Term Liabilities</b>	
Due to City of Burlington	<u>216,695</u>
Total noncurrent liabilities	<u>216,695</u>
Total liabilities	<u>440,454</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	13,368,941
Unrestricted	<u>68,648</u>
Total net assets	<u>\$ 13,437,589</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, 2009**

<b>Operating Revenues</b>	
Federal and state grants	\$ 60,260
Rent income	168,663
Charges for services	48,903
Contributions from member governments	<u>161,572</u>
Total operating revenues	<u>439,398</u>
<b>Operating Expenses</b>	
Personal services	114,779
Advertising	6,387
Consulting and professional fees	9,862
Dues and memberships	960
Liability insurance	7,500
Utilities	48,574
Contract work	91,152
Office supplies	1,610
Postage	485
Printing and binding	115
Telephone	1,773
Travel and training	3,527
Botanical	160
Chemicals	5,295
Fuel and oil	8,182
Janitorial supplies	2,007
Small equipment	1,412
Repairs and maintenance	<u>17,713</u>
Total operating expenses	<u>321,493</u>
Operating income before depreciation	117,905
Depreciation	<u>854,092</u>
Operating loss	<u>(736,187)</u>
<b>Non-operating Income (Expense)</b>	
Passenger facility charges	9,251
Interest and investment revenue	815
Other income	308
Interest expense	(22,207)
Miscellaneous expense	<u>(3,593)</u>
Total non-operating income (expense)	<u>(15,426)</u>
Loss before capital contributions	(751,613)
Capital contribution - City of Burlington	25,500
Capital contributions - Federal and state grant revenues	<u>81,678</u>
Decrease in net assets	(644,435)
<b>Net assets, beginning of year</b>	<u>14,082,024</u>
<b>Net assets, end of year</b>	<u>\$ 13,437,589</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, 2009**

<b>Cash Flows From Operating Activities</b>	
Receipts from customers	\$ 220,418
Receipts from federal and state agencies	65,126
Receipts from member governments	160,702
Payments to suppliers	(247,552)
Payments to employees	(114,540)
Net cash provided by operating activities	<u>84,154</u>
<b>Cash Flows From Non-capital Financing Activities</b>	
Other payments	<u>(3,285)</u>
Net cash used by non-capital financing activities	<u>(3,285)</u>
<b>Cash Flows From Capital and Related Financing Activities</b>	
Passenger facility charges	8,386
Capital grants received	98,689
Purchase of capital assets	(91,418)
Principal paid on capital debt	(50,168)
Interest paid on capital debt	(22,478)
Net cash used by capital and related financing activities	<u>(56,989)</u>
<b>Cash Flows From Investing Activities</b>	
Interest	<u>815</u>
Net cash provided by investing activities	<u>815</u>
<b>Net increase in cash and cash equivalents</b>	24,695
<b>Cash and cash equivalents, beginning of year</b>	<u>5,280</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 29,975</u>
<b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</b>	
Operating loss	\$ (736,187)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	854,092
Changes in assets and liabilities:	
Receivables	6,431
Bank overdraft	(11,895)
Accounts payable and accrued expenses	(28,704)
Deferred revenue	417
Net cash provided by operating activities	<u>\$ 84,154</u>

Cash and cash equivalents 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, 2009**

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	<b>Fiduciary Fund Employee Retirement Plan Trust</b>
<b>Assets</b>	
Investments at fair value	\$ <u>11,963</u>
<b>Net Assets</b>	
Held in trust for pension benefits	\$ <u>11,963</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, 2009**

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	<b>Fiduciary Fund Employee Retirement Plan Trust</b>
<b>Additions</b>	
Contributions:	
Plan members	\$ 7,994
Investment earnings:	
Net decrease in fair value of investments	<u>(4,096)</u>
Total additions	<u>3,898</u>
<b>Deductions</b>	
Net participant withdrawals	<u>(46,601)</u>
Total deductions	<u>(46,601)</u>
Decrease in net assets	(42,703)
<b>Net assets, beginning of year</b>	<u>54,666</u>
<b>Net assets, end of year</b>	<u>\$ 11,963</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 (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 governments. The purpose of the Authority is to operate and maintain a viable commercial air service airport certified under 14 Code of Federal Regulations (CFR) 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 Directors consisting of five representatives of the member governments. The Board of Directors is composed of three representatives from 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 (GASB) 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 Directors 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 accounting principles generally accepted in the United States of America. The Authority's reporting entity applies all relevant GASB pronouncements, except for GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which has not been implemented. 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 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. This fund is used to account for 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 and benefits.

The Authority performed an evaluation of subsequent events through September 30, 2009. No subsequent events have occurred that would require disclosure or recognition in the financial statements as of June 30, 2009.

**Cash and Cash Equivalents**

The Authority considers all short-term investments with an original maturity of three months or less to be cash equivalents. The Authority had no short-term investments or certificates of deposit during the year ended June 30, 2009.

**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)**

Capital Assets

Capital Assets are stated at original cost. Capital Assets acquired from the City of Burlington are stated at the City's cost, net of its accumulated depreciation at the time of acquisition by the Authority.

Depreciation of capital assets is computed using the straight-line method at rates based on the following estimated useful lives:

Land improvements	14-38 years
Building and improvements	10-39 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, 2009, no interest costs were capitalized since there were no qualifying assets.

Deferred Revenue

The Authority has recorded a liability for deferred (unearned) rent revenue for July 2009 hangar rent received during the year ended June 30, 2009.

Designated Net Assets

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

Designated net assets consist of the following:

Designated for capital improvements	\$ 13,512
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Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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**

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

Recent Accounting Pronouncements

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, issued June 2004, became effective for the Authority for the fiscal year ending June 30, 2009. The Statement establishes standards for measurement, recognition, and display of other postemployment benefit expense/expenditures and related liabilities or assets, note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The Authority did not implement GASB Statement No. 45. This is a departure from accounting principles generally accepted in the United States of America. The effect on the financial statements has not been determined.

**Note 3. Cash and Investments**

The Authority's deposits at June 30, 2009 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, 2009 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ <u>1,684,326</u>	\$ <u>2,455</u>	\$ <u>-</u>	\$ <u>1,686,781</u>
Capital assets being depreciated:				
Land improvements	15,527,077	49,194	-	15,576,271
Building and improvements	2,315,028	34,562	(1,022)	2,348,568
Furniture and equipment	<u>1,084,133</u>	<u>5,207</u>	<u>(3,798)</u>	<u>1,085,542</u>
Total capital assets being depreciated	18,926,238	88,963	(4,820)	19,010,381
Less accumulated depreciation	<u>6,078,348</u>	<u>854,093</u>	<u>(4,820)</u>	<u>6,927,621</u>
Total capital assets being depreciated, net	<u>12,847,890</u>	<u>(765,130)</u>	<u>-</u>	<u>12,082,760</u>
Capital assets, net	<u>\$ 14,532,216</u>	<u>\$ (762,675)</u>	<u>\$ -</u>	<u>\$ 13,769,541</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**

Changes in long-term liabilities for the year ended June 30, 2009 are summarized as follows:

	Balance Beginning of Year	<u>Additions</u>	<u>Reductions</u>	Balance End of Year	Due Within <u>One Year</u>
F&M Bank, municipal loan	\$ 179,367	\$ -	\$ 22,462	\$ 156,905	\$ 156,905
F&M Bank, commercial loan	706	-	706	-	-
City of Burlington	<u>290,500</u>	<u>5,695</u>	<u>52,500</u>	<u>243,695</u>	<u>27,000</u>
	<u>\$ 470,573</u>	<u>\$ 5,695</u>	<u>\$ 75,668</u>	<u>\$ 400,600</u>	<u>\$ 183,905</u>

F&M Bank

During the year ended June 30, 2006, the Authority borrowed funds from F&M Bank to finance its share of a Federal Aviation Administration (FAA) funded airport improvement project and to purchase equipment. A municipal loan of \$250,000 was used to finance the Authority's share of an FAA funded airport improvement project. The note is dated October 20, 2005, bears interest at 4.25%, is payable in annual payments of \$30,189, including interest, each December 31 and matures December 31, 2009. 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 was dated July 29, 2005, bore interest at 6.75%, was payable in monthly installments of \$738, including interest and matured July 29, 2008. The loan was paid off during the year ended June 30, 2009.

City of Burlington

During the year ended June 30, 2002, the City of Burlington (City) issued general obligation bonds to be loaned to the Authority to fund its share of the cost of FAA funded airport improvement projects. During year ended June 30, 2009, the City refunded its general obligation bonds and extended the terms of the principal and interest payments due from the Authority to the City. The City's new loan terms require annual principal payments of \$27,000 on June 1st and semi-annual interest payments on December 1st and June 1st through June 30, 2018. The loan bears an incrementally increasing interest rate ranging from 3.5% 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, 2009, the Authority amortized \$554 of bond issue costs, leaving remaining prepaid debt issuance costs of \$4,436.

The Authority agreed to reimburse the City \$85,500 for certain capital improvement expenses it incurred. As of July 1, 2008, \$25,500 of the reimbursement obligation remained and was forgiven by the City. The forgiven balance was recorded as a capital contribution 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 5. Long-Term Liabilities** (continued)

As of June 30, 2009, the current portion of bond principal and accrued interest due to the City totaled \$27,635. These balances are included as current liabilities in the Statement of Net Assets.

Details of the Authority's repayment schedule for long-term debt principal and interest is as follows:

<u>Year Ending</u>	City of Burlington		
	<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>
June 30, 2010	\$ 27,000	\$ 7,616	3.50%
June 30, 2011	27,000	5,655	3.50%
June 30, 2012	27,000	4,860	4.00%
June 30, 2013	27,000	4,170	4.00%
June 30, 2014	27,000	3,402	4.00%
June 30, 2015	27,000	2,619	4.00%
June 30, 2016	27,000	1,820	4.00%
June 30, 2017	27,000	1,162	4.00%
June 30, 2018	<u>27,695</u>	<u>441</u>	4.50%
	243,695	\$ <u>31,745</u>	
Less current portion	<u>(27,000)</u>		
Long-term liability	<u>\$ 216,695</u>		

<u>Year Ending</u>	F&M Bank	
	<u>Principal</u>	<u>Interest</u>
	Municipal loan 4.25% Interest Rate	
June 30, 2010	\$ 156,905	\$ <u>4,062</u>
Less current portion	<u>(156,905)</u>	
Long-term liability	<u>\$ -</u>	

**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 participants are required to contribute 4.10% of their annual salary and the Authority is required to contribute 6.35% of annual covered payroll. Contribution requirements are established by State statute. The Authority's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$4,950, \$5,726, and \$5,128 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 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 value of the deferred account for each participant.

The financial position and changes in financial position of the deferred compensation plan are presented in the Statement of Fiduciary Net Assets and Statement of Changes in Fiduciary Net Assets. The plan assets are invested in mutual funds and are recorded at fair value. The fair value consists of the net asset value of mutual fund investments determined using market prices as of the close of regular trading on the New York Stock Exchange. The net asset value as of June 30, 2009 is \$11,963. Plan contributions for the year ended June 30, 2009 were \$7,994. Plan contributions and deductions are recorded on the cash basis of accounting.

**Note 8. Related Organization**

Based on criteria set by the GASB, the Authority is a component unit of the City of Burlington (City) for financial reporting purposes. The City has financial accountability for the Authority under these criteria because it appoints a voting majority of the Authority's Board of Directors 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 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 Aircraft Rescue and Firefighting (ARFF) services as outlined below, airport security in accordance with FAA directives, snow removal, equipment use, miscellaneous repair work as mutually agreed, and pavement preventive 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 audited, accrual basis financial statements 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 members calls for the joint construction and use of a fire station by the Authority and the City. 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. The Authority is required to reimburse the City a scheduled amount for these services, with incremental annual increases of \$100. The amount due to the City for ARFF services provided during the fiscal year ended June 30, 2009 was \$8,900. 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 \$20,089 contribution from the City of West Burlington for the year ended June 30, 2009. There are no amounts due from the City of West Burlington as of June 30, 2009.

The Authority received a \$22,638 contribution from Des Moines County for the year ended June 30, 2009. There are no amounts due from Des Moines County as of June 30, 2009.

The Authority received the following payments from the City of Burlington during the year ended June 30, 2009:

Rent and lease payments	\$ 3,000
Contribution of Airport Tax Levy	<u>58,417</u>
	<u>\$ 61,417</u>

The following payments are due from the City of Burlington as of June 30, 2009:

Contribution of Airport Tax Levy	\$ 57,946
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During the year ended June 30, 2009, the Authority paid the City of Burlington (City) \$8,800 for ARFF services provided during the year ended June 30, 2008. As of June 30, 2009, \$8,900, which is included in accounts payable, is due to the City for ARFF services provided during the year ended June 30, 2009.

**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, 2009, the Authority paid the City principal of \$27,000 and interest of \$14,747 on outstanding long-term liabilities described in Note 5. As part of the City's debt refunding, \$5,695 in past due interest was added to the loan principal balance.

The Authority had agreed to reimburse the City \$85,500 for certain capital improvement expenses it incurred. As of July 1, 2008, \$25,500 of the reimbursement obligation remained and was forgiven by the City. The forgiven balance was recorded as a capital contribution to the Authority.

One of the Authority's directors is an officer with a local bank. At June 30, 2009, the Authority has balances with the bank as follows:

Checking accounts	\$ 49,065
Loans and accrued interest	160,212

The Authority paid the bank \$7,731 in loan interest during the year ended June 30, 2009.

**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 (City) All Lines Aggregate Insurance Program, and by the purchase of commercial airport liability insurance from an independent third party. The City's All Lines Aggregate Insurance Program is limited to claims exceeding underlying self-insured retention amounts ranging from \$50,000 to \$250,000. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

**Note 11. Operating Leases - Lessor**

The Authority rents 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, 2009 was \$15,973.

The Authority rents 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, 2009.

The Authority rents 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, 2009 was \$48,028.

The Authority rents hangar space to individuals on a month-to-month basis. Rental income for the year ended June 30, 2009 totaled \$84,382.

The Authority leases farm ground to individuals under leases which terminate March 31, 2012. The leases are revocable for cause by the Authority and may be terminated by the lessees with 10 day notice. Rental income for the year ended June 30, 2009 was \$20,280.

**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 and improvements	\$ 700,407	\$ 366,181
Land	531,210	-

**Note 12. Passenger Facility Charges**

The Authority has been authorized by the 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, 2009	\$ 8,386
Change in Passenger Facility Charges receivable	<u>865</u>
	<u>\$ 9,251</u>
Total collection authority remaining	<u>\$ 127,323</u>

**Note 13. Commitments and Contingencies**

The Authority has outstanding commitments on contracts related to various airport improvement projects totaling \$654,000. The projects are being implemented through FAA Airport Improvement Program grants, which reimburse the Authority for 95% of the total cost.

**Southeast Iowa Regional Airport Authority, A Component Unit of the City of Burlington**  
**Schedule of Revenues and Expenses**  
**Year Ended June 30, 2009**

	Total	Terminal	Airfield/ Runways	General Aviation/ Hangars	ARFF	Landside/ Parking	Fuel Farm	Administration
<b>Operating Revenues</b>								
Federal and state grants	\$ 60,260	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,260
Rent income	168,663	36,794	29,280	100,355	-	2,234	-	-
Charges for services	48,903	2,295	7,940	-	-	32,350	6,318	-
Contributions from member governments	161,572	-	-	-	-	-	-	161,572
Total operating revenues	<u>439,398</u>	<u>39,089</u>	<u>37,220</u>	<u>100,355</u>	<u>-</u>	<u>34,584</u>	<u>6,318</u>	<u>221,832</u>
<b>Operating Expenses</b>								
Personal services	114,779	4,850	38,580	3,095	-	5,064	179	63,011
Advertising	6,387	-	-	-	-	-	-	6,387
Consulting and professional fees	9,862	-	-	-	-	-	-	9,862
Dues and memberships	960	-	-	-	-	-	-	960
Liability insurance	7,500	-	-	-	-	-	-	7,500
Utilities	48,574	17,966	12,022	2,198	-	6,514	357	9,517
Contract work	91,152	12,885	62,804	446	8,900	675	35	5,407
Office supplies	1,610	-	-	-	-	-	-	1,610
Postage	485	-	-	-	-	-	-	485
Printing and binding	115	-	-	-	-	-	-	115
Telephone	1,773	341	-	-	-	-	-	1,432
Travel and training	3,527	-	-	-	-	-	-	3,527
Botanical	160	-	160	-	-	-	-	-
Chemicals	5,295	-	5,295	-	-	-	-	-
Fuel and oil	8,182	758	6,199	434	-	753	38	-
Janitorial supplies	2,007	2,007	-	-	-	-	-	-
Small equipment	1,412	1,076	-	-	-	8	-	328
Repairs and maintenance	17,713	1,776	13,352	286	-	37	1,406	856
Total operating expenses	<u>321,493</u>	<u>41,659</u>	<u>138,412</u>	<u>6,459</u>	<u>8,900</u>	<u>13,051</u>	<u>2,015</u>	<u>110,997</u>
Operating income (loss) before depreciation	117,905	(2,570)	(101,192)	93,896	(8,900)	21,533	4,303	110,835
Depreciation	854,092	12,011	763,872	24,673	34,332	327	7,652	11,225
Operating income (loss) before nonoperating income (expenses)	<u>(736,187)</u>	<u>(14,581)</u>	<u>(865,064)</u>	<u>69,223</u>	<u>(43,232)</u>	<u>21,206</u>	<u>(3,349)</u>	<u>99,610</u>
<b>Non-operating Income (Expense)</b>								
Passenger facility charges	9,251	-	9,251	-	-	-	-	-
Interest and investment revenue	815	-	-	-	-	-	-	815
Other income	308	-	-	-	-	-	-	308
Interest expense	(22,207)	-	-	-	-	-	-	(22,207)
Miscellaneous expense	(3,593)	-	(1,674)	-	-	-	-	(1,919)
Total non-operating income (expense)	<u>(15,426)</u>	<u>-</u>	<u>7,577</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(23,003)</u>
Income (loss) before capital contributions	(751,613)	(14,581)	(857,487)	69,223	(43,232)	21,206	(3,349)	76,607
Capital contributions	107,178	-	-	-	-	-	-	107,178
Increase (decrease) in net assets	<u>\$ (644,435)</u>	<u>\$ (14,581)</u>	<u>\$ (857,487)</u>	<u>\$ 69,223</u>	<u>\$ (43,232)</u>	<u>\$ 21,206</u>	<u>\$ (3,349)</u>	<u>\$ 183,785</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, 2009**

	<u>PFC Receipts</u>	<u>Interest Earned</u>	<u>Expenditures</u>	<u>Unliquidated PFC Revenue</u>
Balance at June 30, 2008	\$ 383,729	\$ 5,886	\$ (385,541)	\$ 4,074
Quarter ending September 30, 2008	2,835	13	(2,835)	<u>13</u>
Balance at September 30, 2008				4,087
Quarter ending December 31, 2008	2,149	10	(2,149)	<u>10</u>
Balance at December 31, 2008				4,097
Quarter ending March 31, 2009	1,490	7	(1,490)	<u>7</u>
Balance at March 31, 2009				4,104
Quarter ending June 30, 2009	<u>1,961</u>	<u>3</u>	<u>(1,961)</u>	<u>3</u>
Balance at June 30, 2009				<u>\$ 4,107</u>
Cumulative	<u>\$ 392,164</u>	<u>\$ 5,919</u>	<u>\$ (393,976)</u>	

See accompanying independent auditor's report.



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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 *Government Auditing Standards***

Board of Directors  
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 (Authority), A Component Unit of the City of Burlington, as of and for the year ended June 30, 2009, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 30, 2009. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing 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 the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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, including 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 the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the 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 the 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 09-A and 09-B are material weaknesses.

#### Compliance and Other Matters

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, 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 or other matters required to be reported under *Government Auditing Standards*. However, we noted other matters that are 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, 2009 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.

The 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 the 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 members and customers of the Southeast Iowa Regional Airport Authority and other parties to whom the 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*

September 30, 2009



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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**

Board of Directors  
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 (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, 2009. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of the 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 auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of 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 the 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, the 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, 2009.

### Internal Control Over Compliance

The management of the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A control deficiency in the Authority's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to administer a federal program such that there is more than a remote likelihood non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than remote likelihood material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the Board of Directors, 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*

September 30, 2009

**Southeast Iowa Regional Airport Authority,  
A Component Unit of the City of Burlington  
Schedule of Findings  
Year Ended June 30, 2009**

**Findings Related to the Financial Statements**

**Significant Deficiencies**

09-A Segregation of Duties - Due to the limited number 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.

09-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 that 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, 2009**

**Instances of Noncompliance**

No matters were reported

**Other Findings Related to Required Statutory Reporting**

- 09-1 Official Depositories - A resolution naming official depositories has been adopted by the Authority. The depository resolution did not include the maximum allowable deposits in accordance with Chapter 12C.2 of the Code of Iowa. Deposit amounts did not exceed FDIC insurance limits during the year.

Recommendation - A new depository resolution should be adopted that specifies the maximum allowable deposits in amounts sufficient to cover anticipated balances at all approved depositories in accordance with Chapter 12C.2 of the Code of Iowa.

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

Conclusion - Response accepted.

- 09-2 Deposits and Investments - The Authority has adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

- 09-3 Travel Expense - No expenditures of Authority money for travel expenses of spouses of Authority members or employees were noted.

- 09-4 Board Minutes - No transactions were found that we believe should have been approved in the Authority minutes but were not.

Several instances were noted in which a summary of Board of Directors proceedings was not submitted to the newspaper to be published within twenty days following adjournment of the meeting as required by Chapter 28E.6 of the Code of Iowa. Also, the minutes did not always indicate the vote of each member present.

Recommendation – The Authority should comply with Chapter 28E.6 of the Code of Iowa by publishing minutes within the required time period. The Authority should also ensure the minutes indicate the vote of each member present as required by Chapter 21 of the Code of Iowa.

Response – We will comply with the Code requirements to submit minutes for publication within the required time period and to document the vote of each member present.

Conclusion – Response accepted.

- 09-5 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.