

POLK COUNTY AVIATION AUTHORITY

Audited Financial Statements and
Required Supplementary Information
For the Years Ended June 30, 2015 & 2014

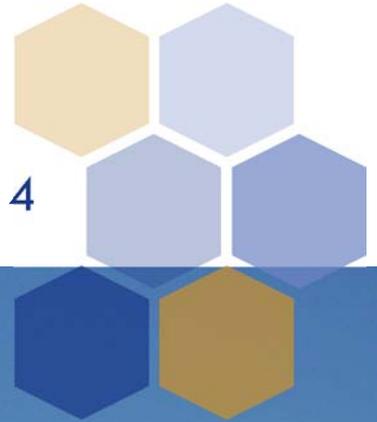


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POLK COUNTY AVIATION AUTHORITY

OFFICIALS

Name	Title	Representing
Jeff Wangsness	Chairperson	City of Ankeny
Jason Greubel	Secretary	City of Bondurant
Dr. Paul Novak	Treasurer	Polk County
Brant Anderson	Member	City of Altoona
William Gardner	Member	Polk County
R. Todd Ashby	Member	City of Ankeny
John Barber	Member	Polk County
Amy Beattie	Attorney	Brick Gentry PC
Paul Moritz	Staff Administrator	City of Ankeny
Margaret Waldschmitt	Recording Secretary	City of Ankeny
Jennifer Sease	Finance Director	City of Ankeny
Janet Binder	Accountant	City of Ankeny
Exec 1 Aviation, Inc	Fixed Base Operator	

INDEPENDENT AUDITORS' REPORT

Board of Directors
Polk County Aviation Authority
Ankeny, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of Polk County Aviation Authority (Authority), as of and for the year ended June 30, 2015, 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.

Auditors' 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 auditors' 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Polk County Aviation Authority as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, 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 Polk County Aviation Authority's basic financial statements. The budgetary comparison schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparison schedule and the schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

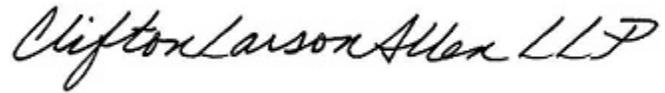
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2015, on our consideration of the Polk County Aviation Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Polk County Aviation Authority's internal control over financial reporting and compliance.

Board of Directors
Polk County Aviation Authority

Other Matter

The financial statements of the Authority as of June 30, 2014, were audited by other auditors whose report dated December 1, 2014, expressed an unmodified opinion on those financial statements.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

West Des Moines, Iowa
December 15, 2015

**Management's Discussion and Analysis
For the Year Ended June 30, 2015**

The following management's discussion and analysis of the Polk County Aviation Authority's (the Authority) financial performance provides an introduction to the financial statements for the fiscal year ended June 30, 2015. It is intended to give the reader an overview of, and additional insight into, the financial activities of the Authority over the past year. This will be done most effectively by reading this discussion and analysis in conjunction with the information contained in the Authority's financial statements.

Financial Highlights

- The current assets of the Authority were \$3,455,005 while the current liabilities were \$527,632, a ratio of 7:1.
- The Authority's total assets decreased by \$1,064,970 and its total liabilities decreased by \$732,484 from 2014.
- The assets of the Authority exceeded its liabilities at the close of the year by \$12,138,927 (net position). Of this amount, \$2,696,112 is unrestricted and may be used to meet the Authority's ongoing obligations, and \$572,219 is restricted for airport improvement projects.

Overview of the Financial Statements

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

The *Statement of Net Position* presents the Authority's financial position, in its entirety, as of June 30. All of the Authority's assets, deferred outflows, liabilities and deferred inflows are presented with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the Authority's overall financial position.

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

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

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

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Financial Analysis

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

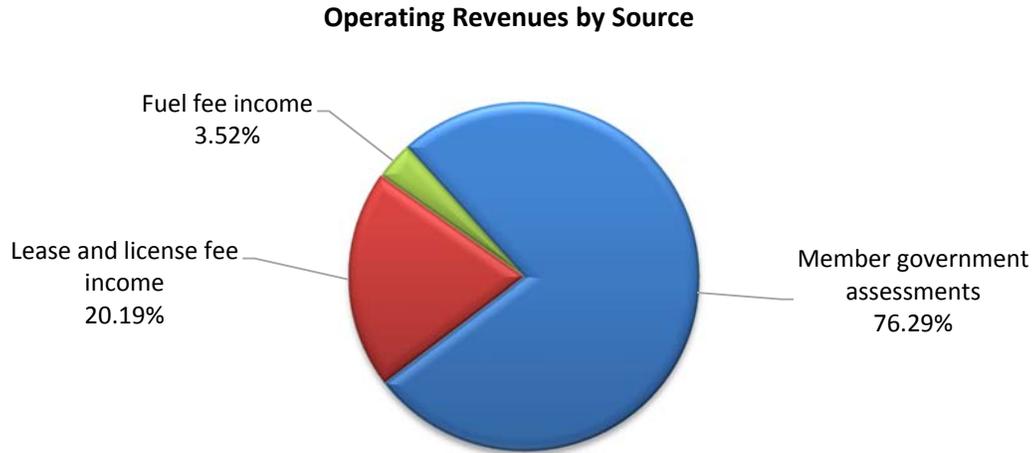
	Net Position		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Current assets	\$ 3,455,005	\$ 3,581,303	\$ 2,768,961
Capital assets	<u>11,007,209</u>	<u>11,945,881</u>	<u>11,047,959</u>
Total assets	<u>14,462,214</u>	<u>15,527,184</u>	<u>13,816,920</u>
Deferred outflows of resources	<u>94,133</u>	<u>110,043</u>	<u>125,953</u>
Current liabilities	527,632	919,158	410,758
Noncurrent liabilities	<u>1,889,788</u>	<u>2,230,746</u>	<u>2,494,388</u>
Total liabilities	<u>2,417,420</u>	<u>3,149,904</u>	<u>2,905,146</u>
Net investment in capital assets	8,870,596	9,489,220	8,438,301
Restricted for airport improvements	572,219	602,592	665,412
Unrestricted	<u>2,696,112</u>	<u>2,395,511</u>	<u>1,934,014</u>
Total net position	<u>\$ 12,138,927</u>	<u>\$ 12,487,323</u>	<u>\$ 11,037,727</u>

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

	Changes in Net Position		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total operating revenues	\$ 900,321	\$ 868,980	\$ 833,166
Total operating expenses	<u>237,252</u>	<u>226,816</u>	<u>300,078</u>
Operating income before depreciation	663,069	642,164	533,088
Depreciation	<u>497,235</u>	<u>703,720</u>	<u>827,486</u>
Operating income (loss)	165,834	(61,556)	(294,398)
Nonoperating income	18,234	11,875	11,179
Nonoperating expense	(1,621,222)	(226,425)	(173,926)
Grant reimbursements	<u>1,088,758</u>	<u>1,725,702</u>	<u>-</u>
Change in net position	(348,396)	1,449,596	(457,145)
Net position - beginning of year	<u>12,487,323</u>	<u>11,037,727</u>	<u>11,494,872</u>
Net position - end of year	<u>\$ 12,138,927</u>	<u>\$ 12,487,323</u>	<u>\$ 11,037,727</u>

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The following graph summarizes the Authority’s operating revenues by source for the year ended June 30, 2015:



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

Operating Revenues by Source

	2015	2014	2013
Member government assessments	\$ 686,820	\$ 659,374	\$ 640,721
Grant reimbursements	-	12,000	-
Lease and license fee income	181,771	168,050	164,400
Fuel fee income	31,730	29,556	27,853
Other revenue	-	-	192
Total operating revenues	\$ 900,321	\$ 868,980	\$ 833,166

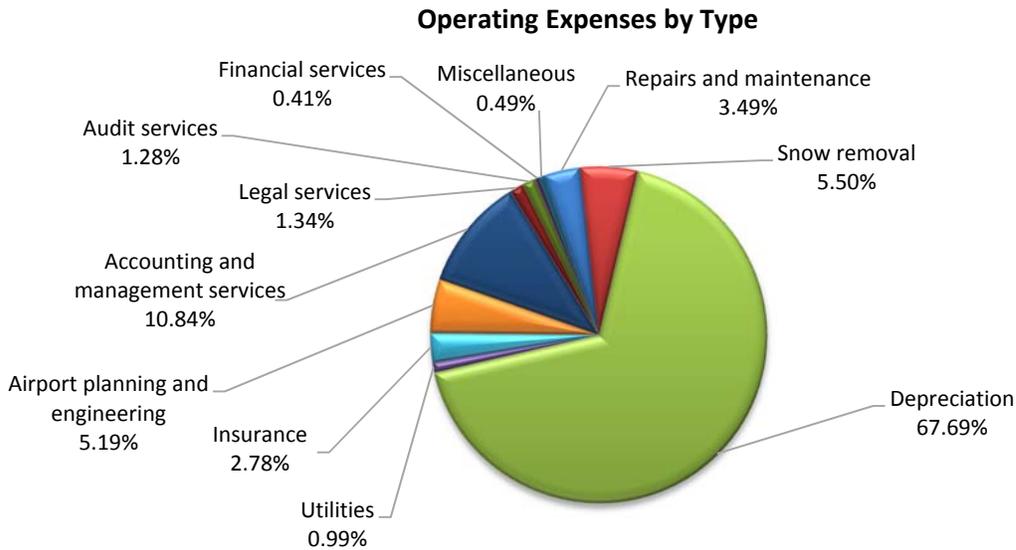
- Total operating revenues for 2015 were \$900,321, an increase of \$31,341 or 3.61% over the prior fiscal year. Total operating revenues for 2014 were \$868,980, an increase of \$35,814 or 4.30% over fiscal year 2013.
- Member government assessments increased by \$27,446 in fiscal year 2015 and by \$18,653 in fiscal year 2014. These increases are attributable to property valuation growth in the member governments.
- Grant reimbursements decreased by \$12,000 in fiscal year 2015 compared to fiscal year 2014. Operating grant funds were received in fiscal year 2014 for a terminal development study and for removal and replacement of the runway end identifier lights (REIL).
- Lease and license fee income for fiscal year 2015 increased by \$13,721 or 8.16%. The increase is due to the construction of an additional six-unit T-hangar and the addition of a land lease with Des Moines Metro Aviation, LLC. For fiscal year 2014, lease and license fee income increased by \$3,650 or 2.22% due to an amendment to the management agreement increasing the lease fees paid by the Fixed Base

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Operator from 20% to 30% of rental income per month.

- Fuel fee income increased by \$2,174 and by \$1,703 in fiscal years 2015 and 2014, respectively. Fuel fee income will fluctuate due to increases or decreases in airport operations and the number of aircraft based at the airport.

The following graph summarizes the Authority's operating expenses by type including depreciation for the year ended June 30, 2015:



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

Operating Expenses by Type

	2015	2014	2013
Repairs and maintenance	\$ 25,630	\$ 20,075	\$ 99,115
Snow removal	40,373	59,707	62,494
Depreciation	497,235	703,720	827,486
Utilities	7,248	7,297	6,690
Insurance	20,394	22,280	23,382
Airport planning and engineering	38,144	10,051	5,312
Accounting and management services	79,640	80,009	78,005
Legal services	9,808	8,905	12,542
Audit services	9,375	8,075	8,075
Financial services	3,034	6,037	30
Miscellaneous	3,606	4,380	4,433
Total operating expenses	\$ 734,487	\$ 930,536	\$ 1,127,564

- Total operating expenses for fiscal year 2015 decreased by \$196,049 or 21.07% over the prior fiscal year. Total operating expenses for fiscal year 2014 decreased by \$197,028 or 17.47% compared to fiscal year 2013.

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- Repair and maintenance costs increased by \$5,555 during fiscal year 2015 due to repairs to the perimeter fence and maintenance of the wetland areas that were performed during the fiscal year. All repair and maintenance projects required of the Authority under the management agreement were completed in fiscal year 2013 resulting in a decrease of repair and maintenance costs of \$79,040 in fiscal year 2014.
- Snow removal expenses decreased by \$19,334 and \$2,787 in fiscal years 2015 and 2014, respectively. A relatively mild winter season allowed for savings in fiscal year 2015.
- Depreciation expense decreased by \$206,485 in fiscal year 2015, and decreased by \$123,766 in fiscal year 2014. Several capital assets reached full depreciation during these two fiscal years.
- Airport planning and engineering costs increased by \$28,093 and by \$4,739 in fiscal year 2015 and 2014, respectively due to several on-going maintenance issues that required engineering services including gate repairs, tree and brush clearing, runway pavement condition testing and planning for future airport development.

Capital Assets and Debt Administration

Capital Assets. The Authority's capital assets, net of accumulated depreciation, as of June 30, 2015, amounts to \$11,007,209. Capital assets include land, construction in progress, buildings, infrastructure, and equipment and furniture.

The total decrease in the Authority's capital assets for the current fiscal year was \$938,672 or 7.86%.

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

	2015	2014	2013
Land	\$ 6,956,965	\$ 6,911,879	\$ 6,817,797
Construction in progress	913,921	1,400,444	254,708
Aviation museum	162,939	162,939	162,939
Equipment and furniture	60,466	60,466	60,466
Runway	8,462,384	8,462,384	8,462,384
Taxiway	3,451,883	3,451,883	3,451,883
Apron	1,611,720	1,611,720	1,611,720
T-hangars, access road	2,436,107	2,436,107	2,074,283
Taxiway (offset)	51,951	51,951	51,951
Terminal building	758,141	758,141	758,141
Parking lot improvements	81,574	81,574	81,574
Transmission line lighting	90,876	90,876	90,876
Field fence replacement	47,399	47,399	47,399
Total	25,086,326	25,527,763	23,926,121
Less: accumulated depreciation	14,079,117	13,581,882	12,878,162
Net	\$ 11,007,209	\$ 11,945,881	\$ 11,047,959

Major changes in capital assets during the fiscal year 2015 included the following:

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- The Authority capitalized final expenses in the amount of \$155,086 related to the purchase of a parcel of land for the SE Four Mile Drive Relocation/Runway 22 Protection Zone project. As part of that purchase agreement, the Authority also relinquished a separate parcel of land valued at \$110,000.
- The Authority held contracts for engineering services and construction of the Runway 22 Threshold Relocation project, Runway 18/36 Lighting Rehabilitation project and six-unit T-hangar building and apron project. Construction in progress at June 30 was \$913,921.
- The SE Four Mile Drive Relocation project was completed during the fiscal year and the roadway was transferred to the City of Ankeny by quit claim deed. The total cost of construction and engineering was \$1,451,345.
- Accumulated depreciation on capital assets increased by \$497,235.

Major changes in capital assets during the fiscal year 2014 included the following:

- The Authority incurred expenses of \$94,082 related to the purchase of a parcel of land for the SE Four Mile Drive Relocation/Runway 22 Protection Zone project.
- The Authority held contracts for engineering services and construction of the SE Four Mile Drive Relocation/Runway 22 Protection Zone project and for the Runway 22 Threshold Relocation project. Construction in progress at June 30 was \$1,400,444.
- T-hangars, access road increased by \$361,824 due to the construction of a six-unit T-hangar building. This project was completed in its entirety during the fiscal year.
- Accumulated depreciation on capital assets increased by \$703,720.

Additional information on the Authority's capital assets can be found in the notes to the financial statements.

Long-Term Debt. At the end of fiscal year 2015, the Authority had total bonded debt outstanding of \$2,195,000. These bonds were issued by Polk County, Iowa on behalf of the Authority. The Authority has entered into a loan and revenue maintenance agreement with Polk County, Iowa to repay the debt.

The Authority's total long-term debt decreased by \$340,958 (15.28%) during fiscal year 2015 and by \$263,642 (10.57%) during fiscal year 2014. The decreases are primarily due to the repayment of bond principal during each fiscal year.

Additional information on the Authority's long-term debt can be found in the notes to the financial statements.

Budgetary Information

The Authority prepares an annual budget for all revenues and expenses. The budget is prepared on a modified accrual basis of accounting, which is an accounting method not in conformance with generally accepted accounting principles (GAAP). A budgetary comparison schedule and reconciliation to GAAP can be found in the required supplementary information.

- Change in net position was greater than budgeted by \$255,169.

- Operating revenues were over budget by \$1,501.
- Operating expenses were under budget by \$388,696.

Authority Development Initiatives

The Authority is in the process of relocating the threshold for runway 22 and rehabilitating the pavement to allow safe use of the full length of the crosswinds runway. Construction began on an additional six-unit T-hangar during fiscal year 2015 and contracts have been signed for engineering and construction related to replacing the main runway lights with high-intensity LED lighting. The Authority is also exploring available options for the future development of additional box hangars in the south apron area of the airfield.

Requests for Information

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

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Statement of Net Position
June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,940,604	\$ 1,869,299
Cash - restricted	411,871	470,223
Accounts receivable	1,098,097	1,236,685
Prepaid insurance	4,433	5,096
	<u>3,455,005</u>	<u>3,581,303</u>
Noncurrent assets		
Construction in progress	913,921	1,400,444
Property and equipment	10,093,288	10,545,437
	<u>11,007,209</u>	<u>11,945,881</u>
Total assets	<u>14,462,214</u>	<u>15,527,184</u>
DEFERRED OUTFLOWS OF RESOURCES		
Advance refunding deferral - net of amortization of \$262,954 and \$247,044	94,133	110,043
	<u>94,133</u>	<u>110,043</u>
Total assets and deferred outflows of resources	<u>14,556,347</u>	<u>15,637,227</u>
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable	171,046	567,804
Interest payable	3,149	3,740
Deferred revenue	12,479	11,656
Bonds payable	335,000	330,000
Premium (discount) on bonds payable	5,958	5,958
	<u>527,632</u>	<u>919,158</u>
Long-term debt		
Bonds payable	1,860,000	2,195,000
Premium (discount) on bonds payable	29,788	35,746
	<u>1,889,788</u>	<u>2,230,746</u>
Total liabilities	<u>2,417,420</u>	<u>3,149,904</u>
Net position		
Net investment in capital assets	8,870,596	9,489,220
Restricted for airport improvement projects	572,219	602,592
Unrestricted	2,696,112	2,395,511
Total net position	<u>\$ 12,138,927</u>	<u>\$ 12,487,323</u>

See accompanying notes to financial statements.

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**Statement of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Operating revenues		
Member government assessments	\$ 686,820	\$ 659,374
Grant reimbursements	-	12,000
Lease and license fee income	181,771	168,050
Fuel fee income	31,730	29,556
Total operating revenues	<u>900,321</u>	<u>868,980</u>
Operating expenses		
Repairs and maintenance	25,630	20,075
Snow removal	40,373	59,707
Depreciation	497,235	703,720
Utilities	7,248	7,297
Insurance	20,394	22,280
Airport planning and engineering	38,144	10,051
Accounting and management services	79,640	80,009
Legal services	9,808	8,905
Audit services	9,375	8,075
Financial services	3,034	6,037
Miscellaneous	3,606	4,380
Total operating expenses	<u>734,487</u>	<u>930,536</u>
Operating income (loss)	165,834	(61,556)
Nonoperating income (expense)		
Investment income	12,276	11,875
Amortization of bond premium (discount)	5,958	(17,870)
Bond issuance costs	(752)	(56,703)
Interest expense	(59,125)	(151,852)
Disposal of capital assets	(1,561,345)	-
Change in net position before capital contributions	<u>(1,437,154)</u>	<u>(276,106)</u>
Grant reimbursements	<u>1,088,758</u>	<u>1,725,702</u>
Change in net position	(348,396)	1,449,596
Net position - beginning of year	12,487,323	11,037,727
Net position - end of year	<u>\$ 12,138,927</u>	<u>\$ 12,487,323</u>

See accompanying notes to financial statements.

POLK COUNTY AVIATION AUTHORITY

Statement of Cash Flows
For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Member government assessments	\$ 686,820	\$ 659,374
Rental and fee income	213,313	199,368
Grant proceeds received	-	12,000
Cash payments to suppliers for goods and services	<u>(242,512)</u>	<u>(308,712)</u>
Net cash provided by operating activities	<u>657,621</u>	<u>562,030</u>
Cash flows from capital and related financing activities:		
Outlay for property and equipment	(1,510,742)	(1,062,696)
Bond proceeds received	-	2,566,703
Bond issuance costs	(752)	(56,703)
Payment of bond principal	(330,000)	(2,790,000)
Payment of bond interest	(43,806)	(144,220)
Grant proceeds received	<u>1,228,356</u>	<u>502,542</u>
Net cash used in capital and related financing activities	<u>(656,944)</u>	<u>(984,374)</u>
Cash flows from investing activities:		
Investment income	<u>12,276</u>	<u>11,875</u>
Net increase (decrease) in cash and cash equivalents	12,953	(410,469)
Cash and cash equivalents at beginning of year	1,869,299	2,055,790
Restricted cash and cash equivalents at beginning of year	<u>470,223</u>	<u>694,201</u>
Cash and cash equivalents at end of year	<u>\$ 2,352,475</u>	<u>\$ 2,339,522</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 165,834	\$ (61,556)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	497,235	703,720
(Increase) decrease in accounts receivable	(1,010)	353
(Increase) decrease in prepaid insurance	663	(3)
Increase (decrease) in accounts payable	(5,924)	(81,893)
Increase (decrease) in deferred revenue	<u>823</u>	<u>1,409</u>
Net cash provided by operating activities	<u>\$ 657,621</u>	<u>\$ 562,030</u>

See accompanying notes to financial statements.

Notes to the Financial Statements
June 30, 2015

NOTE 1 - ORGANIZATION

The Polk County Aviation Authority was organized pursuant to the provisions of Chapter 330A of the Code of Iowa 1987. The Authority operates the Ankeny Regional Airport in Ankeny, Iowa on behalf of its member governments, the cities of Altoona, Ankeny, and Bondurant, and the unincorporated area of Polk County. Through a 28E agreement, each member government contributes an annual member assessment based on the assessed value of taxable property in its jurisdiction. The 28E agreements expire in the years 2020 and 2021. The breakdown of member government assessments for the years ended June 30, 2015, and June 30, 2014, are as follows:

<u>Member Government</u>	<u>2015 Assessment</u>	<u>2014 Assessment</u>
City of Altoona	\$ 81,586	\$ 79,553
City of Ankeny	340,552	320,888
City of Bondurant	18,756	16,971
Unincorporated Polk County	245,926	241,962

The Board of Directors of the Authority consists of seven representatives of the member governments. Three representatives are appointed by the Polk County Board of Supervisors; two representatives are appointed by the mayor of Ankeny; one representative is appointed by the mayor of Altoona; and one representative is appointed by the mayor of Bondurant.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accounts of the Authority are organized as an enterprise fund. Enterprise funds are used to account for operations financed and operated in a manner similar to private business enterprises.

The Loan Revenue Maintenance Agreement between Polk County, Iowa and the Authority requires the establishment of a *Revenue Fund* to account for all revenues derived from the services and facilities of the airport and a *Capital Reserve Fund* to account for the receipt of tax revenues levied by the member governments and for the payment of bond principal and interest. Both of these funds are reported as unrestricted net position on the statement of net position and may be used for payment of the costs of operation of the airport.

Proceeds from the sale of land originally acquired with federal grant money is classified as restricted net position on the statement of net position in accordance with FAA grant requirements. The grant requires that the current fair market value of the property at disposal be set aside and used for aeronautical purposes within five years. The Authority is using these funds for construction of a six-unit T-hangar building and apron. Net position restricted for airport improvement projects by FAA grant requirements is \$78,999 and \$110,187 at June 30, 2015, and 2014, respectively.

The Authority also classifies bond proceeds and grant reimbursements as restricted net position on the statement of net position. These funds are used to pay for capital improvement projects, including

POLK COUNTY AVIATION AUTHORITY

administrative costs. Net position restricted by the Authority for airport improvement projects is \$493,220 and \$492,405 at June 30, 2015, and 2014, respectively.

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

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

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

Capital assets are accounted for at historical cost. The cost of repair and maintenance is charged as an expense, while the cost of renewals or substantial betterments is capitalized. All assets capitalized by the Authority must have a useful life of two years or more and have a cost that exceeds the following minimum thresholds:

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$50,000
Other improvements	25,000
Buildings	25,000
Machinery and equipment	5,000
Furniture and fixtures	5,000
Land	0

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

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

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

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

Advanced refunding deferrals are amortized as a component of interest expense using the straight-line method over the shorter of the remaining life of the original issue or the life of the new issue, and are reported as deferred outflows of resources in compliance with GASB Statement 65 requirements on the statement of net position.

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

Operating income includes revenues and expenses related to the primary, continuing operations of the Authority. Principal operating revenues includes member government assessments and charges

POLK COUNTY AVIATION AUTHORITY

for rentals or services. Principal operating expenses are the costs of maintaining the airport and include administrative expenses and depreciation of capital assets. Grant revenues received for capital improvements, investment income and interest expenses are classified as non-operating in the financial statements.

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

NOTE 3 – CASH AND INVESTMENTS

State law and the bond agreements limit the types of investments that may be used by the Authority. Authorized investments include direct obligations of the United States government and its agencies, certificates of deposit, commercial paper, repurchase agreements, open-end management investment companies registered with the Securities and Exchange Commission, and Iowa Public Agency Investment Trust. There are further restrictions related to the ratings of the investments authorized. The investment policy of the Authority does not address concentration of credit risk.

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

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment activity for fiscal years 2015 and 2014 consists of the following:

	2014	Additions	Deletions	2015
Land	\$ 6,911,879	\$ 155,086	\$ 110,000	\$ 6,956,965
Aviation museum	162,939	-	-	162,939
Equipment and furniture	60,466	-	-	60,466
Runway	8,462,384	-	-	8,462,384
Taxiway	3,451,883	-	-	3,451,883
Apron	1,611,720	-	-	1,611,720
T-hangars, access road	2,436,107	-	-	2,436,107
Taxiway (offset)	51,951	-	-	51,951
Terminal building	758,141	-	-	758,141
Parking lot improvements	81,574	-	-	81,574
Transmission line lighting	90,876	-	-	90,876
Field fence replacement	47,399	-	-	47,399
Roadways	-	1,451,345	1,451,345	-
Total	<u>24,127,319</u>	<u>1,606,431</u>	<u>1,561,345</u>	<u>24,172,405</u>
Accumulated depreciation	<u>13,581,882</u>	<u>497,235</u>	<u>-</u>	<u>14,079,117</u>
Net	<u>\$ 10,545,437</u>	<u>\$ 1,109,196</u>	<u>\$ 1,561,345</u>	<u>\$ 10,093,288</u>

POLK COUNTY AVIATION AUTHORITY

	2013	Additions	Deletions	2014
Land	\$ 6,817,797	\$ 94,082	\$ -	\$ 6,911,879
Aviation museum	162,939	-	-	162,939
Equipment and furniture	60,466	-	-	60,466
Runway	8,462,384	-	-	8,462,384
Taxiway	3,451,883	-	-	3,451,883
Apron	1,611,720	-	-	1,611,720
T-Hangars, access road	2,074,283	361,824	-	2,436,107
Taxiway (offset)	51,951	-	-	51,951
Terminal building	758,141	-	-	758,141
Parking lot improvements	81,574	-	-	81,574
Transmission line lighting	90,876	-	-	90,876
Field fence replacement	47,399	-	-	47,399
Total	23,671,413	455,906	-	24,127,319
Accumulated depreciation	12,878,162	703,720	-	13,581,882
Net	<u>\$ 10,793,251</u>	<u>\$ (247,814)</u>	<u>\$ -</u>	<u>\$ 10,545,437</u>

NOTE 5 - CONSTRUCTION IN PROGRESS AND COMMITMENTS

Runway 4/22 Threshold Relocation and Pavement Rehabilitation – The Authority has contracted for engineering services in the amount of \$170,278 and for construction services in the amount of \$583,013 for the Runway 4/22 Threshold Relocation and Pavement Rehabilitation project.

Rehabilitate Runway 18/36 Lighting – The Authority has contracted for engineering services in the amount of \$127,077 for the Rehabilitate Runway 18/36 Lighting project.

Six-Unit T-Hangar and Apron – The Authority has contracted for engineering services in the amount of \$39,200 and for construction services in the amount of \$332,515 for the Six-Unit T-Hangar and Apron project.

As of June 30, 2015, construction in progress costs for these projects were \$913,921.

NOTE 6 – LONG-TERM DEBT

In July 2004, Polk County, Iowa issued general obligation capital loan notes, series 2004B and 2004C, on behalf of the Authority. The series 2004B notes, in the amount of \$2,990,000 with interest rates ranging from 4.75% to 5.25%, were issued to advance refund the 1998 and 2000 revenue bonds. The series 2004C notes, in the amount of \$1,250,000 with interest rates ranging from 4.75% to 5.25%, were issued to fund capital improvements. As a result, the 1998 and 2000 revenue bonds are considered to be defeased and the liability for those bonds has been removed from the liabilities of the Authority. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of \$357,087 which is shown net of accumulated amortization in the accompanying financial statements as a deferred outflow of resources.

In May 2014, Polk County, Iowa issued general obligation capital loan notes, series 2014A, in the amount of \$2,525,000 with interest rates ranging from 1.50% to 2.00%, on behalf of the Authority. The proceeds of the series 2014A notes were used to current refund the 2004B and 2004C notes in the amount of \$2,510,000. The current refunding was done to reduce aggregate debt service payment

POLK COUNTY AVIATION AUTHORITY

by \$355,962 over the next seven years and obtain an economic gain (difference between the present values of the old and new debt service payments) of \$338,672. The Authority entered into a loan and revenue maintenance agreement with Polk County, Iowa to repay the debt and all related costs of the bond issuance. In compliance with GASB Statement 65, bond issuance costs of \$752 have been expensed during the current fiscal year. The notes are secured by the full faith and credit of the Authority and Polk County. As of June 30, 2015, outstanding bonds payable totaled \$2,195,000.

Bonds payable at 6/30/13	\$ 2,790,000
Principal payment	(280,000)
2004B and 2004C GO CLN refunding	(2,510,000)
2014A GO CLN issuance	<u>2,525,000</u>
Bonds payable at 6/30/14	2,525,000
Principal payment	<u>(330,000)</u>
Bonds payable at 6/30/15	<u><u>\$ 2,195,000</u></u>

Interest incurred on the notes for the years ended June 30, 2015, and 2014 was \$43,215 and \$135,942 respectively. Interest expense for the years ended June 30, 2015, and 2014 includes amortization of the advance refunding deferral of \$15,910 per year.

Future debt service requirements for outstanding general obligation capital loan notes as of June 30, 2015 are as follows:

Maturity (June 1)	Principal Amount	Interest Amount	Total Debt Service	Interest Rate
2016	\$ 335,000	\$ 37,787	\$ 372,787	1.50%
2017	340,000	32,763	372,763	1.50%
2018	355,000	27,663	382,663	1.50%
2019	385,000	22,338	407,338	1.75%
2020	385,000	15,600	400,600	2.00%
2021	395,000	7,900	402,900	2.00%
	<u>\$ 2,195,000</u>	<u>\$ 144,050</u>	<u>\$ 2,339,050</u>	

NOTE 7 - RISK MANAGEMENT

Polk County Aviation Authority is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, environmental issues and natural disasters. These risks are covered by commercial insurance coverage. The Authority assumes liability for any deductibles and claims in excess of coverage limitations.

NOTE 8- RELATED PARTY TRANSACTIONS

Management and accounting services are performed by the City of Ankeny, a member government. Amounts paid for these services are reflected in the expense line item accounting and management services. A \$9,849 invoice payable to the City of Ankeny for administrative services is included in accounts payable at June 30, 2015.

POLK COUNTY AVIATION AUTHORITY

The Authority has contracted with the Exec 1 Aviation, the Fixed Base Operator (FBO) to provide on-site management services of the airport premises. Under this agreement, the FBO serves as the leasing agent for all T-hangars, garages and tie-down spaces, collecting rent in return for performing day-to-day maintenance, customer service duties and payment of the utilities for the leased buildings. In addition, the Authority pays the FBO \$5,000 per month to perform other specified maintenance duties including daily inspections, runway light repair labor, mowing services, and a portion of the snow and ice removal services. The Authority continues to be responsible for maintenance of the runways and farm grounds, the perimeter fence and major structural repairs to the buildings. A \$5,000 invoice payable to Exec 1 Aviation is included in accounts payable at June 30, 2015.

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

The Authority rents 9.85 acres of land to a Board member at \$50 per acre for hay crops.

NOTE 9 - OTHER AGREEMENTS

The Authority maintains several lease and license agreements with Central Iowa Aviation, LLC, the parent company of Exec 1 Aviation. These agreements are as follows:

Fixed Base Operator Agreement – through December 31, 2028 with two five-year options; \$4,500 per year license fee and \$0.09 per gallon fuel flowage fee each to be renegotiated each five years beginning in calendar year 2014.

Military Aviation Heritage Museum Land License Agreement – through December 31, 2028 with two five-year options; \$1.00 per year license fee.

North Hangar Land License Agreement – through December 31, 2028 with two five-year options; \$0.242 per square foot per year license fee based on 16,800 square feet, payable quarterly. Rental is subject to annual adjustment based on the percentage increase or decrease of the Consumer Price Index for the United States City Average.

FAA Building Land License Agreement - through December 31, 2038 with two five-year options; \$500 per month license fee to be renegotiated each five years.

Terminal Building Lease - through December 31, 2028; rental is \$3,000 per month plus 40% of the excess over \$5,200 received by the Tenant for hangar and office rental.

Maintenance Facility Land License Agreement - through December 31, 2028 with two five-year options; no license fee.

South Hangar Land License Agreement - through December 31, 2028 with two five-year options; no license fee

NOTE 10 –SUBSEQUENT EVENTS

The Authority signed a contract in September 2015, with Kimrey Electric to provide construction services for the Rehabilitate Runway 18/36 Lighting and Taxiway Lighting Project for \$616,792. The Authority has applied for FAA funding for this project and anticipates that the grant will be approved

in fiscal year 2016.

The Authority signed a Federal Aviation Administration (FAA) grant agreement in September 2015, for \$745,869 for the Rehabilitate Runway 18/36 Lighting and Taxiway Lighting Project. The FAA will pay 90% of the project costs or \$647,225.

The Authority signed a contract in September 2015, with McClure Engineering Company to provide an environment assessment for the Construct Wildlife Fence Project for \$61,200. The Authority anticipates receiving FAA funding in fiscal year 2016 for the environmental assessment and in fiscal year 2017 for the design and construction of this project.

REQUIRED SUPPLEMENTARY INFORMATION

POLK COUNTY AVIATION AUTHORITY

**Budgetary Comparison Schedule
For the Year Ended June 30, 2015**

	Original Budget	Final Budget	Actual	Over/(Under) Budget
Operating revenues				
Member government assessments	\$ 686,820	\$ 686,820	\$ 686,820	\$ -
Lease and license fee income	179,000	179,000	181,771	2,771
Fuel fee income	27,000	33,000	31,730	(1,270)
Total operating revenues	892,820	898,820	900,321	1,501
Operating expenses				
Offsite management services	21,000	21,000	19,640	(1,360)
Postage and office supplies	100	200	125	(75)
Onsite management services	60,000	60,000	60,000	-
Financial services	2,540	3,100	3,034	(66)
Advertising and promotion	140	900	390	(510)
Publications	2,400	3,000	2,794	(206)
Conferences and seminars	2,500	2,500	297	(2,203)
Legal services	15,000	15,000	9,808	(5,192)
Audit expenses	9,000	9,400	9,375	(25)
General insurance	4,000	3,800	3,800	-
Property insurance	17,700	15,400	15,390	(10)
Public officials insurance	1,700	1,300	1,204	(96)
Snow removal and mowing	80,000	80,000	40,373	(39,627)
Repairs and maintenance (general)	20,000	25,000	19,915	(5,085)
Repairs and maintenance (leased property)	10,000	10,000	5,715	(4,285)
Utilities-general	7,800	7,800	7,248	(552)
Airport planning and engineering	16,000	32,000	38,144	6,144
Miscellaneous	500	500	-	(500)
Six-unit tee hangar	370,000	434,200	61,826	(372,374)
SE Four Mile Drive roadway realignment	-	304,849	297,721	(7,128)
Runway 22 RPZ acquisition	-	10,710	5,772	(4,938)
RW 4/22 threshold relocate and rehabilitation	185,000	578,120	668,032	89,912
Rehabilitate RW 18/36 lighting	506,220	127,077	86,557	(40,520)
Total operating expenses	1,331,600	1,745,856	1,357,160	(388,696)
Other income				
Investment income	12,000	12,000	12,276	276
FAA grant reimbursement	319,513	1,018,326	1,051,924	33,598
State grant reimbursement	150,000	206,325	36,834	(169,491)
Total other income	481,513	1,236,651	1,101,034	(135,617)
Other expenses				
Bond/loan principal	295,000	330,000	330,000	-
Bond/loan interest	130,220	43,806	43,215	(591)
Bond/loan issuance costs	-	750	752	2
Total other expenses	425,220	374,556	373,967	(589)
Change in net position	(382,487)	15,059	270,228	255,169
Net position - beginning of year	2,960,263	2,998,103	2,998,103	-
Net position - end of year	\$ 2,577,776	\$ 3,013,162	\$ 3,268,331	\$ 255,169

POLK COUNTY AVIATION AUTHORITY

**Explanation of Differences Between Budgetary
Basis and GAAP Basis Revenues and Expenses
For the Year Ended June 30, 2015**

Ordinary and other income:

Actual amount of ordinary income and other income on a budgetary basis from the budgetary comparison schedule \$ 2,001,355

Total GAAP basis ordinary and other income \$ 2,001,355

Ordinary and other expenses:

Actual amount of ordinary expenses and other expenses on a budgetary basis from the budgetary comparison schedule \$ 1,731,127

Bond principal payments are recorded as an expenditure on a budgetary basis, but are not expensed on a GAAP basis (330,000)

Bond issuance costs are expensed and bond discounts are not recorded on a budgetary basis; these costs and discounts are recorded and amortized under GAAP 9,952

Depreciation and losses on fixed assets are reported on a GAAP basis but are not recorded on a budgetary basis 2,058,580

Purchases of capital assets are reported as an expense on a budget basis but are capitalized and depreciated on a GAAP basis (1,119,908)

Total GAAP basis ordinary and other expenses \$ 2,349,751

POLK COUNTY AVIATION AUTHORITY

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015**

Grantor/Program	CFDA Number	Other Identification Number	Program Expenditures
Direct:			
U.S. Department of Transportation: Federal Aviation Administration: Airport Improvement Program	20.106	3-19-0132-17	\$ 5,772
U.S. Department of Transportation: Federal Aviation Administration: Airport Improvement Program	20.106	3-19-0132-18	297,721
U.S. Department of Transportation: Federal Aviation Administration: Airport Improvement Program	20.106	3-19-0132-19	668,032
U.S. Department of Transportation: Federal Aviation Administration: Airport Improvement Program	20.106	3-19-0132-20	<u>86,557</u>
TOTAL FEDERAL AWARDS EXPENDED			<u>\$ 1,058,082</u>

Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Authority and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**INDEPENDENT AUDITORS' 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
Polk County Aviation Authority
Ankeny, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Polk County Aviation Authority (Authority), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Polk County Aviation Authority's basic financial statements, and have issued our report thereon dated December 15, 2015.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings listed as 2015-001 to be a material weakness.

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. However, as described in the accompanying schedule of findings, we identified a deficiency in internal control that we consider to be a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the Authority's operations for the year ended June 30, 2015 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.

Polk County Aviation Authority's Response to Finding

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings. The Authority's response was not subject 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.



CliftonLarsonAllen LLP

West Des Moines, Iowa
December 15, 2015

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Polk County Aviation Authority
Ankeny, Iowa

Report on Compliance for Each Major Federal Program

We have audited Polk County Aviation Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Polk County Aviation Authority's major federal programs for the year ended June 30, 2015. Polk County Aviation Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Polk County Aviation Authority's major federal programs based on our audit of the types of compliance requirements referred to above. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 a major federal program occurred. An audit includes examining, on a test basis, evidence about Polk County Aviation 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Polk County Aviation Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, Polk County Aviation Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Polk County Aviation Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Polk County Aviation Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Polk County Aviation Authority's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

West Des Moines, Iowa
December 15, 2015

**POLK COUNTY AVIATION AUTHORITY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015**

Part I: Summary of the Independent Auditors' Results:

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? X Yes no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes X none reported
3. Noncompliance material to financial statements noted? yes X no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? yes X no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes X none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? yes X no

Identification of Major Federal Programs

CFDA Number(s)

20.106

Name of Federal Program or Cluster

Airport Improvement Project Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee pursuant to OMB Circular A-133?

 yes X no

**POLK COUNTY AVIATION AUTHORITY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015**

Part II: Findings Related to the Basic Financial Statements:

FINDING: 2015-001 MATERIAL AUDIT ADJUSTMENTS

- Condition:** The audit firm identified certain misstatements and proposed a journal entry to correct the under-accrual of revenue on cost-reimbursement type grants. The Authority had recorded revenue as grant reimbursements were received, rather than recording revenue as allowable expenditures are incurred under the terms of the grant agreements. Management reviewed the journal entry and posted the entry to its general ledger.
- Criteria:** The PCAA should have controls in place to prevent and detect a material misstatement in the financial statements in a timely manner.
- Context:** The PCAA has informed us that they establish procedures to record revenue on cost-reimbursement type grants on an accrual basis.
- Effect:** The potential exists that a material misstatement could occur in the financial statements and not be prevented or detected and corrected by the PCAA's internal control.
- Cause:** The PCAA's controls were not adequate to ensure that all accounts' year end balances were proper and in accordance with GAAP.
- Recommendation:** We recommend the PCAA continue to work with the auditors to identify misstatements to ensure that all accounts are proper and in accordance with GAAP.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement With Audit Findings

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

Janet Binder, Accountant, understands the finding, and will work on correcting the under-accrual of revenue in the future.

Official Responsible for Ensuring CAP:

Janet Binder, Accountant, is the official responsible for ensuring corrective action of the deficiency.

Planned Completion Date for CAP:

June 30, 2016.

Plan to Monitor Completion of CAP:

The Board of Directors will be monitoring this corrective action plan.

Part III: Findings and Questioned Costs for Federal Awards:

None noted.

**POLK COUNTY AVIATION AUTHORITY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015**

Part IV: Findings Related to Required Statutory Reporting:

IV-A-2015 Certified Budget – No expenditures for the year ended June 30, 2015 exceeded the amended certified budget amounts.

IV-B-2015 Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-2015 Travel Expense – No disbursements of Polk County Aviation Authority money for travel expenses of spouses of Authority Officials were noted. The Authority does not have employees.

IV-D-2015 Business Transactions – Business transactions between the Authority and Authority officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jeff Wangsness, Board Member	Land Rent	\$500
Paul Novak, Board Member	Hangar and Garage Rent	\$5,820
William Gardner, Board Member	Hangar Rent	\$2,040

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with the Board Members do not appear to represent conflicts of interest since the land, hangar and garage leases are approved on an annual basis by the Authority’s Board of Directors.

IV-E-2015 Bond Coverage - Surety bond coverage of Authority officials is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations. The Authority does not have employees.

IV-F-2015 Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.

IV-G-2015 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.

**POLK COUNTY AVIATION AUTHORITY
SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
YEAR ENDED JUNE 30, 2015**

<u>Comment Reference</u>	<u>Comment Title</u>	<u>Status</u>	<u>If Not Corrected, Provide Planned Corrective Action or Other Explanation</u>
2014-001	Federal Financial Reporting	Corrected	