

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

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

June 30, 2014

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**Southeast Iowa Regional Airport Authority,
A Component Unit of the City of Burlington
Officials
June 30, 2014**

Name	Representing
Charles E. Walsh	City of Burlington
Dennis Krieger	City of West Burlington
Dan Wiedemeier	Des Moines County
John Schulz	City of Burlington
Dwight Mulch	City of Burlington

Mary Beaird, Airport Director



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Independent Auditor's Report

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

Report on the Financial Statements

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, 2014, 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 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 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 Authority'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 Authority'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 the Authority as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 16 to the financial statements, as of July 1, 2013, the Authority adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 - 9 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplemental information included on pages 26-27, including the accompanying schedule of Passenger Facility Charges Collected and Expended as specified in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2014, 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 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 the Authority's internal control over financial reporting and compliance.

CPA Associates PC

December 9, 2014

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

The following Management's Discussion and Analysis (MD&A) of the Authority's activities and financial performance provides the reader with an introduction and overview to the financial statements of the Authority for the fiscal year ended June 30, 2014. The information contained in this MD&A should be considered in conjunction with the Authority's basic financial statements.

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

Financial and Operating Highlights

- The Authority's operating revenues increased 1%, or \$3,639, from fiscal year 2013 to fiscal year 2014. Grant reimbursements related to operations decreased; however rent income, charges for services and contributions from member governments increased attributing to the overall increase in operating revenues.
- The Authority's operating expenses, before depreciation, were 1%, or \$3,396, less in fiscal year 2014 than in fiscal year 2013. The decrease in operating expenses is primarily due to a decrease in repairs and maintenance costs. Repairs and maintenance required as a result of a severe storm in May 2013 were recorded net of related insurance reimbursements.
- The Authority's net nonoperating income increased \$172,083 from fiscal year 2013 to fiscal year 2014. This increase is due to insurance proceeds received for the replacement of Hangar C Row that was destroyed in severe weather in late 2013 and FEMA reimbursement of wages related to the clean up of debris.
- The Authority's grant revenues and capital contributions decreased 77%, or \$339,466, from fiscal year 2013 to fiscal year 2014. The decrease is primarily the result of timing of Airport Improvement Project reimbursements from the Federal Aviation Administration and capital contributions from member governments for taxiway rehabilitation.
- Net position for 2014 was \$12.5 million, a decrease of \$0.53 million from 2013.

Southeast Iowa Regional Airport, which is operated by the Authority, is an Essential Air Service airport. During the fiscal year ended June 30, 2014, 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.

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

The Statement of Net Position presents information on the Authority's assets and liabilities, 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 whether the financial position of the Authority is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position 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 Position

As noted earlier, net position may serve over time as a useful indicator of the Authority's financial position. The Authority's net position at the end of fiscal 2014 totaled approximately \$12.5 million, compared to approximately \$13.1 million at the end of fiscal year 2013. A summary of the Authority's net position at June 30, 2014 and 2013 is shown below:

	2014	Restated 2013
Assets:		
Current and other assets	\$ 550,750	\$ 566,609
Capital assets	<u>12,025,623</u>	<u>12,891,638</u>
Total assets	<u>12,576,373</u>	<u>13,458,247</u>
Liabilities:		
Current liabilities	33,649	279,714
Noncurrent liabilities	<u>3,760</u>	<u>111,859</u>
Total liabilities	<u>37,409</u>	<u>391,573</u>
Net Position:		
Invested in capital assets, net of related debt	12,025,623	12,548,732
Unrestricted	<u>513,341</u>	<u>517,942</u>
Total net position	<u>\$ 12,538,964</u>	<u>\$ 13,066,674</u>

The largest portion of the Authority's net position 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 Position

The Statement of Revenues, Expenses and Changes in Net Position reflects a decrease in net position at the end of the fiscal year. A summary of revenues, expenses and changes in net position for the years ended June 30, 2014 and 2013 is presented below:

	2014	Restated 2013
Operating revenues	\$ 464,237	\$ 460,598
Operating expenses	<u>(302,309)</u>	<u>(305,705)</u>
Operating income before depreciation	161,928	154,893
Depreciation	<u>(986,319)</u>	<u>(942,119)</u>
Operating loss	(824,391)	(787,226)
Nonoperating income (expenses), net	<u>192,806</u>	<u>20,723</u>
Loss before capital contributions	(631,585)	(766,503)
Grant revenues and capital contributions	<u>103,875</u>	<u>443,341</u>
Decrease in net position	(527,710)	(323,162)
Net position, beginning of year, restated	<u>13,066,674</u>	<u>13,389,836</u>
Net position, end of year	<u>\$ 12,538,964</u>	<u>\$ 13,066,674</u>

Revenues

A summary of revenues for the year ended June 30, 2014 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	\$ 47,250	6.15 %	\$ (484)	(1.01)%
Airfield/Runways	51,111	6.65	1,273	2.55
General Aviation/Hangars	105,136	13.69	282	0.27
Landside/Parking	42,272	5.50	3,102	7.92
Fuel Farm	9,920	1.29	(2,337)	(19.07)
Grant revenues	27,769	3.61	(1,488)	(5.09)
Contributions from member governments	<u>180,779</u>	<u>23.53</u>	<u>3,291</u>	1.85
Total operating	<u>464,237</u>	<u>60.42</u>	<u>3,639</u>	0.79
Nonoperating:				
Passenger facility charges	28,265	3.68	(3,207)	(10.19)
Interest and investment revenue	351	0.05	239	213.39
Other income	<u>171,514</u>	<u>22.33</u>	<u>171,514</u>	100.00
Total nonoperating	<u>200,130</u>	<u>26.06</u>	<u>168,546</u>	533.64
Grant revenues and capital contributions	<u>103,875</u>	<u>13.52</u>	<u>(339,466)</u>	(76.57)
Total revenues	<u>\$ 768,242</u>	<u>100.00 %</u>	<u>\$ (167,281)</u>	(17.88)%

**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, 2014, and the amount and percentage change in relation to prior year amounts is presented below:

	<u>Amount</u>	<u>% of Total</u>	Increase (Decrease) From Prior Year	<u>% Increase (Decrease)</u>
Operating:				
Personal services	\$ 149,560	11.54 %	\$ 6,333	4.42 %
Advertising	34,714	2.68	32	0.09
Consulting and professional fees	11,533	0.89	(2,097)	(15.39)
Dues and memberships	1,024	0.08	(342)	(25.04)
Liability insurance	7,659	0.59	(931)	(10.84)
Utilities	45,675	3.52	1,374	3.10
Contract work	24,360	1.88	(2,046)	(7.75)
Office supplies	-	-	(1,587)	(100.00)
Telephone	2,398	0.18	286	13.54
Travel and training	3,105	0.24	(1,486)	(32.37)
Botanicals	627	0.05	562	864.62
Fuel and oil	9,838	0.76	1,186	13.71
Janitorial supplies	64	-	(159)	(71.30)
Small equipment	2,019	0.16	829	69.66
Repairs and maintenance	<u>9,733</u>	<u>0.75</u>	<u>(5,350)</u>	<u>(35.47)</u>
Total operating	<u>302,309</u>	<u>23.32</u>	<u>(3,396)</u>	<u>(1.11)</u>
Depreciation	<u>986,319</u>	<u>76.11</u>	<u>44,200</u>	4.69
Nonoperating:				
Interest expense	<u>7,324</u>	<u>0.57</u>	<u>(3,537)</u>	<u>(32.57)</u>
Total nonoperating	<u>7,324</u>	<u>0.57</u>	<u>(3,537)</u>	<u>(32.57)</u>
Total expenses	<u>\$ 1,295,952</u>	<u>100.00 %</u>	<u>\$ 37,267</u>	2.96 %

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 2014, the Authority expended \$120,304 on capital activities. These activities included Runway 30 improvements, obstruction removal in accordance with land acquisition, C Row Construction and purchase of a batwing cutter mower.

Long-term Debt

During the year ended June 30, 2014, the Authority paid all outstanding principal and interest balances on loans held as of June 30, 2013.

Additional information about the Authority's long-term debt activity 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. An additional amendment was received, effective June 1, 2014, with a total collection authority of \$941,784. The charge remains \$4.50 per enplaned passenger. Through June 30, 2014, the Authority has collected PFCs, including interest earnings thereon, totaling \$521,727. 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.

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 Beaird, Airport Manager, Southeast Iowa Regional Airport Authority, 2515 Summer Street, Burlington, IA 52601-3330 or by e-mail to director@brlairport.com.

**Southeast Iowa Regional Airport Authority,
A Component Unit of the City of Burlington
Statement of Net Position - Proprietary Fund
June 30, 2014**

Assets	
Current Assets	
Cash and cash equivalents	\$ 355,469
Receivables	123,027
Related party receivable	67,108
Prepaid expenses	<u>5,146</u>
Total current assets	<u>550,750</u>
Noncurrent Assets	
Capital assets:	
Land	2,020,492
Land improvements	17,125,391
Building and improvements	2,720,808
Furniture and equipment	1,556,231
Less accumulated depreciation	<u>(11,397,299)</u>
Total capital assets	<u>12,025,623</u>
Total assets	<u>12,576,373</u>
Liabilities	
Current Liabilities	
Accounts payable	5,939
Accrued expenses	14,428
Unearned revenue	<u>13,282</u>
Total current liabilities	<u>33,649</u>
Long-term Liabilities	
Net OPEB Liability	<u>3,760</u>
Total noncurrent liabilities	<u>3,760</u>
Total liabilities	<u>37,409</u>
Net Position	
Invested in capital assets, net of related debt	12,025,623
Unrestricted	<u>513,341</u>
Total net position	<u>\$ 12,538,964</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 Position - Proprietary Fund
Year Ended June 30, 2014**

Operating Revenues	
State grants	\$ 27,769
Rent income	198,743
Charges for services	56,946
Contributions from member governments	<u>180,779</u>
Total operating revenues	<u>464,237</u>
Operating Expenses	
Personal services	149,560
Advertising	34,714
Consulting and professional fees	11,533
Dues and memberships	1,024
Liability insurance	7,659
Utilities	45,675
Contract work	24,360
Telephone	2,398
Travel and training	3,105
Botanical	627
Fuel and oil	9,838
Janitorial supplies	64
Small equipment	2,019
Repairs and maintenance	<u>9,733</u>
Total operating expenses	<u>302,309</u>
Operating income before depreciation	161,928
Depreciation	<u>986,319</u>
Operating loss	<u>(824,391)</u>
Nonoperating Income (Expense)	
Passenger facility charges	28,265
Interest and investment revenue	351
Miscellaneous income	171,514
Interest expense	<u>(7,324)</u>
Total nonoperating income (expense)	<u>192,806</u>
Loss before capital contributions	(631,585)
Capital contributions - Federal and state grant revenues	<u>103,875</u>
Decrease in net position	(527,710)
Net position, beginning of year, restated	<u>13,066,674</u>
Net position, end of year	<u>\$ 12,538,964</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, 2014**

Cash Flows From Operating Activities	
Receipts from customers	\$ 252,081
Receipts from federal and state agencies	28,736
Receipts from member governments	179,353
Payments to suppliers	(243,941)
Insurance proceeds received	85,465
Prepaid expenses	(75)
Payments to employees	<u>(149,560)</u>
Net cash provided by operating activities	<u>152,059</u>
Cash Flows From Capital and Related Financing Activities	
Passenger facility charges	34,463
Capital grants received	324,729
Purchase of capital assets	(120,304)
Principal paid on capital debt	(342,906)
Interest paid on capital debt	<u>(12,287)</u>
Net cash used by capital and related financing activities	<u>(116,305)</u>
Cash Flows From Investing Activities	
Interest	351
Insurance and FEMA proceeds received	<u>171,514</u>
Net cash provided by investing activities	<u>171,865</u>
Net increase in cash and cash equivalents	207,619
Cash and cash equivalents, beginning of year	<u>147,850</u>
Cash and cash equivalents, end of year	<u>\$ 355,469</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating loss	\$ (824,391)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	986,319
Changes in assets and liabilities:	
Receivables	(3,499)
Prepaid expenses	(75)
Accounts payable and accrued expenses	(5,727)
Unearned revenue	<u>(568)</u>
Net cash provided by operating activities	<u>\$ 152,059</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 Position
June 30, 2014**

	Fiduciary Fund Employee Retirement Plan Trust
Assets	
Investments at fair value	\$ <u>80,770</u>
Net Position	
Held in trust for pension benefits	\$ <u>80,770</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 Position
Year Ended June 30, 2014**

	<u>Fiduciary Fund Employee Retirement Plan Trust</u>
Additions	
Contributions:	
Plan members	\$ 9,700
Investment earnings:	
Net increase in fair value of investments	<u>8,282</u>
Total additions	<u>17,982</u>
Deductions	
Net participant withdrawals	<u>-</u>
Total deductions	<u>-</u>
Increase in net position	17,982
Net position, beginning of year	<u>62,788</u>
Net position, end of year	<u>\$ 80,770</u>

See notes to financial statements.

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

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 benefit to the Authority.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the Authority are prepared in accordance with accounting principles generally accepted in the United States of America. The Authority's reporting entity applies all relevant GASB pronouncements. During the year ended June 30, 2014, the Authority adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

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

Note 2. Summary of Significant Accounting Policies (continued)

The accounts of the Authority are primarily organized as an enterprise fund. 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 financial statements are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and 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.

Assets, Liabilities and Net Position

The Statement of Net Position is based on the following accounting policies:

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, 2014.

Capital Assets

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

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

Land improvements	5-38 years
Building and improvements	5-40 years
Furniture and equipment	5-10 years

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

Note 2. Summary of Significant Accounting Policies (continued)

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, 2014, no interest costs were capitalized since there were no qualifying assets.

Unearned Revenue

The Authority's unearned revenue consists of rent revenue for 2015 hangar and farm rent received during the year ended June 30, 2014.

Designated Net Position

The Board of Directors has designated all passenger facility charges for capital improvements. Designated net positions totaled \$445,655 for the year ended June 30, 2014.

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 December 9, 2014, which is the date the financial statements were available to be issued. There are no subsequent events that require disclosure or recognition in the financial statements as of June 30, 2014.

Note 3. Cash

The Authority's deposits at June 30, 2014 were entirely covered by federal depository insurance or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

Note 4. Capital Assets

A summary of capital assets at June 30, 2014 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ <u>2,018,675</u>	\$ <u>1,817</u>	\$ <u>-</u>	\$ <u>2,020,492</u>
Capital assets being depreciated:				
Land improvements	17,022,704	102,687	-	17,125,391
Building and improvements	2,720,808	-	-	2,720,808
Furniture and equipment	<u>1,540,431</u>	<u>15,800</u>	<u>-</u>	<u>1,556,231</u>
Total capital assets being depreciated	<u>21,283,943</u>	<u>118,487</u>	<u>-</u>	<u>21,402,430</u>
Less accumulated depreciation for:				
Land improvements	8,046,849	828,094	-	8,874,943
Building and improvements	1,257,594	85,744	-	1,343,338
Furniture and equipment	<u>1,106,537</u>	<u>72,481</u>	<u>-</u>	<u>1,179,018</u>
Total accumulated depreciation	<u>10,410,980</u>	<u>986,319</u>	<u>-</u>	<u>11,397,299</u>
Total capital assets being depreciated, net	<u>10,872,963</u>	<u>(867,832)</u>	<u>-</u>	<u>10,005,131</u>
Capital assets, net	<u>\$ 12,891,638</u>	<u>\$ (866,015)</u>	<u>\$ -</u>	<u>\$ 12,025,623</u>

Note 5. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014 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	\$ 57,211	\$ -	\$ 57,211	\$ -	\$ -
F&M Bank, commercial loan	150,000	-	150,000	-	-
City of Burlington	<u>135,695</u>	<u>-</u>	<u>135,695</u>	<u>-</u>	<u>-</u>
	<u>\$ 342,906</u>	<u>\$ -</u>	<u>\$ 342,906</u>	<u>\$ -</u>	<u>\$ -</u>

F&M Bank

During the year ended June 30, 2006, the Authority borrowed funds from F&M Bank to finance its share of a Federal Aviation Administration (FAA) funded airport improvement project and to purchase equipment. A municipal loan of \$250,000 was used to finance the Authority's share of an FAA funded airport improvement project. 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 was secured by substantially all assets of the Authority. The Authority paid the total principal balance and related interest during the year ended June 30, 2014.

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

Note 5. Long-Term Liabilities (continued)

A commercial loan of \$150,000 was secured to purchase land. The note was dated December 18, 2012, bearing interest at 2.95% and was payable in a single payment, including interest on December 18, 2013.

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 required 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 had an incrementally increasing interest rate ranging from 3.5% to 4.5%. The Authority paid all outstanding principal and related interest to the City during the year ended June 30, 2014.

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 5.95% of their annual salary and the Authority is required to contribute 8.93% of annual covered payroll. Contribution requirements are established by State statute. The Authority's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 was \$9,239, \$7,933, and \$7,294, respectively, which was equal to the required contributions.

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**

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 Position and Statement of Changes in Fiduciary Net Position. The plan assets are invested in mutual funds and are recorded at fair value. The fair value consists of the net position value of mutual fund investments determined using market prices as of the close of regular trading on the New York Stock Exchange. The net position value as of June 30, 2014 is \$80,770. Plan contributions for the year ended June 30, 2014 were \$9,700. Plan contributions and deductions are recorded on the cash basis of accounting.

Note 8. Related Organizations

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, 2016. 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 paid to the City for ARFF services provided during the fiscal year ended June 30, 2014 was \$9,400. 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.

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

Note 9. Related Party Transactions

The Authority received the following payments from the City of West Burlington for the year ended June 30, 2014:

Member contribution	\$ 22,540
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There are no amounts due from the City of West Burlington as of June 30, 2014.

The Authority received the following payments from Des Moines County for the year ended June 30, 2014:

Member contribution	\$ 23,770
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There are no amounts due from Des Moines County as of June 30, 2014.

The Authority received the following payments from the City of Burlington during the year ended June 30, 2014:

Member contribution	\$ 133,042
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The following payments are due from the City of Burlington as of June 30, 2014:

Member contribution	\$ 67,108
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During the year ended June 30, 2014, the Authority paid the City of Burlington (City) \$9,400 for ARFF services provided during the year ended June 30, 2014.

During the fiscal year ended June 30, 2014, the Authority paid the City principal of \$135,695 and interest of \$7,722 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, 2014, the Authority has balances with the bank as follows:

Checking accounts	\$ 355,995
Loans and accrued interest	-

The Authority paid the bank principal of \$207,211 and loan interest of \$4,565 during the year ended June 30, 2014.

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

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.

The Authority is a member of the Iowa Municipalities Workers' Compensation Association (IMWCA). The IMWCA is a local government risk-sharing pool whose members include various governmental entities throughout the State of Iowa. The IMWCA provides coverage and protection for workers' compensation. There were no reductions in insurance coverage from prior years during the year ended June 30, 2014.

Member premiums paid to the IMWCA are based on the rates approved annually by the Iowa Insurance Commissioner and fund all administrative expenses, claims, claims expenses, and reinsurance expenses. The IMWCA Board of Trustees approves a rating plan each year that applies discounts or surcharges to each member's premium based on its past loss experience. These discounts or surcharges are in addition to each member's experience modification factor. The membership agreement includes the provision that each member will be responsible for its pro rata share of any workers' compensation or related employer liability claims which exceed the IMWCA's resources available to pay such claims. Members have never been assessed by the IMWCA and the IMWCA fund balance is in excess of all expenses funded by premiums as well as reserves for future known and unknown claims.

Note 11. Operating Leases - Lessor

The Authority rents property used for equipment storage to individuals on a month-to-month basis. The Authority rents a building to the Civil Air Patrol under an annually renewable lease calling for \$1 a year rent. Rental income for the year ended June 30, 2014 was \$9,020.

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, 2014 was \$58,428.

The Authority rents hangar space to individuals on a month-to-month basis. Rental income for the year ended June 30, 2014 totaled \$96,116.

The Authority leases farm ground to individuals under leases which terminate March 31, 2016. 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, 2014 was \$35,179.

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

Note 11. Operating Leases - Lessor (continued)

Property held for leasing is summarized as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>
Building and improvements	\$ 1,071,926	\$ 526,849
Land	635,326	-

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 \$941,784.

Passenger Facility Charges - year ended June 30, 2014	\$ 28,265
Total collection authority remaining	\$ 426,019

Note 13. Other Postemployment Benefits (OPEB)

The Authority participates in a multi-government health insurance pool that provides medical, dental, and prescription drug coverage to employees and retirees. All other full-time employees participate in IPERS and may retire with health coverage after the age of 55 with 33 years of service, under the Rule of 88, age 62 with 20 years of service or if disabled. The Authority pays 80% of the health and dental insurance premiums for employees for the standard health and dental package. Premium growth is limited to 5% annually on a cumulative basis over the next five years. Employees must contribute premium costs above this level or change health and dental plan provision to reduce premium costs to less than 5% growth. Retirees pay 102% of the employee premium rates. Retirees may elect to stay on the group health and dental plan until they reach the age of 65. The current funding policy is to pay health and dental costs as they occur or a pay-as-you-go basis. The Authority establishes and amends contribution requirements.

The Authority's annual OPEB cost is calculated based on the annual required contribution (ARC) of the Authority, an amount actuarially determined in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The Authority's ARC is \$642 for the years ending June 30, 2014 and 2013 and the Authority's net OPEB obligation is \$3,760 as of June 30, 2014, an increase of \$596 from June 30, 2013.

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

Note 13. Other Postemployment Benefits (OPEB) (continued)

As of June 30, 2013, the most recent actuarial valuation date, the actuarial accrued liability was \$5,481, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,481. The covered payroll (annual payroll of covered employees by the plan) was approximately \$34,000 and the ratio of UAAL to covered payroll was approximately 16%. As of June 30, 2014 and 2013, there were no trust fund assets.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality, and the health care trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the Plan as understood by the employer and the Plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the Plan members to that point. The actuarial methods and assumptions used include techniques that are used to reduce the effects of short-term volatility in actuarial liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. As of the June 30, 2013 actuarial valuation date, the projected unit credit with linear proration to decrement cost method was used. The actuarial assumptions include a 4% discount rate based on the funding policy. The projected annual medical trend rate is 10% with an ultimate medical trend rate of 5%. The medical trend rate is reduced .5% each year until reaching the ultimate medical trend rate.

Note 14. Commitments and Contingencies

The Authority has outstanding commitments on contracts related to various airport improvement projects totaling \$341,000. The projects are being implemented through Iowa Department of Transportation Commercial Air Service Vertical Infrastructure Programs, which reimburse the Authority for 100% of the total cost, not to exceed certain annual limits as stated in the related grant documentation.

Note 15. Insurance and FEMA Proceeds

In May 2013, a severe storm caused damage to property held by the Authority. As of June 30, 2013, the Authority was unable to determine the amount of insurance proceeds and therefore no receivable or related revenue was recognized at that time. During the year ended June 30, 2014, all related insurance proceeds were determined and remitted to the Authority and have been recorded in the financial statements in the year received. The Authority also filed claims with FEMA. All "small" claims have been processed and received by the Authority during the year ended June 30, 2014. The "large" claim related to the destruction of Hanger C Row is ongoing and is not expected to be completed until January 2015. The Authority is unable to determine the total proceeds they will receive from FEMA, and therefore no revenue has been recognized for the year ending June 30, 2014. The Authority has calculated an estimated range based on preliminary discussions and contracts provided to FEMA of \$8,800 to \$203,000.

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

Note 16. Prior Period Adjustment

During the year ended June 30, 2014, net position was adjusted for the adoption of GASB No. 65, which resulted in the elimination of prepaid debt issuance costs. The effect of the change on net position as of June 30, 2013 and 2012 is a decrease of \$2,218 and \$2,772, respectively.

The financial statements for the year ended June 30, 2013 have been restated as follows:

	Net Investment in Capital <u>Assets</u>	<u>Unrestricted</u>	<u>Net Position</u>
As previously reported, June 30, 2013	\$12,548,732	\$ 520,160	\$13,068,892
Accounting adjustment GASB No. 65	<u>-</u>	<u>(2,218)</u>	<u>(2,218)</u>
As restated	<u>\$12,548,732</u>	<u>\$ 517,942</u>	<u>\$13,066,674</u>

The Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund for the year ended June 30, 2013 proforma is as follows:

	<u>Change in Net Position</u>
As previously reported, June 30, 2013	\$ (323,716)
Accounting adjustment GASB No. 65	<u>554</u>
	<u>\$ (323,162)</u>

Note 17. Prospective Accounting Change

GASB has issued one Statement not yet implemented by the Authority. Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, will be effective for the Authority for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments that provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a liability for the Authority's proportionate share of the employee pension plan. In the year that Statement No. 68 is implemented, the beginning Net Position will be retroactively restated for prior periods presented. The Authority's management has not yet determined the effect this Statement will have on the Authority's financial statements.

Southeast Iowa Regional Airport Authority, A Component Unit of the City of Burlington
Schedule of Revenues and Expenses
Year Ended June 30, 2014

	<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>
Operating Revenues								
State grants	\$ 27,769	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,769
Rent income	198,743	47,250	44,179	105,136	-	2,178	-	-
Charges for services	56,946	-	6,932	-	-	40,094	9,920	-
Contributions from member governments	180,779	-	-	-	-	-	-	180,779
Total operating revenues	<u>464,237</u>	<u>47,250</u>	<u>51,111</u>	<u>105,136</u>	<u>-</u>	<u>42,272</u>	<u>9,920</u>	<u>208,548</u>
Operating Expenses								
Personal services	149,560	2,535	46,898	13,549	-	2,932	388	83,258
Advertising	34,714	-	-	-	-	-	-	34,714
Consulting and professional fees	11,533	-	-	-	-	-	-	11,533
Dues and memberships	1,024	-	-	-	-	-	-	1,024
Liability insurance	7,659	-	-	-	-	-	-	7,659
Utilities	45,675	16,890	12,860	2,419	-	1,808	523	11,175
Contract work	24,360	12,430	-	-	9,400	1,270	-	1,260
Telephone	2,398	-	-	-	-	-	-	2,398
Travel and training	3,105	-	-	-	-	-	-	3,105
Botanical	627	-	627	-	-	-	-	-
Fuel and oil	9,838	429	7,901	740	-	716	52	-
Janitorial supplies	64	64	-	-	-	-	-	-
Small equipment	2,019	-	-	-	-	435	-	1,584
Repairs and maintenance	9,733	1,896	5,720	1,105	-	(57)	239	830
Total operating expenses	<u>302,309</u>	<u>34,244</u>	<u>74,006</u>	<u>17,813</u>	<u>9,400</u>	<u>7,104</u>	<u>1,202</u>	<u>158,540</u>
Operating income (loss) before depreciation	161,928	13,006	(22,895)	87,323	(9,400)	35,168	8,718	50,008
Depreciation	986,319	6,933	828,276	39,648	92,661	781	7,652	10,368
Operating income (loss) before nonoperating income (expenses)	<u>(824,391)</u>	<u>6,073</u>	<u>(851,171)</u>	<u>47,675</u>	<u>(102,061)</u>	<u>34,387</u>	<u>1,066</u>	<u>39,640</u>
Nonoperating Income (Expense)								
Passenger facility charges	28,265	-	28,265	-	-	-	-	-
Interest and investment revenue	351	-	-	-	-	-	-	351
Miscellaneous income	171,514	-	-	-	-	-	4,500	167,014
Interest expense	(7,324)	-	-	-	-	-	-	(7,324)
Total nonoperating income (expense)	<u>192,806</u>	<u>-</u>	<u>28,265</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,500</u>	<u>160,041</u>
Income (loss) before capital contributions	(631,585)	6,073	(822,906)	47,675	(102,061)	34,387	5,566	199,681
Capital contributions - Federal and state grant revenues	103,875	-	-	-	-	-	-	103,875
Increase (decrease) in net position	<u>\$ (527,710)</u>	<u>\$ 6,073</u>	<u>\$ (822,906)</u>	<u>\$ 47,675</u>	<u>\$ (102,061)</u>	<u>\$ 34,387</u>	<u>\$ 5,566</u>	<u>\$ 303,556</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, 2014**

	<u>PFC Receipts</u>	<u>Interest Earned</u>	<u>Expenditures</u>	<u>Unliquidated PFC Revenue</u>
Balance at June 30, 2013	\$ 478,061	\$ 5,952	\$ (478,061)	\$ 5,952
Quarter ending September 30, 2013	15,539	2	(15,539)	<u>2</u>
Balance at September 30, 2013				5,954
Quarter ending December 31, 2013	8,051	2	(8,051)	<u>2</u>
Balance at December 31, 2013				5,956
Quarter ending March 31, 2014	6,317	3	(6,317)	<u>3</u>
Balance at March 31, 2014				5,959
Quarter ending June 30, 2014	<u>7,797</u>	<u>3</u>	<u>(7,797)</u>	<u>3</u>
Balance at June 30, 2014				<u>\$ 5,962</u>
Cumulative	<u>\$ 515,765</u>	<u>\$ 5,962</u>	<u>\$ (515,765)</u>	

See accompanying independent auditor's report.



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

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States, the 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, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 9, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a significant deficiency.

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 a material misstatement of the Authority'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 which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Authority's operations for the year ended June 30, 2014 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.

Authority's Responses to Findings

The Authority's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 result of that testing and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the 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

December 9, 2014



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

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

Compliance

We have audited the compliance of Southeast Iowa Regional Airport Authority (Authority), A Component Unit of the City of Burlington, with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (the Guide), issued by the Federal Aviation Administration, for its passenger facility charge program for the year ended June 30, 2014. 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, 2014.

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

December 9, 2014

**Southeast Iowa Regional Airport Authority,
A Component Unit of the City of Burlington
Schedule of Findings
Year Ended June 30, 2014**

Part I: Findings Related to the Financial Statements

Significant Deficiency

Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent one individual employee from handling a transaction from its inception to its completion. Management has not separated incompatible activities of personnel, thereby creating risks related to the safeguarding of cash and the accuracy of the financial statements.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the Authority should continue to provide oversight and direction based upon their direct knowledge of the Authority's operations to control and safeguard assets.

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

Conclusion - Response accepted.

Instances of Noncompliance:

No matters were noted.

Part II: Other Findings Related to Required Statutory Reporting

- 14-1 Deposits and Investments - The Authority has adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.
- 14-2 Travel Expense - No expenditures of Authority money for travel expenses of spouses of Authority members or employees were noted.
- 14-3 Board Minutes - No transactions were found that we believe should have been approved in the Authority minutes but were not.
- 14-4 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.