

# Polk County Aviation Authority



## Audited Financial Statements And Required Supplementary Information For the Years Ended June 30, 2013 and 2012

Polk County  
Aviation Authority  
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**POLK COUNTY AVIATION AUTHORITY  
Officials**

<u>Name</u>	<u>Title</u>	<u>Representing</u>
John Pighetti	Chairperson	Polk County
Jeff Wangsness	Secretary	City of Ankeny
Dr. Paul Novak	Treasurer	Polk County
Brant Anderson	Member	City of Altoona
James M. Gocke	Member	Polk County
Jason Greubel	Member	City of Bondurant
R. Todd Ashby	Member	City of Ankeny
Amy Beattie	Attorney	Brick Gentry PC
Paul Moritz	Staff Administrator	City of Ankeny
Margaret Waldschmitt	Recording Secretary	City of Ankeny
Jennifer Sease	Finance Director	City of Ankeny
Exec 1 Aviation, Inc	FBO	

## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Polk County Aviation Authority  
Ankeny, Iowa

### Report on the Financial Statements

We have audited the accompanying financial statements of Polk County Aviation Authority as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Polk County Aviation Authority, as of June 30, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matter**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 9 and 19 through 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2013, on our consideration of Polk County Aviation 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Polk County Aviation Authority's internal control over financial reporting and compliance.



**DENMAN & COMPANY, LLP**

West Des Moines, Iowa  
November 20, 2013

## **POLK COUNTY AVIATION AUTHORITY**

### **Management's Discussion and Analysis**

#### **For the Year Ended June 30, 2013**

The following discussion and analysis of the Polk County Aviation Authority's (the Authority) financial performance provides an introduction to the financial statements for the fiscal year ended June 30, 2013. It is intended to give the readers an overview of, and additional insight into, the financial activities of the Authority over the past year. This will be done most effectively by reading this discussion and analysis in conjunction with the information contained in the Authority's financial statements.

#### **Financial Highlights**

- The current assets of the Authority were \$2,768,961 while the current liabilities were \$394,848, a ratio of 7:1.
- The Authority's total assets decreased by \$624,099 and its total liabilities decreased by \$162,342 from 2012.
- The assets of the Authority exceeded its liabilities at the close of the year by \$11,074,246 (net position). Of this amount, \$1,970,533 is unrestricted net position and may be used to meet the Authority's ongoing obligations, and \$665,412 is restricted for airport improvement projects.

#### **Overview of the Financial Statements**

Following this discussion and analysis are the basic financial statements of the Authority together with the notes, which are essential to a full understanding of the data contained in the financial statements. The Authority's financial statements are designed to provide readers with a broad overview of the Authority's finances.

The *Balance Sheets* present the Authority's financial position, in its entirety, as of June 30. All of the Authority's assets and liabilities are presented with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the Authority's overall financial position.

The *Statements of Revenues, Expenses, and Changes in Net Position* present information showing how the Authority's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement that will result in cash flows in future periods.

The *Statements of Cash Flows* relate to the flows of cash and cash equivalents. Consequently, only transactions that affect the Authority's cash accounts are reported in this statement. A reconciliation is provided at the bottom of this statement to assist in the understanding of the difference between cash flows from operating activities and operating loss.

In addition to the basic financial statements and accompanying notes, this report also presents the *Budgetary Comparison Schedule*.

**POLK COUNTY AVIATION AUTHORITY**

**Management's Discussion and Analysis  
For the Year Ended June 30, 2013**

**Financial Analysis**

The following represents the Authority's financial position for the years ended June 30:

	<u>2013</u>	<u>2012</u>
Current assets	\$ 2,768,961	\$ 2,748,531
Capital assets	11,047,959	11,687,876
Other noncurrent assets	<u>36,519</u>	<u>41,131</u>
Total assets	<u>13,853,439</u>	<u>14,477,538</u>
Current liabilities	394,848	295,357
Noncurrent liabilities	<u>2,384,345</u>	<u>2,646,178</u>
Total liabilities	<u>2,779,193</u>	<u>2,941,535</u>
Net investment in capital assets	8,438,301	8,835,998
Restricted	665,412	869,818
Unrestricted	<u>1,970,533</u>	<u>1,830,187</u>
Total net position	<u>\$ 11,074,246</u>	<u>\$ 11,536,003</u>

The following represents the Authority's summary of changes in net position for the years ended June 30:

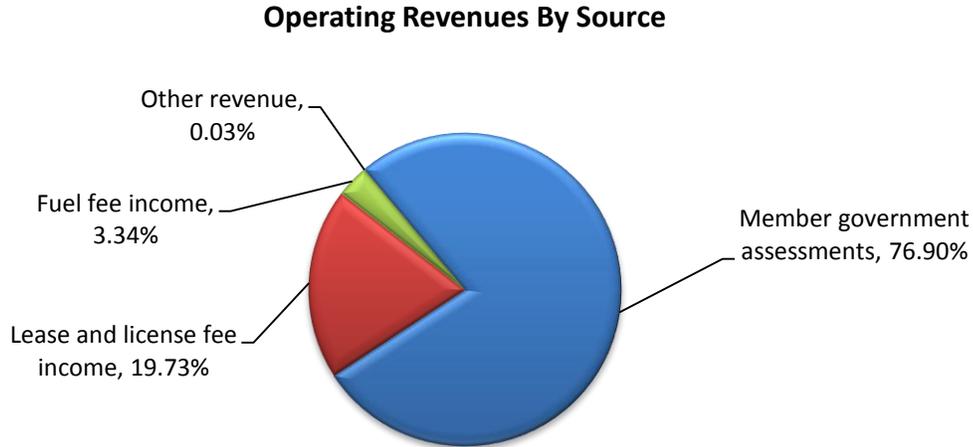
**Changes In Net Position**

	<u>2013</u>	<u>2012</u>
Total operating revenues	\$ 833,166	\$ 887,948
Total operating expenses	<u>300,078</u>	<u>343,017</u>
Operating income before depreciation	533,088	544,931
Depreciation	<u>827,486</u>	<u>834,479</u>
Operating loss	(294,398)	(289,548)
Nonoperating income	11,179	12,043
Nonoperating expense	(178,538)	(202,350)
Grants for capital improvements	<u>-</u>	<u>2,981</u>
Change in net position	(461,757)	(476,874)
Net position - beginning	<u>11,536,003</u>	<u>12,012,877</u>
Net position - ending	<u>\$ 11,074,246</u>	<u>\$ 11,536,003</u>

**POLK COUNTY AVIATION AUTHORITY**

**Management’s Discussion and Analysis  
For the Year Ended June 30, 2013**

The following graph summarizes the Authority’s operating revenues by source for the year ended June 30, 2013:



The following is a comparison of the Authority’s operating revenues by source for the years ended June 30:

**Operating Revenues By Source**

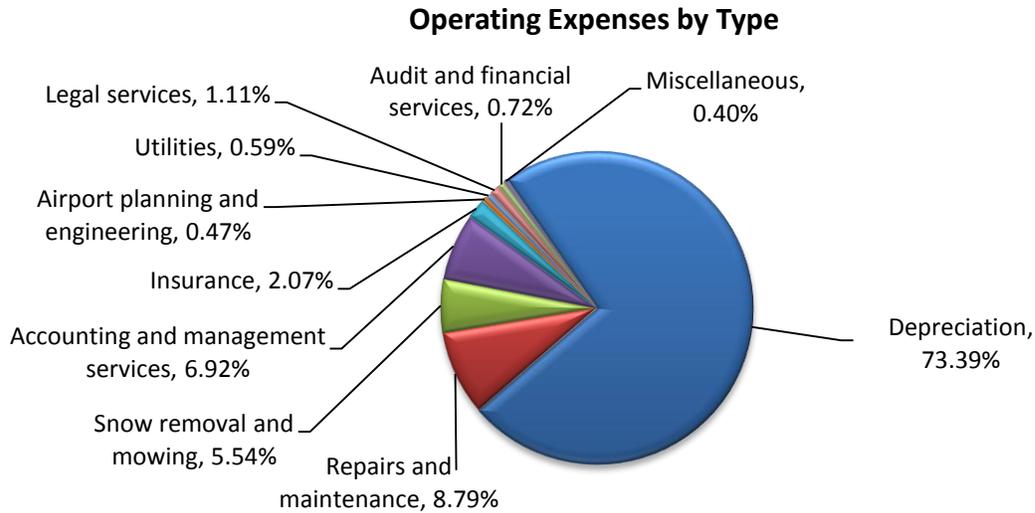
	2013	2012
Member government assessments	\$ 640,721	\$ 629,026
Grant reimbursements	-	17,864
Lease and license fee income	164,400	107,757
Fuel fee income	27,853	27,219
T-Hangar rental income	-	81,580
Terminal rental income	-	23,902
Other revenue	192	600
<b>Total operating revenues</b>	<b>\$ 833,166</b>	<b>\$ 887,948</b>

- Total operating revenues decreased by \$54,782 or 6.17%.
- Operating grant reimbursements decreased by \$17,864. Funds received in the prior year completed a General Aviation Vertical Infrastructure (GAVI) grant for repairs to the terminal building roof.
- Lease and license fee and rental income decreased by \$48,839 (net). Due to a management agreement signed January 1, 2012, the FBO, Exec 1 Aviation, performs onsite management services and collects all hangar rent. In return, they pay a portion of the rent collected as a lease fee to the Authority. Hangar and terminal rents collected prior to the agreement are recorded in their respective category. After January 1, 2012, all rent and lease revenue is recorded as lease and license fee income.

**POLK COUNTY AVIATION AUTHORITY**

**Management’s Discussion and Analysis  
For the Year Ended June 30, 2013**

The following graph summarizes the Authority’s operating expenses by type including depreciation for the year ended June 30, 2013:



The following is a comparison of the Authority’s operating expenses by type for the years ended June 30:

**Operating Expenses By Type**

	2013	2012
Repairs and maintenance	\$ 99,115	\$ 154,730
Snow removal and mowing	62,494	48,038
Depreciation	827,486	834,479
Utilities	6,690	21,289
Insurance	23,382	25,489
Airport planning and engineering	5,312	22,067
Accounting and management services	78,005	44,597
Legal services	12,542	13,731
Audit and financial services	8,075	9,050
Miscellaneous	4,463	4,026
<b>Total operating expenses</b>	<b><u>\$ 1,127,564</u></b>	<b><u>\$ 1,177,496</u></b>

- Total operating expenses decreased by \$49,932 or 4.24%.
- Repair and maintenance costs decreased by \$55,615. In addition to the savings realized by the management agreement, other repair expenses remained relatively low in 2013.
- Snow removal and mowing expenses increased by \$14,456. Several large snow events contributed to this increase in expense.
- Utility expenses decreased by \$14,599. This decrease is primarily related to the management agreement signed January 1, 2012.

**POLK COUNTY AVIATION AUTHORITY**

**Management's Discussion and Analysis  
For the Year Ended June 30, 2013**

- Airport planning and engineering costs decreased by \$16,755 primarily due to an engineering focus on specific construction projects during the year.
- Accounting and management services expenses increased by \$33,408. This increase is primarily related to the management agreement signed on January 1, 2012, with Exec 1 Aviation, whereby, the Authority pays the FBO \$5,000 per month to perform specified maintenance duties including daily inspections, runway light repair labor, mowing services and a portion of the snow and ice removal services. Fiscal year 2013 includes a full year of management expenses under the agreement.

**Capital Assets and Debt Administration**

**Capital Assets.** The Authority's capital assets, net of accumulated depreciation, as of June 30, 2013, amounts to \$11,047,959. The Authority's capital assets include land, construction in progress, buildings, infrastructure, and equipment and furniture.

The total decrease in the Authority's capital assets for the current fiscal year was \$639,917 or 5.48%.

The following represents the Authority's summary of capital assets for the years ended June 30:

	<u>2013</u>	<u>2012</u>
Land	\$ 6,817,797	\$ 6,772,343
Construction in progress	254,708	112,592
Aviation museum	162,939	162,939
Equipment and furniture	60,466	61,676
Runway	8,462,384	8,462,384
Taxiway	3,451,883	3,451,883
Apron	1,611,720	1,611,720
T-hangars, access road	2,074,283	2,074,283
Taxiway (offset)	51,951	51,951
Terminal building	758,141	758,141
Parking lot improvements	81,574	81,574
Transmission line lighting	90,876	90,876
Field fence replacement	47,399	47,399
Total	<u>23,926,121</u>	<u>23,739,761</u>
Less: accumulated depreciation	<u>12,878,162</u>	<u>12,051,885</u>
Net	<u>\$ 11,047,959</u>	<u>\$ 11,687,876</u>

Major capital asset events during the current fiscal year included the following:

- The Authority incurred expenses of \$45,454 for legal fees related to the purchase of a parcel of land for the SE Four Mile Drive Relocation/Runway 22 Protection Zone (RPZ) project.
- The Authority held a contract for engineering services for the SE Four Mile Drive Relocation/Runway 22 RPZ project. Construction in progress at June 30 was \$254,708.

## POLK COUNTY AVIATION AUTHORITY

### Management's Discussion and Analysis

#### For the Year Ended June 30, 2013

- Equipment and furniture decreased by \$1,210, due to the disposal of the plow blade during the year. Additionally, an end loader, blower and plow blade were purchased from Polk County Public Works for immediate resale to Elder Corporation as part of a new snow removal contract.
- Accumulated depreciation on capital assets increased by \$826,277.

Additional information on the Authority's capital assets can be found in the notes to the financial statements on page 15 of this report.

**Long-Term Debt.** At the end of the current fiscal year, the Authority had total bonded debt outstanding of \$2,790,000. All of these bonds were issued by Polk County, Iowa during fiscal year 2005 on behalf of the Authority. The Authority has entered into an agreement with Polk County, Iowa to repay the debt and all related costs of the bond issue.

The Authority's total long-term debt decreased by \$261,833 (9.89%) during fiscal year 2013. The decrease was primarily due to the repayment of bond principal during the fiscal year.

Additional information on the Authority's long-term debt can be found in the notes to the financial statements on pages 15-17 of this report.

### **Budgetary Information**

The Authority prepares an annual budget for all revenues and expenses. The budget is prepared on a modified accrual basis of accounting, which is an accounting method not in conformance with accounting principles generally accepted in the United States of America. A reconciliation is included in the Required Supplementary Information on page 19 showing the differences between the budget basis revenues and expenses and the full accrual basis revenues and expenses.

- Change in net position was greater than budgeted by \$945,957.
- Operating expenses were under budget by \$960,484.
- Operating revenues were under budget by \$15,755.

### **Authority Development Initiatives**

The Authority is in the process of planning and designing the relocation of SE Four Mile Drive for the purpose of protecting the eastern clearance zone for runway 22.

### **Requests for Information**

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Polk County Aviation Authority, 410 West First Street, Ankeny, Iowa 50023.

**POLK COUNTY AVIATION AUTHORITY**

**Balance Sheets  
June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 2,055,790	\$ 1,850,213
Cash - restricted	694,201	879,335
Accounts receivable	13,877	13,177
Prepaid Insurance	5,093	5,806
	<u>2,768,961</u>	<u>2,748,531</u>
<b>Noncurrent assets</b>		
Capitalized bond issue costs - net of amortization of \$49,739 and \$45,126	36,519	41,131
Construction in progress	254,708	112,592
Property and equipment	10,793,251	11,575,284
	<u>11,084,478</u>	<u>11,729,007</u>
<b>Total assets</b>	<u>\$13,853,439</u>	<u>\$ 14,477,538</u>
<b>LIABILITIES AND NET POSITION</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 110,750	\$ 24,495
Interest payable	12,018	13,067
Deferred revenue	10,247	10,962
Current portion bonds payable	280,000	265,000
Discount on bonds payable	(2,257)	(2,257)
Advance refunding deferral	(15,910)	(15,910)
	<u>394,848</u>	<u>295,357</u>
<b>Long-term debt</b>		
Bonds payable	2,510,000	2,790,000
Discount on bonds payable	(15,612)	(17,869)
Advance refunding deferral - net of amortization of \$231,134 and \$215,224	(110,043)	(125,953)
	<u>2,384,345</u>	<u>2,646,178</u>
<b>Total liabilities</b>	<u>2,779,193</u>	<u>2,941,535</u>
<b>Net position</b>		
Net investment in capital assets	8,438,301	8,835,998
Restricted for airport improvement projects	665,412	869,818
Unrestricted	1,970,533	1,830,187
<b>Total net position</b>	<u>11,074,246</u>	<u>11,536,003</u>
<b>Total liabilities and net position</b>	<u>\$13,853,439</u>	<u>\$ 14,477,538</u>

See accompanying notes to financial statements.

**POLK COUNTY AVIATION AUTHORITY**

**Statements of Revenues, Expenses and Changes in Net Position  
For the Years Ended June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>Operating revenues</b>		
Member government assessments	\$ 640,721	\$ 629,026
Grant reimbursements	-	17,864
Lease and license fee income	164,400	107,757
Fuel fee income	27,853	27,219
T-Hangar rental income	-	81,580
Terminal rental income	-	23,902
Other revenue	192	600
Total operating revenues	<u>833,166</u>	<u>887,948</u>
<b>Operating expenses</b>		
<b>Operations</b>		
Repairs and maintenance	99,115	154,730
Snow removal and mowing	62,494	48,038
Depreciation	827,486	834,479
Utilities	6,690	21,289
Insurance	20,185	18,118
Airport planning and engineering	5,312	22,067
	<u>1,021,282</u>	<u>1,098,721</u>
<b>General and administration</b>		
Accounting and management services	78,005	44,597
Legal services	12,542	13,731
Audit and financial services	8,075	9,050
Insurance	3,197	7,371
Miscellaneous	4,463	4,026
	<u>106,282</u>	<u>78,775</u>
Total operating expenses	<u>1,127,564</u>	<u>1,177,496</u>
<b>Operating loss</b>	(294,398)	(289,548)
<b>Nonoperating income (expense)</b>		
Investment income	11,179	12,043
Amortization of bond costs and discount	(6,870)	(8,152)
Interest expense	(171,668)	(194,198)
<b>Change in net position before capital contributions</b>	<u>(461,757)</u>	<u>(479,855)</u>
Grants for capital improvements	-	2,981
<b>Change in net position</b>	(461,757)	(476,874)
Net position - beginning of year	<u>11,536,003</u>	<u>12,012,877</u>
<b>Net position - end of year</b>	<u>\$ 11,074,246</u>	<u>\$ 11,536,003</u>

See accompanying notes to financial statements.

**POLK COUNTY AVIATION AUTHORITY**

**Statements of Cash Flows  
For the Years Ended June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>Cash flows from operating activities:</b>		
Member government assessments	\$ 640,721	\$ 629,026
Rental and fee income	191,030	245,334
Cash payments to suppliers for goods and services	<u>(213,110)</u>	<u>(363,887)</u>
Net cash provided by operating activities	<u>618,641</u>	<u>510,473</u>
<b>Cash flows from capital and related financing activities:</b>		
Outlay for property and equipment	(187,569)	(552,168)
Payment of bond principal	(265,000)	(250,000)
Payment of bond interest	(156,808)	(168,845)
Grant proceeds received	<u>-</u>	<u>1,696,704</u>
Net cash provided by (used in) capital and related financing activities	<u>(609,377)</u>	<u>725,691</u>
<b>Cash flows from investing activities:</b>		
Investment income	<u>11,179</u>	<u>12,043</u>
<b>Net increase in cash and cash equivalents</b>	20,443	1,248,207
Cash and cash equivalents at beginning of year	1,850,213	1,034,863
Restricted cash and cash equivalents at beginning of year	879,335	446,478
<b>Cash and cash equivalents at end of year</b>	<u>\$ 2,749,991</u>	<u>\$ 2,729,548</u>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>		
Operating loss	\$ (294,398)	\$ (289,548)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	827,486	834,479
(Increase) decrease in accounts receivable	(700)	(193)
(Increase) decrease in prepaid insurance	713	(353)
Increase (decrease) in accounts payable	86,255	(20,518)
Increase (decrease) in deferred revenue	<u>(715)</u>	<u>(13,394)</u>
Net cash provided by operating activities	<u>\$ 618,641</u>	<u>\$ 510,473</u>

**See accompanying notes to financial statements.**

## POLK COUNTY AVIATION AUTHORITY

### Notes to Financial Statements

June 30, 2013

#### NOTE 1 - ORGANIZATION

The Polk County Aviation Authority was organized as an Aviation Authority under Chapter 330A of the Code of Iowa 1987. The Authority operates a municipal airport in Ankeny, Iowa. The member municipalities are the cities of Altoona, Ankeny, Bondurant, and the unincorporated area of Polk County. Through a 28E agreement, each member government contributes an annual levy based on the assessed value of taxable property in the municipality. The 28E agreements expire in the years 2020 and 2021. The breakdown of member government assessments for the year ended June 30, 2013 are \$78,692 from Altoona, \$311,617 from Ankeny, \$16,228 from Bondurant and \$234,184 from unincorporated Polk County. The breakdown of member government assessments for the year ended June 30, 2012 are \$74,003 from Altoona, \$304,237 from Ankeny, \$14,555 from Bondurant and \$236,231 from unincorporated Polk County.

The Board of Directors of the Authority consists of seven representatives of the member municipalities and area. The Board of Directors is composed of three representatives appointed by the Polk County Board of Supervisors; two representatives appointed by the mayor of Ankeny; one representative appointed by the mayor of Altoona; and one representative appointed by the mayor of Bondurant.

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Authority prepares its financial statements using the economic resources measurement focus and the accrual basis of accounting.

The accounts of the Authority are organized as an Enterprise Fund. Enterprise funds are used to account for operations financed and operated in a manner similar to private business enterprises. The Authority has the following two funds:

**Capital Improvements Fund** – to account for proceeds from the sale of bonds and used to pay costs of projects, including administrative costs. Net position restricted for capital improvements are \$665,412 and \$869,818 at June 30, 2013, and 2012, respectively.

**Airport Operations Fund** – to account for all revenues derived from the services and facilities of the airport including tax revenues levied by the member governments and for the costs of operation of the airport including the payment of bond principal and interest. Unrestricted net position for airport operations are \$1,970,533 and \$1,830,187 at June 30, 2013, and 2012, respectively.

The Authority treats all bank accounts and certificates of deposits and all other investments with an original maturity of three months or less as cash equivalents for presentation in the statements of cash flows.

**POLK COUNTY AVIATION AUTHORITY**

**Notes to Financial Statements**

**June 30, 2013**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Accounts receivable consists primarily of cost reimbursement and grant receivables from other governmental entities. Management believes that all receivables are collectible and therefore no allowance is recorded.

Deferred revenue reflects payments received on land leases and licenses prior to the date due. The account is adjusted to record revenue in the month of the rental period.

Capital assets are accounted for at historical cost. The cost of repair and maintenance is charged as an expense, while the cost of renewals or substantial betterments is capitalized.

Expenses related to the purchase of land have been capitalized. These include purchase price, appraisal fees, legal fees and crop loss payments.

Expenses relating to construction are capitalized as construction in progress. These costs are capitalized and depreciated when the asset is placed in service.

Depreciation is recorded using the straight-line method over the estimated useful life of the respective assets of five to twenty years.

Expenses relating to the issuance of bonds and the discount on bonds have been capitalized and are being amortized over the life of the bonds.

The Authority's policy is to specifically identify which expenditures are paid from restricted funds when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Operating income includes revenues and expenses related to the primary, continuing operations of the Authority. Principal operating revenues includes member government assessments and charges for rentals or services. Principal operating expenses are the costs of maintaining the airport and include administrative expenses and depreciation of capital assets. Grant revenues received for capital improvements, investment income and interest expenses are classified as non-operating in the financial statements.

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of management's estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 3 – INVESTMENTS**

State law and the bond agreements limit the types of investments that may be used by the Authority. Authorized investments include direct obligations of the United States government and its agencies, certificates of deposit, commercial paper, repurchase agreements, open-end management investment companies registered with the Securities and Exchange Commission, and

**POLK COUNTY AVIATION AUTHORITY**

**Notes to Financial Statements**

**June 30, 2013**

**NOTE 3 – INVESTMENTS (CONTINUED)**

Iowa Public Agency Investment Trust. There are further restrictions related to the ratings of the investments authorized. The investment policy of the Authority does not address concentration of credit risk.

The Authority is part of a state collateral pool that insures funds held for government entities by financial institutions. All of the Authority's funds are held in financial institutions.

**NOTE 4 - PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

	2012	Additions	Deletions	2013
Land	\$ 6,772,343	\$ 45,454	\$ -	\$ 6,817,797
Aviation museum	162,939	-	-	162,939
Equipment and furniture	61,676	184,860	186,070	60,466
Runway	8,462,384	-	-	8,462,384
Taxiway	3,451,883	-	-	3,451,883
Apron	1,611,720	-	-	1,611,720
T-Hangars, access road	2,074,283	-	-	2,074,283
Taxiway (offset)	51,951	-	-	51,951
Terminal building	758,141	-	-	758,141
Parking lot improvements	81,574	-	-	81,574
Transmission line lighting	90,876	-	-	90,876
Field fence replacement	47,399	-	-	47,399
Total	23,627,169	230,314	186,070	23,671,413
Accumulated depreciation	12,051,885	827,486	1,210	12,878,162
Net	<u>\$ 11,575,284</u>	<u>\$ (597,172)</u>	<u>\$ 184,860</u>	<u>\$ 10,793,251</u>

**NOTE 5 - CONSTRUCTION IN PROGRESS AND COMMITMENTS**

SE Four Mile Drive Relocation and Runway 22 Protection Zone Land Acquisition

The Authority has contracted for engineering services for the SE Four Mile Drive Relocation project for \$211,603 and for engineering services related to the acquisition of land for runway protection zones and obstruction clearing for \$105,880. As of June 30, 2013, construction in progress costs for these projects were \$254,708.

**NOTE 6 – LONG-TERM DEBT**

Defeased Debt

On August 20, 1998, the Authority issued revenue bonds in the amount of \$2,000,000. The bonds are dated August 1, 1998 and call for semi-annual interest payments on the first day of June and December. The bonds have interest rates from 4.500% to 4.875%.

**POLK COUNTY AVIATION AUTHORITY**

**Notes to Financial Statements**

**June 30, 2013**

**NOTE 6 – LONG-TERM DEBT (CONTINUED)**

On August 10, 2000, the Authority issued revenue bonds in the amount of \$1,820,000. The bonds are dated August 1, 2000 and call for semi-annual interest payments on the first day of June and December. The bonds have interest rates from 6.00% to 6.25%.

An advance refunding of the bonds resulting in an in-substance defeasance of the debt occurred in July 2004 through the issuance of two new bond issues by Polk County, Iowa on behalf of the Authority. The Authority has entered into an agreement with Polk County, Iowa to repay the debt and all related costs of the bond issues. As of June 30, 2013, \$2,015,000 was still outstanding.

The net proceeds of \$3,343,994 (after payment of \$141,425 of underwriting fees and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1998 and 2000 Series bonds. As a result, the 1998 and 2000 Series bonds are considered to be defeased and the liability for those bonds has been removed from the liabilities of the Authority. The amount of the defeased bonds outstanding to be paid from the escrow account was \$1,515,000 and \$1,690,000 at June 30, 2013 and 2012, respectively.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$357,087 which is shown net of accumulated amortization of \$231,134 in the accompanying financial statements as a deduction from bonds payable. The balance is being charged to operations through the year 2020 using the straight-line method.

Outstanding Debt

Polk County, Iowa issued a \$1,250,000 bond on behalf of the Authority on July 29, 2004. The proceeds have been used for capital improvements to the Airport. The Authority has entered into an agreement with Polk County, Iowa to repay the debt and all related costs of the bond issue. As of June 30, 2013, \$775,000 was still outstanding.

Bonds payable at 6-30-11	\$ 3,305,000
Principal payment on loans FY12	<u>(250,000)</u>
Bonds payable at 6-30-12	\$ 3,055,000
Principal payment on loans FY13	<u>(265,000)</u>
Bonds payable at 6-30-13	<u>\$ 2,790,000</u>

The notes are secured by the full faith and credit of the Authority and Polk County.

The bonds issued in July 2004 related to the refunding of the bonds noted above and for capital improvements mature and bear interest as follows:

**POLK COUNTY AVIATION AUTHORITY**

**Notes to Financial Statements**

**June 30, 2013**

**NOTE 6 – LONG-TERM DEBT (CONTINUED)**

<u>Maturity (June 1)</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Interest Rate</u>
2014	280,000	144,220	5.00%
2015	295,000	130,220	5.05%
2016	310,000	115,323	5.10%
2017	325,000	99,513	5.15%
2018	350,000	82,775	5.20%
2019 - 2021	1,230,000	130,988	5.25%
	<u>\$ 2,790,000</u>	<u>\$ 703,038</u>	

Interest incurred on the notes for the years ended June 30, 2013 and 2012 was \$155,758 and \$167,842 respectively. Interest expense for the years ended June 30, 2013 and 2012 includes amortization of the advance refunding deferral of \$15,910 and \$26,356 respectively.

**NOTE 7 - RISK MANAGEMENT**

Polk County Aviation Authority is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; environmental issues and natural disasters. These risks are covered by commercial insurance coverage.

**NOTE 8- RELATED PARTY TRANSACTIONS**

Management and accounting services are performed by City of Ankeny, a member government. Amounts paid for these services are reflected in the expense line item accounting and management services. A \$9,153 invoice payable to the City of Ankeny for administrative services is included in accounts payable at June 30, 2013.

The City of Ankeny, a member government, repaired the circle drive at the entrance of the airport parking lot in its annual street patching program to be reimbursed by the Authority. A \$45,087 invoice payable to the City of Ankeny is included in accounts payable at June 30, 2013 for this project.

The Authority has contracted with the Fixed Base Operator to provide on-site management services of the airport premises. Under this agreement, the FBO serves as the leasing agent for all T-hangars, garages and tie-down spaces, collecting rent in return for performing day-to-day maintenance and customer service duties and payment of the utilities for the leased buildings. The FBO pays the Authority \$3,000 plus 20% of the lease income per month as a lease fee. In addition, the Authority pays the FBO \$5,000 per month to perform other specified maintenance duties including daily inspections, runway light repair labor, mowing services, and a portion of the snow and ice removal services. The Authority continues to be responsible for maintenance of the runways and farm grounds, the perimeter fence and major structural repairs to the buildings. A \$5,000 invoice payable to Exec 1 Aviation is included in accounts payable at June 30, 2013.

**POLK COUNTY AVIATION AUTHORITY**

**Notes to Financial Statements**

**June 30, 2013**

**NOTE 8- RELATED PARTY TRANSACTIONS (CONTINUED)**

The City of Ankeny has issued loans to the Authority in prior years and Polk County has issued bonds on behalf of the Authority as described in Note 6.

The Authority rents 5.85 acres of land to a Board member at \$50 per acre and 4.00 acres of land at \$275 per acre.

**NOTE 9 - OTHER AGREEMENTS**

The Authority entered into a land license agreement with an outside party for use of Authority property to construct and maintain an office building. The agreement calls for monthly lease payments of \$500 for a period of twenty-five years. Two five-year renewal options are allowed. The property, including buildings, reverts to the Authority at the termination of the agreement.

The Authority has entered into a twenty-year lease for a fixed base operator to serve the airport. The lease allows for two additional consecutive five-year options. Rent will be charged as follows:

Base rent .....\$1 per year

License fee .....\$4,500 per year beginning July 1, 2008  
The license fee shall be renegotiated each five years

Fuel fee .....\$0.09 per gallon sold or consumed is charged after April 30, 2004

Hangar land rent ...\$3,360 annually for 16,800 square feet commencing July 1, 2005 for a period of 15 years with 2 five year renewal options. The rent is adjusted annually based on the consumer price index. In 2013, the consumer price indexed rate was \$0.242 per square foot.

Building rent.....\$3,000 per month through December 31, 1999. For the remainder of the agreement, rent is calculated annually based on sublease income.

**NOTE 10 – LITIGATION**

The Authority is subject to an appeal of a condemnation award related to land acquisition for the SE Four Mile Drive Relocation and Runway Protection Zone Projects. The probability of an amount having to be paid over and above the original condemnation award is undeterminable.

**REQUIRED SUPPLEMENTARY INFORMATION**

POLK COUNTY AVIATION AUTHORITY

Budgetary Comparison Schedule  
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Over/(Under) Budget
<b>Operating Revenues</b>				
Member government assessments	\$ 640,721	\$ 640,721	\$ 640,721	\$ -
Lease and license fee income	198,000	166,000	164,400	(1,600)
Fuel fee income	25,000	27,000	27,853	853
State grant reimbursement	-	15,000	-	(15,000)
Other revenue	-	200	192	(8)
<b>Total Operating Revenues</b>	<b>863,721</b>	<b>848,921</b>	<b>833,166</b>	<b>(15,755)</b>
<b>Operating Expenses</b>				
Offsite management services	18,500	18,000	18,005	5
Postage and office supplies	700	300	272	(28)
Onsite management services	60,000	60,000	60,000	-
Financial services	-	-	30	30
Advertising and promotion	-	1,745	1,745	-
Publications	1,400	2,400	2,217	(183)
Conferences and seminars	2,500	2,500	198	(2,302)
Legal services	16,500	16,500	12,542	(3,958)
Audit expenses	9,000	9,000	8,075	(925)
General insurance	4,100	3,800	3,800	-
Property insurance	15,000	16,400	16,385	(15)
Public officials insurance	7,800	3,200	3,197	(3)
Snow removal and mowing	45,000	75,000	62,494	(12,506)
Repairs and maintenance (general)	12,000	78,000	53,129	(24,871)
Repairs and maintenance (leased property)	24,000	30,000	25,986	(4,014)
Utilities-general	7,900	7,000	6,690	(310)
Airport planning and engineering	17,500	16,000	5,312	(10,688)
Miscellaneous	500	1,410	-	(1,410)
SE Four Mile Dr roadway realignment	930,604	967,470	79,571	(887,899)
Runway 22 RPZ acquisition	-	79,000	107,998	28,998
Terminal development study	-	440	-	(440)
REIL replacement	-	25,000	20,000	(5,000)
Relocate RW22 threshold	-	34,965	-	(34,965)
<b>Total Operating Expenses</b>	<b>1,173,004</b>	<b>1,448,130</b>	<b>487,646</b>	<b>(960,484)</b>
<b>Other Income</b>				
Investment income	11,700	11,000	11,179	179
FAA grant reimbursement	941,074	-	-	-
<b>Total Other Income</b>	<b>952,774</b>	<b>11,000</b>	<b>11,179</b>	<b>179</b>
<b>Other Expenses</b>				
Bond/loan principal	265,000	265,000	265,000	-
Bond/loan interest	156,808	156,808	155,759	(1,049)
<b>Total Other Expenses</b>	<b>421,808</b>	<b>421,808</b>	<b>420,759</b>	<b>(1,049)</b>

**POLK COUNTY AVIATION AUTHORITY**

**Budgetary Comparison Schedule  
For the Year Ended June 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over/(Under) Budget</u>
Net Change in Net Position	221,683	(1,010,017)	(64,060)	945,957
Net Position - Beginning	2,450,763	2,700,005	2,700,005	-
Net Position - Ending	<u>\$ 2,672,446</u>	<u>\$ 1,689,988</u>	<u>\$ 2,635,945</u>	<u>\$ 945,957</u>

POLK COUNTY AVIATION AUTHORITY

**Explanation of Differences Between Budgetary  
Basis and GAAP Basis Revenues and Expenses  
For the Year Ended June 30, 2013**

**Ordinary and other income:**

Actual amount of ordinary income and other income on a budgetary basis from the budgetary comparison schedule	\$ 844,345
Total GAAP basis ordinary and other income	<u>\$ 844,345</u>

**Ordinary and other expenses:**

Actual amount of ordinary expenses and other expenses on a budgetary basis from the budgetary comparison schedule	\$ 908,405
Bond principal payments are recorded as an expenditure on a budgetary basis, but are not expensed on a GAAP basis.	(265,000)
Bond issuance costs are expensed and bond discounts are not recorded on a budgetary basis. These costs and discounts are recorded and amortized under GAAP.	22,780
Depreciation and losses on fixed assets are reported on a GAAP basis but are not recorded on a budgetary basis	827,486
Purchases of capital assets are reported as an expense on a budget basis but are capitalized and depreciated on a GAAP basis	(187,569)
Total GAAP basis ordinary and other expenses	<u>\$ 1,306,102</u>

The notes to the required supplementary information are an integral part of this schedule.

**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**

The Board of Directors  
Polk County Aviation Authority  
Ankeny, Iowa

We have audited, 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, the financial statements of Polk County Aviation Authority, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Polk County Aviation Authority's basic financial statements, and have issued our report thereon dated November 20, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Polk County Aviation Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Polk County Aviation Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Polk County Aviation Authority's internal control.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Polk County Aviation Authority's financial statements are free from 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 that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**DENMAN & COMPANY, LLP**

West Des Moines, Iowa  
November 20, 2013

**Polk County Aviation Authority  
SCHEDULE OF FINDINGS  
Year ended June 30, 2013**

**Part I—Findings Related to the Financial Statements**

No material weaknesses or instances of noncompliance relative to the financial statements were reported.

**Polk County Aviation Authority  
SCHEDULE OF FINDINGS  
Year ended June 30, 2013**

**Part II—Findings Related to Required Statutory Reporting**

**13-II-A QUESTIONABLE EXPENSES**

No questionable expenditures of Authority funds were noted.

**13-II-B TRAVEL EXPENSE**

No expenditures of Authority money for travel expenses of spouses of Authority officials or employees were noted.

**13-II-C BOARD MINUTES**

No transactions were found that we believe should have been approved in the Board minutes but were not.

**13-II-D DEPOSITS AND INVESTMENTS**

No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Authority's investment policy were noted.