

**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, 2011**

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**Southeast Iowa Regional Airport Authority,  
A Component Unit of the City of Burlington  
Officials  
June 30, 2011**

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

Mary Beaird, Airport Director



401 South Roosevelt Avenue - Suite 2A, PO Box 547, Burlington, IA 52601 / 319 752 6348 / 800 757 6348 / fax: 319 752 8644 / info@cpaapc.com

## 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, 2011, 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 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, 2011, 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 October 12, 2011 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 24 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 on page 25 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

October 12, 2011

**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, 2011. 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 decreased (7)%, or \$(30,103), from fiscal year 2010 to fiscal year 2011. Rent income and contributions from member governments increased; however grant reimbursements related to operations decreased attributing to the overall decline in operating revenues.
- The Authority's operating expenses, before depreciation, were (14)%, or \$(47,186), less in fiscal year 2011 than in fiscal year 2010. The decrease in operating expenses is primarily due to a decrease in operating costs related to advertising and contract work.
- The Authority's grant revenues and capital contributions decreased (40)%, or \$(296,158), from fiscal year 2010 to fiscal year 2011. The decrease is primarily the result of the timing of Airport Improvement Project reimbursements from the Federal Aviation Administration and the purchase of an aircraft rescue and fire fighting vehicle in fiscal year 2010.
- Net assets for 2011 were \$13.1 million, a decrease of \$0.29 million from 2010.

Southeast Iowa Regional Airport, which is operated by the Authority, is an Essential Air Service airport. During the fiscal year ended June 30, 2011, commercial air service was provided by Air Choice One. Air Choice One provided two daily round trip flights to St. Louis, Missouri and Chicago, Illinois during 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.

**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.

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

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, nonoperating 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 2011 totaled approximately \$13.1 million, compared to approximately \$13.4 million at the end of fiscal year 2010. A summary of the Authority's net assets at June 30, 2011 and 2010 is shown below:

	Net Assets	
	<u>2011</u>	<u>2010</u>
Assets:		
Current and other assets	\$ 206,733	\$ 214,013
Capital assets	<u>13,264,340</u>	<u>13,675,095</u>
Total assets	<u>13,471,073</u>	<u>13,889,108</u>
Liabilities:		
Current liabilities	101,082	175,869
Noncurrent liabilities	<u>246,461</u>	<u>298,745</u>
Total liabilities	<u>347,543</u>	<u>474,614</u>
Net Assets:		
Invested in capital assets, net of related debt	12,962,190	13,321,372
Unrestricted	<u>161,340</u>	<u>93,122</u>
Total net assets	<u>\$ 13,123,530</u>	<u>\$ 13,414,494</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.

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

*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, 2011 and 2010 is presented below:

	<u>2011</u>	<u>2010</u>
Revenues, Expenses and Changes in Net Assets		
Operating revenues	\$ 431,727	\$ 461,830
Operating expenses	<u>(293,994)</u>	<u>(341,180)</u>
Operating income before depreciation	137,733	120,650
Depreciation	<u>(914,204)</u>	<u>(876,320)</u>
Operating loss	(776,471)	(755,670)
Nonoperating income (expenses), net	<u>39,300</u>	<u>(9,790)</u>
Loss before capital contributions	(737,171)	(765,460)
Grant revenues and capital contributions	<u>446,207</u>	<u>742,365</u>
Decrease in net assets	(290,964)	(23,095)
Net assets, beginning of year	<u>13,414,494</u>	<u>13,437,589</u>
Net assets, end of year	<u>\$ 13,123,530</u>	<u>\$ 13,414,494</u>

*Revenues*

A summary of revenues for the year ended June 30, 2011 and the amount and percentage of change in relation to prior year amounts is presented below:

	<u>Amount</u>	<u>% of Total</u>	<u>Increase (Decrease) From Prior Year</u>	<u>% Increase (Decrease)</u>
Operating:				
Terminal	\$ 49,425	5.32 %	\$ 6,681	15.63 %
Airfield/Runways	43,550	4.68	(582)	(1.32)
General Aviation/Hangars	109,668	11.79	7,161	6.99
Landside/Parking	34,167	3.67	4,295	14.38
Fuel Farm	5,218	0.57	(1,502)	(22.35)
Contributions from member governments	<u>189,699</u>	<u>20.40</u>	<u>(46,156)</u>	<u>(19.57)</u>
Total operating	<u>431,727</u>	<u>46.43</u>	<u>(30,103)</u>	<u>(6.52)</u>
Nonoperating:				
Passenger facility charges	22,836	2.46	18,120	384.22
Interest and investment revenue	117	0.01	(122)	(51.05)
Other income	<u>28,919</u>	<u>3.11</u>	<u>28,817</u>	28,251.96
Total nonoperating	<u>51,872</u>	<u>5.58</u>	<u>46,815</u>	925.75
Grant revenues and capital contributions	<u>446,207</u>	<u>47.99</u>	<u>(296,158)</u>	<u>(39.89)</u>
Total revenues	<u>\$ 929,806</u>	<u>100.00 %</u>	<u>\$ (279,446)</u>	<u>(23.11)%</u>

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

*Expenses*

A summary of expenses for the year ended June 30, 2011, and the amount and percentage change in relation to prior year amounts is presented below:

	<u>Amount</u>	<u>% of Total</u>	<u>Increase (Decrease) From Prior Year</u>	<u>% Increase (Decrease)</u>
Operating:				
Personal services	\$ 136,772	11.20 %	\$ 3,226	2.42 %
Advertising	24,413	2.00	(42,484)	(63.51)
Consulting and professional fees	18,560	1.52	6,310	51.51
Dues and memberships	1,554	0.13	480	44.69
Liability insurance	11,648	0.95	414	3.69
Utilities	46,226	3.79	27	0.06
Contract work	12,151	1.00	(18,764)	(60.70)
Office supplies	610	0.05	(462)	(43.10)
Postage	632	0.05	92	17.04
Telephone	2,019	0.17	(388)	(16.12)
Travel and training	4,084	0.33	(1,324)	(24.48)
Botanicals	3,166	0.26	2,108	199.24
Fuel and oil	9,551	0.78	410	4.49
Janitorial supplies	2,051	0.17	197	10.63
Small equipment	386	0.03	(547)	(58.63)
Repairs and maintenance	<u>20,171</u>	<u>1.65</u>	<u>3,519</u>	21.13
Total operating	<u>293,994</u>	<u>24.08</u>	<u>(47,186)</u>	(13.83)
Depreciation	<u>914,204</u>	<u>74.89</u>	<u>37,884</u>	4.32
Nonoperating:				
Interest expense	<u>12,572</u>	<u>1.03</u>	<u>(2,275)</u>	(15.32)
Total nonoperating	<u>12,572</u>	<u>1.03</u>	<u>(2,275)</u>	(15.32)
Total expenses	<u>\$ 1,220,770</u>	<u>100.00 %</u>	<u>\$ (11,577)</u>	(0.94)%

*Statement of Cash Flows*

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, noncapital 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.

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

**Capital Acquisitions and Construction Activities**

During 2011, the Authority expended \$502,203 on capital activities. These activities included continued work on the rehabilitation of Runway 18/36, Taxiway C, and the conventional hangar project.

**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 1 and semi-annual interest payments on December 1 and June 1. The loan bears an incrementally increasing interest rate ranging from 3.5% to 4.5%.

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. On December 18, 2009, the loan was refinanced, with interest bearing at 5.25% payable annually on December 31 and maturing on December 31, 2014.

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, 2011, the Authority has collected PFCs, including interest earnings thereon, totaling \$426,323. For further details, see the Schedule of Passenger Facility Charges Collected and Expended in the Compliance Section included as supplementary information to the financial statements.

**Economic Factors**

The Authority continues to be challenged to increase passenger enplanements and commercial air service marketing efforts.

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.

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

**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, 2011**

<b>Assets</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 96,490
Receivables	45,103
Related party receivables	62,572
Prepaid insurance	<u>2,568</u>
Total current assets	<u>206,733</u>
<b>Noncurrent Assets</b>	
Capital assets:	
Land	1,686,781
Land improvements	15,971,696
Building and improvements	2,622,075
Furniture and equipment	1,547,726
Less accumulated depreciation	<u>(8,567,265)</u>
Total capital assets	13,261,013
Prepaid debt issuance costs, net of accumulated amortization	<u>3,327</u>
Total noncurrent assets	<u>13,264,340</u>
Total assets	<u>13,471,073</u>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts payable	22,491
Accrued expenses	15,358
Current portion of long-term debt	25,362
Deferred revenue	10,871
Due to City of Burlington	<u>27,000</u>
Total current liabilities	<u>101,082</u>
<b>Long-term Liabilities</b>	
Due to City of Burlington	162,695
Long-term debt, net of current portion	<u>83,766</u>
Total noncurrent liabilities	<u>246,461</u>
Total liabilities	<u>347,543</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	12,962,190
Unrestricted	<u>161,340</u>
Total net assets	<u>\$ 13,123,530</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, 2011**

<b>Operating Revenues</b>	
Federal and state grants	\$ 17,822
Rent income	194,530
Charges for services	47,498
Contributions from member governments	<u>171,877</u>
Total operating revenues	<u>431,727</u>
<b>Operating Expenses</b>	
Personal services	136,772
Advertising	24,413
Consulting and professional fees	18,560
Dues and memberships	1,554
Liability insurance	11,648
Utilities	46,226
Contract work	12,151
Office supplies	610
Postage	632
Telephone	2,019
Travel and training	4,084
Botanical	3,166
Fuel and oil	9,551
Janitorial supplies	2,051
Small equipment	386
Repairs and maintenance	<u>20,171</u>
Total operating expenses	<u>293,994</u>
Operating income before depreciation	137,733
Depreciation	<u>914,204</u>
Operating loss	<u>(776,471)</u>
<b>Nonoperating Income (Expense)</b>	
Passenger facility charges	22,836
Interest and investment revenue	117
Gain on sale of fixed assets	28,919
Interest expense	<u>(12,572)</u>
Total nonoperating income (expense)	<u>39,300</u>
Loss before capital contributions	(737,171)
Capital contributions - Federal and state grant revenues	<u>446,207</u>
Decrease in net assets	(290,964)
<b>Net assets, beginning of year</b>	<u>13,414,494</u>
<b>Net assets, end of year</b>	<u>\$ 13,123,530</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, 2011**

<b>Cash Flows From Operating Activities</b>	
Receipts from customers	\$ 238,278
Receipts from federal and state agencies	31,315
Receipts from member governments	169,531
Payments to suppliers	(234,871)
Prepaid insurance	1,580
Payments to employees	<u>(133,262)</u>
Net cash provided by operating activities	<u>72,571</u>
<b>Cash Flows From Capital and Related Financing Activities</b>	
Proceeds from sale of capital assets	27,119
Passenger facility charges	15,592
Capital grants received	532,110
Purchase of capital assets	(502,203)
Principal paid on capital debt	(51,019)
Interest paid on capital debt	<u>(12,724)</u>
Net cash provided by capital and related financing activities	<u>8,875</u>
<b>Cash Flows From Investing Activities</b>	
Interest	<u>117</u>
Net cash provided by investing activities	<u>117</u>
<b>Net decrease in cash and cash equivalents</b>	81,563
<b>Cash and cash equivalents, beginning of year</b>	<u>14,927</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 96,490</u>
<b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</b>	
Operating loss	\$ (776,471)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	914,204
Changes in assets and liabilities:	
Receivables	8,604
Prepaid insurance	1,580
Bank overdraft	(82,461)
Accounts payable and accrued expenses	8,322
Deferred revenue	<u>(1,207)</u>
Net cash provided by operating activities	<u>\$ 72,571</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, 2011**

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	<b>Fiduciary Fund Employee Retirement Plan Trust</b>
<b>Assets</b>	
Investments at fair value	\$ <u>37,112</u>
<b>Net Assets</b>	
Held in trust for pension benefits	\$ <u>37,112</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, 2011**

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	<b>Fiduciary Fund Employee Retirement Plan Trust</b>
<b>Additions</b>	
Contributions:	
Plan members	\$ 10,102
Investment earnings:	
Net increase in fair value of investments	<u>5,046</u>
Total additions	<u>15,148</u>
<b>Deductions</b>	
Net participant withdrawals	<u>-</u>
Total deductions	<u>-</u>
Increase in net assets	15,148
<b>Net assets, beginning of year</b>	<u>21,964</u>
<b>Net assets, end of year</b>	<u>\$ 37,112</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 that 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 benefits 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 that are capital, financing or investing are reported as nonoperating 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.

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, 2011.

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.

**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)**

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

Land improvements	5-38 years
Building and improvements	5-40 years
Furniture and equipment	5-10 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, 2011, 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 2011 hangar rent received during the year ended June 30, 2011.

Designated Net Assets

The Board of Directors has designated all passenger facility charges for capital improvements, which totaled \$98,567 for the year ended June 30, 2011.

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.

Subsequent Events

The Authority performed an evaluation of subsequent events through October 12, 2011. There are no subsequent events that require disclosure or recognition in the financial statements as of June 30, 2011.

**Note 3. Cash and Investments**

The Authority's deposits at June 30, 2011 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.

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

**Note 3. Cash and Investments (continued)**

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, 2011 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ <u>1,686,781</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,686,781</u>
Capital assets being depreciated:				
Land improvements	15,624,652	347,044	-	15,971,696
Building and improvements	2,497,127	126,406	(1,458)	2,622,075
Furniture and equipment	<u>1,666,596</u>	<u>30,553</u>	<u>(149,423)</u>	<u>1,547,726</u>
Total capital assets being depreciated	<u>19,788,375</u>	<u>504,003</u>	<u>(150,881)</u>	<u>20,141,497</u>
Less accumulated depreciation for:				
Land improvements	5,725,991	759,812	-	6,485,803
Building and improvements	1,003,240	84,198	(1,458)	1,085,980
Furniture and equipment	<u>1,074,711</u>	<u>70,194</u>	<u>(149,423)</u>	<u>995,482</u>
Total accumulated depreciation	<u>7,803,942</u>	<u>914,204</u>	<u>(150,881)</u>	<u>8,567,265</u>
Total capital assets being depreciated, net	<u>11,984,433</u>	<u>(410,201)</u>	<u>-</u>	<u>11,574,232</u>
Capital assets, net	<u>\$ 13,671,214</u>	<u>\$ (410,201)</u>	<u>\$ -</u>	<u>\$ 13,261,013</u>

**Note 5. Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
F&M Bank, municipal loan	\$ 133,147	\$ -	\$ 24,019	\$ 109,128	\$ 25,362
City of Burlington	<u>216,695</u>	<u>-</u>	<u>27,000</u>	<u>189,695</u>	<u>27,000</u>
	<u>\$ 349,842</u>	<u>\$ -</u>	<u>\$ 51,019</u>	<u>\$ 298,823</u>	<u>\$ 52,362</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** (continued)

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. On December 18, 2009, the loan was refinanced with interest bearing at 5.25% payable annually on December 31 and matures on December 31, 2014. 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 (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 1 and semi-annual interest payments on December 1 and June 1 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, 2011, the Authority amortized \$554 of bond issue costs, leaving remaining prepaid debt issuance costs of \$3,327.

As of June 30, 2011, the current portion of bond principal and accrued interest due to the City totaled \$27,405. 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>	<u>City of Burlington</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>
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	27,695	441	4.50%
	189,695	\$ 18,474	
Less current portion	(27,000)		
Long-term liability	\$ 162,695		

**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)

<u>Year Ending</u>	<u>F&amp;M Bank</u>	
	<u>Municipal loan</u>	
	<u>5.25% Interest Rate</u>	
	<u>Principal</u>	<u>Interest</u>
June 30, 2012	\$ 25,362	\$ 5,725
June 30, 2013	26,693	4,394
June 30, 2014	28,095	2,992
June 30, 2015	<u>28,978</u>	<u>1,517</u>
	109,128	\$ <u>14,628</u>
Less current portion	<u>(25,362)</u>	
Long-term liability	\$ <u><u>83,766</u></u>	

**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 4.50% of their annual salary and the Authority is required to contribute 6.95% of annual covered payroll. Contribution requirements are established by State statute. The Authority's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 was \$6,272, \$6,285, and \$4,950, 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.

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

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**Note 7. Employee Retirement Plan Trust (continued)**

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, 2011 is \$37,112. Plan contributions for the year ended June 30, 2011 were \$10,102. 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.

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 Fire Fighting (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, 2011 was \$9,100. 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 \$22,098 contribution from the City of West Burlington for the year ended June 30, 2011. There are no amounts due from the City of West Burlington as of June 30, 2011.

**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)**

The Authority received a \$23,770 contribution from Des Moines County for the year ended June 30, 2011. There are no amounts due from Des Moines County as of June 30, 2011.

The Authority received the following payments from the City of Burlington during the year ended June 30, 2011:

Rent and lease payments	\$ 3,000
Contribution of Airport Tax Levy	<u>123,664</u>
	<u>\$ 126,664</u>

The following payments are due from the City of Burlington as of June 30, 2011:

Contribution of Airport Tax Levy	\$ 62,572
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During the year ended June 30, 2011, the Authority paid the City of Burlington (City) \$9,100 for ARFF services provided during the year ended June 30, 2011.

During the fiscal year ended June 30, 2011, the Authority paid the City principal of \$27,000 and interest of \$5,655 on outstanding long-term liabilities described in Note 5.

One of the Authority's directors is an officer with a local bank. At June 30, 2011, the Authority has balances with the bank as follows:

Checking accounts	\$ 97,976
Loans and accrued interest	112,204

The Authority paid the bank \$7,068 in loan interest during the year ended June 30, 2011.

**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 the City of Burlington's commercial insurance, and by the purchase of commercial airport liability insurance 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 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, 2011 was \$15,112.

The Authority rents a building to the Civil Air Patrol under an annually renewable lease calling for \$1 a year rent.

**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)**

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, 2011 was \$57,104.

The Authority rents hangar space to individuals on a month-to-month basis. Rental income for the year ended June 30, 2011 totaled \$94,556.

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, 2011 was \$27,759.

Property held for leasing is summarized as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>
Building and improvements	\$ 973,194	\$ 421,572
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, 2011	\$ 15,592
Change in Passenger Facility Charges receivable	<u>7,244</u>
	<u>\$ 22,836</u>
Total collection authority remaining	<u>\$ 100,902</u>

**Note 13. Commitments and Contingencies**

The Authority has outstanding commitments on contracts related to various airport improvement projects totaling \$1,024,000. 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, 2011**

	<u>Total</u>	<u>Terminal</u>	<u>Airfield/ Runways</u>	<u>General Aviation/ Hangars</u>	<u>ARFF</u>	<u>Landside/ Parking</u>	<u>Fuel Farm</u>	<u>Administration</u>
<b>Operating Revenues</b>								
Federal and state grants	\$ 17,822	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,822
Rent income	194,530	46,109	36,759	109,668	-	1,994	-	-
Charges for services	47,498	3,316	6,791	-	-	32,173	5,218	-
Contributions from member governments	171,877	-	-	-	-	-	-	171,877
Total operating revenues	<u>431,727</u>	<u>49,425</u>	<u>43,550</u>	<u>109,668</u>	<u>-</u>	<u>34,167</u>	<u>5,218</u>	<u>189,699</u>
<b>Operating Expenses</b>								
Personal services	136,772	2,995	42,182	2,355	57	3,548	242	85,393
Advertising	24,413	-	-	-	-	-	-	24,413
Consulting and professional fees	18,560	-	-	-	-	-	-	18,560
Dues and memberships	1,554	-	-	-	-	-	-	1,554
Liability insurance	11,648	-	-	-	-	-	-	11,648
Utilities	46,226	17,907	11,655	2,889	-	3,555	470	9,750
Contract work	12,151	12,756	(10,988)	-	9,100	1,038	120	125
Office supplies	610	-	-	-	-	-	-	610
Postage	632	-	-	-	-	-	-	632
Telephone	2,019	-	-	-	-	-	-	2,019
Travel and training	4,084	-	-	-	-	-	-	4,084
Botanical	3,166	-	3,166	-	-	-	-	-
Fuel and oil	9,551	633	7,702	417	9	740	50	-
Janitorial supplies	2,051	2,051	-	-	-	-	-	-
Small equipment	386	-	-	-	-	160	-	226
Repairs and maintenance	20,171	2,589	12,625	21	-	1,703	1,029	2,204
Total operating expenses	<u>293,994</u>	<u>38,931</u>	<u>66,342</u>	<u>5,682</u>	<u>9,166</u>	<u>10,744</u>	<u>1,911</u>	<u>161,218</u>
Operating income (loss) before depreciation	137,733	10,494	(22,792)	103,986	(9,166)	23,423	3,307	28,481
Depreciation	<u>914,204</u>	<u>6,875</u>	<u>767,232</u>	<u>26,168</u>	<u>94,725</u>	<u>327</u>	<u>7,652</u>	<u>11,225</u>
Operating income (loss) before nonoperating income (expenses)	<u>(776,471)</u>	<u>3,619</u>	<u>(790,024)</u>	<u>77,818</u>	<u>(103,891)</u>	<u>23,096</u>	<u>(4,345)</u>	<u>17,256</u>
<b>Nonoperating Income (Expense)</b>								
Passenger facility charges	22,836	-	22,836	-	-	-	-	-
Interest and investment revenue	117	-	-	-	-	-	-	117
Gain on sale of fixed assets	28,919	-	-	-	-	-	28,919	-
Interest expense	(12,572)	-	-	-	-	-	-	(12,572)
Total nonoperating income (expense)	<u>39,300</u>	<u>-</u>	<u>22,836</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,919</u>	<u>(12,455)</u>
Income (loss) before capital contributions	(737,171)	3,619	(767,188)	77,818	(103,891)	23,096	24,574	4,801
Capital contributions - Federal and state grant revenues	<u>446,207</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>446,207</u>
Increase (decrease) in net assets	<u>\$ (290,964)</u>	<u>\$ 3,619</u>	<u>\$ (767,188)</u>	<u>\$ 77,818</u>	<u>\$ (103,891)</u>	<u>\$ 23,096</u>	<u>\$ 24,574</u>	<u>\$ 451,008</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, 2011**

	<u>PFC Receipts</u>	<u>Interest Earned</u>	<u>Expenditures</u>	<u>Unliquidated PFC Revenue</u>
Balance at June 30, 2010	\$ 397,564	\$ 5,934	\$ (397,578)	\$ 5,920
Quarter ending September 30, 2010	3,793	3	(3,793)	<u>3</u>
Balance at September 30, 2010				5,923
Quarter ending December 31, 2010	5,997	1	(5,997)	<u>1</u>
Balance at December 31, 2010				5,924
Quarter ending March 31, 2011	9	1	(9)	<u>1</u>
Balance at March 31, 2011				5,925
Quarter ending June 30, 2011	<u>13,020</u>	<u>1</u>	<u>(13,020)</u>	<u>1</u>
Balance at June 30, 2011				<u>\$ 5,926</u>
Cumulative	<u>\$ 420,383</u>	<u>\$ 5,940</u>	<u>\$ (420,397)</u>	

See accompanying independent auditor's report.



401 South Roosevelt Avenue - Suite 2A, PO Box 547, Burlington, IA 52601 / 319 752 6348 / 800 757 6348 / fax: 319 752 8644 / info@cpaapc.com

**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, 2011, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 12, 2011. 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## 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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters 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, 2011 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*

October 12, 2011



401 South Roosevelt Avenue - Suite 2A, PO Box 547, Burlington, IA 52601 / 319 752 6348 / 800 757 6348 / fax: 319 752 8644 / info@cpaapc.com

**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, 2011. 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 noncompliance 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, 2011.

Internal Control Over Compliance

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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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*

October 12, 2011

**Southeast Iowa Regional Airport Authority,  
A Component Unit of the City of Burlington  
Schedule of Findings  
Year Ended June 30, 2011**

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

- (a) An unqualified opinion was issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.

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

**Significant Deficiencies**

- 11-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.

- 11-B Financial Reporting - During the audit, we identified material amounts of receivables and liabilities 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 and liabilities 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 and liabilities 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  
Year Ended June 30, 2011**

**Part II: Findings Related to the Financial Statements (continued)**

**Instances of Noncompliance:**

No matters were noted.

**Other Findings Related to Required Statutory Reporting**

- 11-1 Deposits and Investments - The Authority has adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.
- 11-2 Travel Expense - No expenditures of Authority money for travel expenses of spouses of Authority members or employees were noted.
- 11-3 Board Minutes - No transactions were found that we believe should have been approved in the Authority minutes but were not.

Two 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.

Recommendation – The Authority should comply with Chapter 28E.6 of the Code of Iowa by publishing minutes within the required time period.

Response – We will comply with the Code requirements to submit minutes for publication within the required time period.

Conclusion – Response accepted.

- 11-4 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.