



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE

November 19, 2014

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the Council Bluffs Airport Authority.

The Authority had total revenues of \$940,827 during the year ended June 30, 2014, a 17.5% decrease from the prior year. Revenues included property tax of \$570,893, rental income of \$291,217 and federal grants of \$41,841. The decrease in revenues is primarily due to a decrease in federal grants for airport improvement projects.

Expenses totaled \$1,587,215 for the year ended June 30, 2014, a 6.2% decrease from the prior year, and included \$205,539 for employee salaries, \$836,427 for depreciation and \$151,531 for professional fees.

A copy of the audit report is available for review at the Council Bluffs Airport Authority, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1433-0051-B000.pdf>.

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COUNCIL BLUFFS AIRPORT AUTHORITY

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SCHEDULE OF FINDINGS**

JUNE 30, 2014

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Council Bluffs Airport Authority

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|---------------------------|---------------------|---------------------|
| Brad Knott | Chairman | Mar 10, 2015 |
| Rick Crawl | Vice Chairman | Mar 10, 2015 |
| Jeanette M. Aldredge | Secretary/Treasurer | Mar 10, 2017 |
| Barbara Vredevelde | Member | Mar 10, 2015 |
| Dennis Caudl | Member | (Resigned Jan 2014) |
| Steve Grandfield | Member | Mar 10, 2017 |
| Scott Hartman | Member | Mar 10, 2017 |
| Danny Smith | Executive Director | (Resigned Jun 2014) |
| Andrew Biller (Appointed) | Executive Director | Indefinite |

Council Bluffs Airport Authority



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Independent Auditor's Report

To the Members of the Council Bluffs
Airport Authority:

Report on the Financial Statements

We have audited the accompanying Statement of Net Position, and the related Statements of Revenues, Expenses and Changes in Net Position and Cash Flows, of the Council Bluffs Airport Authority as of and for the years ended June 30, 2014 and 2013, and the related Notes to Financial Statements, which collectively comprise the Authority's basic financial statements 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 U.S. generally accepted accounting principles. 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 audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 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 financial position of the Council Bluffs Airport Authority as of June 30, 2014 and June 30, 2013, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

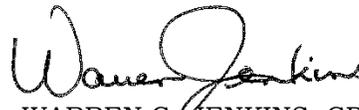
Required Supplementary Information

The Council Bluffs Airport Authority has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 15, 2014 on our consideration of the Council Bluffs Airport Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Council Bluffs Airport Authority's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 15, 2014

Basic Financial Statements

Exhibit A

Council Bluffs Airport Authority

Statement of Net Position

June 30, 2014 and 2013

| | 2014 | 2013 |
|---|----------------------|-------------------|
| | 2014 | Restated |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 340,102 | 566,897 |
| Receivables: | | |
| Accounts | 2,035 | 1,894 |
| Property tax | 26,094 | 50,425 |
| Hangar rent | - | 11,395 |
| Miscellaneous | 3,280 | 3,280 |
| Due from other governments: | | |
| Federal Aviation Agency | 63,863 | 130,724 |
| Iowa Department of Transportation | 16,700 | 10,549 |
| Prepaid expense | 3,480 | 35,398 |
| Total current assets | <u>455,554</u> | <u>810,562</u> |
| Noncurrent assets: | | |
| Restricted cash | 33,832 | 33,942 |
| Capital assets, net of accumulated depreciation | 24,373,121 | 24,919,027 |
| Total noncurrent assets | <u>24,406,953</u> | <u>24,952,969</u> |
| Total assets | <u>24,862,507</u> | <u>25,763,531</u> |
| Liabilities | | |
| Current liabilities: | | |
| Accounts payable | 78,376 | 73,457 |
| Accrued interest payable | 8,779 | 9,427 |
| Payroll tax payable | 7,477 | 8,166 |
| Paid time off payable | 9,885 | - |
| Due to other governments | - | 100,000 |
| Unearned hangar rent | 3,570 | 870 |
| Current portion of: | | |
| Capital lease purchase agreement payable | 862 | 797 |
| Revenue bonds payable | 185,000 | 170,000 |
| Total current liabilities | <u>293,949</u> | <u>362,717</u> |
| Noncurrent liabilities: | | |
| Capital lease purchase agreement payable | 3,566 | 4,434 |
| Revenue bonds payable | 2,090,000 | 2,275,000 |
| Total noncurrent liabilities | <u>2,093,566</u> | <u>2,279,434</u> |
| Total liabilities | <u>2,387,515</u> | <u>2,642,151</u> |
| Net position | | |
| Net investment in capital assets | 22,093,693 | 22,468,796 |
| Unrestricted | 381,299 | 652,584 |
| Total net position | <u>\$ 22,474,992</u> | <u>23,121,380</u> |

See notes to financial statements.

Council Bluffs Airport Authority

Statement of Revenues, Expenses and Changes in Net Position

Years ended June 30, 2014 and 2013

| | 2014 | 2013 Restated |
|--|----------------------|--------------------|
| Operating revenues: | | |
| Land rent | \$ 123,580 | 152,035 |
| Hangar rent | 167,637 | 164,460 |
| Other revenues | 30,227 | 51,684 |
| Total operating revenues | <u>321,444</u> | <u>368,179</u> |
| Operating expenses: | | |
| Salaries | 205,539 | 185,173 |
| Depreciation | 836,427 | 829,317 |
| FICA | 14,096 | 12,965 |
| IPERS | 16,849 | 15,851 |
| Advertising | 745 | 343 |
| Dues | 460 | 721 |
| Fuel | 19,686 | 27,697 |
| Insurance | 78,562 | 79,493 |
| Internet and web | 1,140 | 1,748 |
| License and subscriptions | 3,550 | 3,101 |
| Meetings | 1,663 | 1,961 |
| Office | 6,249 | 4,668 |
| Postage and freight | 711 | 422 |
| Professional fees | 151,531 | 159,245 |
| Radio and telephone | 5,891 | 5,524 |
| Buildings and grounds maintenance and repair | 12,140 | 17,345 |
| Equipment repair | 25,212 | 28,306 |
| Hangar repair | 12,210 | 2,354 |
| Runway repair | 7,916 | 2,625 |
| Trash hauling | 1,182 | 1,182 |
| Travel and training | 1,290 | 1,560 |
| Utilities | 56,161 | 48,938 |
| Miscellaneous | 9,308 | 7,042 |
| Total operating expenses | <u>1,468,518</u> | <u>1,437,581</u> |
| Operating loss | <u>(1,147,074)</u> | <u>(1,069,402)</u> |
| Non-operating revenues (expenses): | | |
| Property tax | 570,893 | 589,746 |
| Interest income | 498 | 15,541 |
| Federal grants | 41,841 | 116,950 |
| Other grant revenue | 6,151 | 10,549 |
| Contributions from other governments | - | 40,000 |
| Reimbursements to other governments | - | (100,000) |
| Interest expense | (118,697) | (125,598) |
| Loss on sale of assets | - | (23,887) |
| Net non-operating revenues | <u>500,686</u> | <u>523,301</u> |
| Change in net position | <u>(646,388)</u> | <u>(546,101)</u> |
| Net position beginning of year, as restated | 23,121,380 | 23,667,481 |
| Net position end of year | <u>\$ 22,474,992</u> | <u>23,121,380</u> |

See notes to financial statements.

Council Bluffs Airport Authority

Statement of Cash Flows

Years ended June 30, 2014 and 2013

| | 2014 | 2013 |
|--|---------------------|------------------|
| Cash flows from operating activities: | | |
| Cash received from rent | \$ 305,312 | 304,390 |
| Cash received from other revenues | 30,086 | 49,978 |
| Cash paid to suppliers for goods and services | (396,587) | (370,041) |
| Cash paid to employees for services | (227,288) | (213,695) |
| Net cash used for operating activities | <u>(288,477)</u> | <u>(229,368)</u> |
| Cash flows from noncapital financing activities: | | |
| Cash received from property tax | 595,224 | 567,554 |
| Cash received from (paid to) County | (40,000) | 40,000 |
| Cash paid for EPA Settlement | (60,000) | - |
| Net cash provided by noncapital financing activities | <u>495,224</u> | <u>607,554</u> |
| Cash flows from capital and related financing activities: | | |
| Federal grants received | 102,551 | 447,516 |
| Received from other governments | 6,151 | 370,549 |
| Sale of capital assets | - | 800 |
| Acquisition of capital assets | (252,704) | (393,734) |
| Principal paid on revenue bonds | (170,000) | (160,000) |
| Interest paid on revenue bonds | (118,650) | (126,195) |
| Principal paid on capital lease purchase agreement | (803) | - |
| Interest paid on capital lease purchase agreement | (695) | - |
| Net cash provided by (used for) capital and related financing activities | <u>(434,150)</u> | <u>138,936</u> |
| Cash flows from investing activities: | | |
| Interest received | 498 | 368 |
| Net increase (decrease) in cash and cash equivalents | <u>(226,905)</u> | <u>517,490</u> |
| Cash and cash equivalents beginning of year | 600,839 | 83,349 |
| Cash and cash equivalents end of year | <u>\$ 373,934</u> | <u>600,839</u> |
| Reconciliation of operating loss to net cash used for operating activities: | | |
| Operating loss | \$ (1,147,074) | (1,069,402) |
| Adjustments to reconcile operating loss to net cash used for operating activities: | | |
| Depreciation | 836,427 | 829,317 |
| Changes in assets and liabilities: | | |
| (Increase) decrease in accounts receivable | 11,254 | (12,251) |
| (Increase) decrease in prepaid expense | 31,918 | (10,667) |
| Increase (decrease) in accounts payable | (23,013) | 34,901 |
| Increase (decrease) in payroll taxes payable | (689) | 294 |
| Increase (decrease) in unearned hangar rent | 2,700 | (1,560) |
| Total adjustments | <u>858,597</u> | <u>840,034</u> |
| Net cash used for operating activities | <u>\$ (288,477)</u> | <u>(229,368)</u> |

See notes to financial statements.

Council Bluffs Airport Authority

Notes to Financial Statements

June 30, 2014 and 2013

(1) Summary of Significant Accounting Policies

The Council Bluffs Airport Authority, a political subdivision of the State of Iowa, was formed in 1995 pursuant to the provisions of Chapter 330A of the Code of Iowa. The Authority provides and maintains airport facilities for the City of Council Bluffs, Iowa.

The Authority is a component unit of the City of Council Bluffs. The accompanying financial statements include only the activity of the Airport Authority. Financial statements for the City of Council Bluffs can be obtained from the City.

A. Reporting Entity

For financial reporting purposes, the Council Bluffs Airport Authority has included all funds, organizations, agencies, boards, commissions and authorities. The Authority has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Authority are such that exclusion would cause the Authority's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Authority 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 Authority. The Council Bluffs Airport Authority has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Council Bluffs Airport Authority are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is 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 periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

C. Measurement Focus and Basis of Accounting

The financial statements are reported using the 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 satisfied.

The Authority distinguishes operating revenues and expenses from non-operating 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, including property tax, and all expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities and Net Position

The following accounting policies are followed in preparing the Statement of Net Position:

Cash, Investments and Cash Equivalents – The Authority considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Restricted Cash – Funds required to be set aside in a bond retirement account for the repayment of principal and interest on the Authority's bond debt are classified as restricted.

Capital Assets – Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reportable capital assets are defined by the Authority as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of five years.

| Asset Class | Amount |
|-----------------------------------|----------|
| Buildings and improvements | \$ 5,000 |
| Land improvements | 5,000 |
| Machinery, equipment and vehicles | 1,000 |
| Infrastructure | 5,000 |

Capital assets of the Authority are depreciated using the straight line method over the following estimated useful lives:

| Asset Class | Estimated Useful Lives (In Years) |
|-----------------------------------|-----------------------------------|
| Buildings and improvements | 10 - 50 |
| Land improvements | 5 - 50 |
| Machinery, equipment and vehicles | 5 - 10 |
| Infrastructure | 25 - 50 |

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There were no qualifying assets acquired during the years ended June 30, 2014 and 2013.

(2) Cash and Investments

The Authority's deposits in banks at June 30, 2014 and 2013 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 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; 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.

The Authority had no investments meeting the disclosure requirements of Governmental Accounting Standards Board No. 3, as amended by Statement No. 40.

(3) Capital Assets

Capital assets activity for the year ended June 20, 2014 was as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|---|---------------------------------|-----------|-----------|---------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 2,192,064 | - | - | 2,192,064 |
| Construction in progress | 750,758 | 67,871 | 677,664 | 140,965 |
| Total capital assets not being depreciated | 2,942,822 | 67,871 | 677,664 | 2,333,029 |
| Capital assets being depreciated: | | | | |
| Buildings | 7,254,931 | 222,650 | - | 7,477,581 |
| Improvements other than buildings | 19,196,903 | 677,664 | - | 19,874,567 |
| Equipment and vehicles | 334,698 | - | - | 334,698 |
| Total capital assets being depreciated | 26,786,532 | 900,314 | - | 27,686,846 |
| Less accumulated depreciation for: | | | | |
| Buildings | 1,521,556 | 175,707 | - | 1,697,263 |
| Improvement other than buildings | 3,068,015 | 630,955 | - | 3,698,970 |
| Equipment and vehicles | 220,756 | 29,765 | - | 250,521 |
| Total accumulated depreciation | 4,810,327 | 836,427 | - | 5,646,754 |
| Total capital assets being depreciated, net | 21,976,205 | 63,887 | - | 22,040,092 |
| Total capital assets, net | \$ 24,919,027 | 131,758 | 677,664 | 24,373,121 |
| Total depreciation expense | | | | \$ 836,427 |

Capital assets activity for the year ended June 20, 2013 was as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|---|---------------------------------|-----------|-----------|---------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 2,192,064 | - | - | 2,192,064 |
| Construction in progress | 1,059,097 | 176,005 | 484,344 | 750,758 |
| Total capital assets not being depreciated | 3,251,161 | 176,005 | 484,344 | 2,942,822 |
| Capital assets being depreciated: | | | | |
| Buildings | 6,865,738 | 484,344 | 95,151 | 7,254,931 |
| Improvements other than buildings | 19,196,199 | 704 | - | 19,196,903 |
| Equipment and vehicles | 321,305 | 35,029 | 21,636 | 334,698 |
| Total capital assets being depreciated | 26,383,242 | 520,077 | 116,787 | 26,786,532 |
| Less accumulated depreciation for: | | | | |
| Buildings | 1,422,075 | 169,944 | 70,463 | 1,521,556 |
| Improvements other than buildings | 2,437,780 | 630,235 | - | 3,068,015 |
| Equipment and vehicles | 213,255 | 29,138 | 21,637 | 220,756 |
| Total accumulated depreciation | 4,073,110 | 829,317 | 92,100 | 4,810,327 |
| Total capital assets being depreciated, net | 22,310,132 | (309,240) | 24,687 | 21,976,205 |
| Total capital assets, net | \$ 25,561,293 | (133,235) | 509,031 | 24,919,027 |
| Total depreciation expense | | | | \$ 829,317 |

(4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year | Due Within One Year |
|----------------------------------|---------------------------------|-----------|-----------|---------------------------|---------------------------|
| Capital lease purchase agreement | \$ 5,231 | - | 803 | 4,428 | 862 |
| Revenue bonds | 2,445,000 | - | 170,000 | 2,275,000 | 185,000 |
| Total | \$ 2,450,231 | - | 170,803 | 2,279,428 | 185,862 |

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year | Due Within One Year |
|----------------------------------|---------------------------------|-----------|-----------|---------------------------|---------------------------|
| Capital lease purchase agreement | \$ - | 5,231 | - | 5,231 | 797 |
| Revenue bonds | 2,605,000 | - | 160,000 | 2,445,000 | 170,000 |
| Total | \$ 2,605,000 | 5,231 | 160,000 | 2,450,231 | 170,797 |

Capital Lease Purchase Agreement

The Authority entered into a capital lease purchase agreement to lease a copier with a historical cost of \$5,231. The following is a schedule of the future minimum lease payments, including interest at 15.72% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2014:

| Year Ending June 30, | Amount |
|---------------------------------------|-----------------|
| 2015 | \$ 1,498 |
| 2016 | 1,498 |
| 2017 | 1,497 |
| 2018 | 1,497 |
| Total minimum lease payments | 5,990 |
| Less interest | (1,562) |
| Present value of net minimum lease | <u>\$ 4,428</u> |

Payments under this agreement for the year ended June 30, 2014 totaled \$1,498.

Revenue Bonds

Two issues of unmatured revenue bonds are outstanding at June 30, 2014 and June 30, 2013. The bonds bear interest at rates ranging from 4.35% to 5.05% per annum and mature in varying annual amounts, ranging from \$100,000 to \$275,000, with final maturities due in the year ending June 30, 2024.

The Authority has pledged the net revenues of the Authority, including property tax received by the Authority under Chapter 330A.15 of the Code of Iowa, net of specified operating expenses, to repay revenue bonds issued in June 2006 with an outstanding balance of \$2,275,000 at June 30, 2014. Proceeds from the bonds provided financing for construction of improvements to the Authority's facilities and runway. The bonds are payable solely from the net revenues of the Authority. The total principal and interest remaining to be paid on the bonds at June 30, 2014 is \$2,925,423. For the year ended June 30, 2014, principal and interest paid and total customer net revenues were \$288,650 and \$260,246, respectively.

The resolutions providing for the issuance of the revenue bonds include the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the Authority and the bond holders hold a lien on the future earnings of the Authority.
- (b) Sufficient monthly transfers shall be made to a revenue bond retirement account for the purpose of making the bond principal and interest payments when due.
- (c) User rates shall be established at a level which produces and maintains net revenues, including taxes received by the Authority under Chapter 330A.15 of the Code of Iowa, at a level not less than 100% of the amount of principal and interest on the bonds falling due in the same year.

Annual principal and interest payments on the bonds required more than 100% of net revenues.

Details of revenue bonds payable at June 30, 2014 are as follows:

| Issue | Date of Issue | Interest Rates | Final Due Date | Annual Payments | Amount Originally Issued | Outstanding June 30, 2014 |
|--------------|---------------|----------------|----------------|--------------------|--------------------------|---------------------------|
| Series 2006A | Jun 1, 2006 | 4.35-5.05% | June 1, 2017 | \$ 105,000-195,000 | 1,465,000 | 485,000 |
| Series 2006B | Jun 1, 2006 | 4.55-5.00 | June 1, 2024 | 100,000-275,000 | 1,790,000 | 1,790,000 |
| Total | | | | | | <u>\$ 2,275,000</u> |

Details of revenue bonds payable at June 30, 2013 are as follows:

| Issue | Date of Issue | Interest Rates | Final Due Date | Annual Payments | Amount Originally Issued | Outstanding June 30, 2013 |
|--------------|---------------|----------------|----------------|--------------------|--------------------------|---------------------------|
| Series 2006A | Jun 1, 2006 | 4.35-5.05% | June 1, 2017 | \$ 105,000-195,000 | 1,465,000 | 655,000 |
| Series 2006B | Jun 1, 2006 | 4.55-5.00 | June 1, 2024 | 100,000-275,000 | 1,790,000 | 1,790,000 |
| Total | | | | | | <u>\$ 2,445,000</u> |

A summary of the annual revenue bond principal and interest requirements to maturity at June 30, 2014 is as follows:

| Year Ending June 30, | Principal | Interest | Total |
|----------------------|---------------------|----------------|------------------|
| 2015 | \$ 185,000 | 110,490 | 295,490 |
| 2016 | 195,000 | 101,518 | 296,518 |
| 2017 | 205,000 | 91,865 | 296,865 |
| 2018 | 210,000 | 82,013 | 292,013 |
| 2019 | 220,000 | 72,247 | 292,247 |
| 2020-2024 | 1,260,000 | 192,290 | 1,452,290 |
| Total | <u>\$ 2,275,000</u> | <u>650,423</u> | <u>2,925,423</u> |

A summary of the annual revenue bond principal and interest requirements to maturity at June 30, 2013 is as follows:

| Year Ending June 30, | Principal | Interest | Total |
|----------------------|---------------------|----------------|------------------|
| 2014 | \$ 170,000 | 118,650 | 288,650 |
| 2015 | 185,000 | 110,490 | 295,490 |
| 2016 | 195,000 | 101,518 | 296,518 |
| 2017 | 205,000 | 91,865 | 296,865 |
| 2018 | 210,000 | 82,013 | 292,013 |
| 2019-2023 | 1,205,000 | 250,787 | 1,455,787 |
| 2024 | 275,000 | 13,750 | 288,750 |
| Total | <u>\$ 2,445,000</u> | <u>769,073</u> | <u>3,214,073</u> |

(5) 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 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, 50306-9117.

Plan members are required to contribute 5.95% of their annual covered salary and the Authority is required to contribute 8.93% of annual covered payroll. Contribution requirements are established by state statute. The Authority's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$17,299, \$15,851 and \$16,152, respectively, equal to the required contributions for each year.

(6) Related Party Transactions

The Authority contracts with Advanced Air, Inc. to be the fixed base operator (FBO) at the Authority. The President of Advanced Air, Inc. is the daughter of the former Executive Director of the Authority. Payments to Advanced Air, Inc. from the Authority for the years ended June 30, 2014 and 2013 were \$39,612 and \$41,201, respectively.

(7) Risk Management

The Authority is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 700 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. The Authority only uses the pool for property coverage. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Authority's property contributions to the risk pool are recorded as expenditures from its operating fund at the time of payment to the risk pool. The Authority's contributions to the Pool for the year ended June 30, 2014 were \$1,303.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Authority's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Authority's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the Authority's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any reinsurance and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. The Authority does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probably such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2014, no liability has been recorded in the Authority's financial statements. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The Authority also carries commercial insurance purchased from other insurers for coverage associated with torts; thefts; errors and omissions; employee dishonesty and \$1,000,000 in workers compensation coverage. The Authority assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which 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 significant liability for the Association's proportionate share of the employee pension plan.

(9) Restatement

As a result of adopting GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, unamortized bond issuance costs which were previously reported as assets have been expensed, as follows:

| | |
|---|---------------------|
| Net Position at June 30, 2012, as previously reported | \$23,692,429 |
| Unamortized bond issuance costs expensed | <u>(24,948)</u> |
| Net Position at July 1, 2012, as restated | <u>\$23,667,481</u> |



OFFICE OF AUDITOR OF STATE

STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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

To the Members of the Council Bluffs
Airport Authority:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the Council Bluffs Airport Authority as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, and have issued our report thereon dated October 15, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council Bluffs Airport Authority's internal control over financial reporting to determine the audit procedures 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 the Council Bluffs Airport Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council Bluffs Airport 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 a material misstatement of the Council Bluffs Airport 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.

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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as items (A) through (D), we consider to be significant deficiencies.

Compliance and Other Matters

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

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

The Council Bluffs Airport Authority's Responses to the Findings

The Council Bluffs Airport Authority's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The Council Bluffs Airport 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 results 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 Council Bluffs Airport Authority during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 15, 2014

Council Bluffs Airport Authority

Schedule of Findings

Year ended June 30, 2014

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) Billings, Collections and Delinquent Accounts – Although hangar rent billings, collections and delinquent accounts are accounted for by the Administrative Assistant weekly, there is no documentation of independent review of the billings and related collections.

Recommendation – The Authority should establish procedures to provide a periodic independent review of hangar rent billings, collections and delinquent accounts.

Response – A monthly reconciliation of the billings/collections is in place by the Administrative Assistant. Going forward the Executive Director will review and initial the monthly report.

Conclusion – Response accepted.

- (B) Receipts – An independent person does not open the mail and prepare an initial listing of collections.

Recommendation – To provide control over the proper collection and recording of all receipts, an independent person should open the mail and prepare an initial listing of receipts. This listing should periodically be reconciled to the general ledger and to deposits by an independent person.

Response – The Executive Director will pick up the mail, open and record checks on a periodic basis. Future review of the bank deposits will verify the receipt and posting.

Conclusion – Response accepted.

- (C) Disbursements – Policies do not prohibit blank checks from being signed in advance.

Recommendation – Checks should only be signed when the completed check and appropriate supporting documentation are available for review. Prior to signing, the checks and supporting documentation should be reviewed for propriety and approved for payment.

Response – On Page 7 of the Council Bluffs Airport Authority Accounting Policies and Procedures Manual, a written policy has been changed/updated to reflect that signing blank checks in advance is prohibited.

Conclusion – Response accepted.

Council Bluffs Airport Authority

Schedule of Findings

Year ended June 30, 2014

- (D) Capital assets – Written approval is not required prior to deleting items from the capital asset record.

Recommendation – The Authority should establish a formal policy requiring written approval for all asset dispositions.

Response – On Page 12 of the Council Bluffs Airport Authority Accounting Policies and Procedures Manual, a written policy has been changed/updated to reflect that written approval will be required when selling or retiring assets.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Council Bluffs Airport Authority

Schedule of Findings

Year ended June 30, 2014

Other Findings Related to Required Statutory Reporting:

- (1) Questionable Expenses – An expense we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented was noted. This expense is detailed as follows:

| <u>Paid To</u> | <u>Purpose</u> | <u>Amount</u> |
|----------------|------------------|---------------|
| Midstates Bank | Overdraft charge | \$ 60 |

According to the opinion, it is possible for such expenses to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The Authority should determine and document the public purpose served by this expenditure before authorizing any further payments. If this practice is continued, the Authority should establish written policies and procedures, including the requirement for proper documentation.

Response – This charge was the result of an oversight from a prior employee. Caution will be taken so it does not happen in the future.

Conclusion – Response accepted.

- (2) Travel Expenses – No expenditures of Authority money for travel expenses of spouses of Authority officials or employees were noted.
- (3) Authority Minutes – No transactions were found that we believe should have been approved in the Authority minutes but were not.

The Authority went into closed session nine times during fiscal year 2014. However, the minutes record did not document the specific exemption for the closed session by reference to a specific provision of Chapter 21.5 of the Code of Iowa, commonly known as the open-meetings law, for eight of the nine closed sessions.

Also, the reason given for going into a closed session for one of the nine closed sessions did not appear to meet any of the specific exemptions allowed under Chapter 21.5 of the Code of Iowa.

Recommendation – The Authority should comply with Chapter 21.5 of the Code of Iowa.

Response – The Authority will comply with Chapter 21.5 of the Code of Iowa.

Conclusion – Response accepted.

Council Bluffs Airport Authority

Schedule of Findings

Year ended June 30, 2014

- (4) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Authority’s investment policy were noted.
- (5) Revenue Bonds – The Authority’s revenue bond resolutions, Section 19(b), require the Authority establish, impose, adjust and provide for the collection of rates to be charged by the Authority that produce net operating revenues equal to at least 100% of the principal and interest coming due in each fiscal year.

The Authority’s fiscal year 2014 net operating revenues were less than 100% of the \$288,650 revenue bond principal and interest due during fiscal year 2014.

Recommendation – The Authority should consult bond counsel to determine the disposition of the net revenue violation.

Response – Extraordinary expenses this year required the Council Bluffs Airport Authority to pay bonds out of savings. This should not happen going forward.

Conclusion – Response accepted.

- (6) Authority Provided Vehicle – The Authority provides a vehicle to the Executive Director for business use. Pursuant to the Internal Revenue Service (IRS) Fringe Benefit Guide, Publication 15-B, personal vehicle use is defined as “Commuting between residence and work station, and vacation, weekend use, or use by spouse or dependents”. Also in accordance with the IRS Fringe Benefit Guide, personal use of employer provided vehicles is a taxable benefit to the employee. If the employee provides records to substantiate the personal versus business use of the vehicle, only the personal use is taxable. However, in the absence of records substantiating use, the value of all use of the vehicle represents wages to the employee.

The Authority has implemented a policy to deduct 50 cents for every mile recorded as personal use from the Director’s salary. However, beginning January 1, 2014, the standard IRS mileage rate was 56 cents per mile. On January 15, 2014 the Authority implemented a policy to deduct \$56.25 per month from the Director’s salary for commuting between his residence and his work station. The \$56.75 per month was calculated under the IRS Publication 15B Commuting Rule which sets a value of \$3 per round trip commute if certain rules are met. The use of the vehicle did not qualify under the Commuting Rule as it was used for more than the minimal personal use. Also, there is no independent review of the Executive Director’s mileage log.

We reviewed the Executive Director’s mileage log for the month of April 2014 and noted 164.8 miles were reported as personal use, resulting in that month’s payroll deduction of \$82.40 (164.8 miles x 50 cents/mile). In addition, a payroll deduction of \$56.75 was applied for commuting, which resulted in a total deduction of \$138.65 for use of the vehicle. However, after adding commuting miles and using the correct IRS rate of 56 cents per mile, the 384.8 miles of personal and commuting use of the Authority’s vehicle for the month of April should have resulted in a \$215.49 wage deduction.

Council Bluffs Airport Authority

Schedule of Findings

Year ended June 30, 2014

Recommendation – The Authority should comply with IRS guidelines when determining personal use miles (i.e., include commuting miles) and should use the proper IRS mileage rate in calculating wage deductions for the Director’s personal use of the Authority’s vehicle. An independent review of the Director’s mileage log should be performed, including periodically tracing log mileage to the vehicle’s actual mileage. In accordance with an Attorney General’s opinion dated May 13, 1993, personal use should be limited and incidental to the business purposes for which the vehicle is provided.

Response – The Authority will comply with the IRS guidelines and will use the proper IRS mileage rate. An independent review of the Director’s mileage log will be done periodically.

Conclusion – Response accepted.

Council Bluffs Airport Authority

Staff

This audit was performed by:

Brian R. Brustkern, CPA, Manager
Russell G. Jordan, CPA, Staff Auditor
Jessica L. Russell, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large, stylized initial "A".

Andrew E. Nielsen, CPA
Deputy Auditor of State