

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

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

June 30, 2015

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**Southeast Iowa Regional Airport Authority,
A Component Unit of the City of Burlington
Officials
June 30, 2015**

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

Mary Beaird, Airport Director



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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and fiduciary fund of Southeast Iowa Regional Airport Authority (Authority), a component unit of the City of Burlington, as of and for the year ended June 30, 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.

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

As described in Note 16 to the financial statements, the Authority adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 - 10, schedule of funding progress on page 31 and pension information on pages 32 - 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplemental information included on pages 35 - 36, including the accompanying schedule of Passenger Facility Charges Collected and Expended as specified in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2015, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

CPA Associates PC

October 8, 2015

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

The following Management's Discussion and Analysis (MD&A) of the Authority's activities and financial performance provides the reader with an introduction and overview to the financial statements of the Authority for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

Financial and Operating Highlights

- The Authority's operating revenues decreased 3%, or \$14,815, from fiscal year 2014 to fiscal year 2015. Grant reimbursements and contributions from member governments related to operations decreased; however rent income and charges for services increased.
- The Authority's operating expenses, before depreciation, were 2%, or \$6,468, less in fiscal year 2015 than in fiscal year 2014. The decrease in operating expenses is primarily due to a decrease in personal services and utilities.
- The Authority's net nonoperating income decreased \$162,928 from fiscal year 2014 to fiscal year 2015. This decrease is due to insurance proceeds for the replacement of Hangar C Row that was destroyed in severe weather in late 2013 and FEMA reimbursement of wages related to the clean up of debris received in fiscal year 2014.
- The Authority's grant revenues and capital contributions increased 287%, or \$298,611, from fiscal year 2014 to fiscal year 2015. The increase is primarily the result of timing of Airport Improvement Project reimbursements from the Federal Aviation Administration, capital contributions from member governments for taxiway rehabilitation and a FEMA grant for replacement of Hangar C Row that was destroyed in severe weather in late 2013.
- Net position for 2015 was \$12.1 million, a decrease of \$0.40 million from 2014, after restatement.

Southeast Iowa Regional Airport, which is operated by the Authority, is an Essential Air Service airport. During the fiscal year ended June 30, 2015, commercial air service was provided by Air Choice One. Air Choice One provided two daily round trip flights to St. Louis, Missouri and Chicago, Illinois during the fiscal year.

Using This Annual Report

The Authority is public body created by a charter agreement of its members governments and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Authority's financial activities.

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

Using This Annual Report (continued)

The Financial Statements consist of Statements of Net Position - Proprietary Fund, Statements of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund, Statements of Cash Flows - Proprietary Fund, Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. These provide information about the activities of the Authority as a whole and present an overall view of the Authority's finances. The Financial Statements also tell how services were financed in the short term as well as what remains for future spending.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with the Authority's proportionate share of the net pension liability and related contributions and funding progress related to the Authority's Retiree Health Care Plan.

Financial Position Summary

Net position may serve over time as a useful indicator of the Authority's financial position. The Authority's net position at the end of fiscal 2015 totaled approximately \$12.1 million, compared to approximately \$12.5 million at the end of fiscal year 2014. A summary of the Authority's net position at June 30, 2015 and 2014 is shown below:

	2015	Not Restated 2014
Assets:		
Current assets	\$ 712,197	\$ 550,750
Capital assets	<u>11,466,195</u>	<u>12,025,623</u>
Total assets	<u>12,178,392</u>	<u>12,576,373</u>
Deferred Outflow of Resources:		
Pension related deferred outflows	<u>19,440</u>	<u>-</u>
Liabilities:		
Current liabilities	39,474	33,649
Noncurrent liabilities	<u>65,730</u>	<u>3,760</u>
Total liabilities	<u>105,204</u>	<u>37,409</u>
Deferred Inflow of Resources:		
Pension related deferred inflows	<u>23,936</u>	<u>-</u>
Net Position:		
Invested in capital assets, net of related debt	11,466,195	12,025,623
Unrestricted	<u>602,497</u>	<u>513,341</u>
Total net position	<u>\$ 12,068,692</u>	<u>\$ 12,538,964</u>

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

The largest portion of the Authority's net position each year represents its investment in capital assets (e.g., land, buildings, improvements, and equipment), less the related indebtedness outstanding used to acquire those capital assets. The Authority used these capital assets to provide services to its passengers and visitors to the airport; consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of any related debt, it is noted that the resources required to repay this debt must be provided annually from operations, since it is unlikely the capital assets themselves will be liquidated to pay liabilities.

Summary of Operations and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position reflects a decrease in net position at the end of the fiscal year. A summary of revenues, expenses and changes in net position for the years ended June 30, 2015 and 2014 is presented below:

	2015	Not Restated 2014
Operating revenues	\$ 449,422	\$ 464,237
Operating expenses	<u>(295,841)</u>	<u>(302,309)</u>
Operating income before depreciation	153,581	161,928
Depreciation	<u>(985,947)</u>	<u>(986,319)</u>
Operating loss	(832,366)	(824,391)
Nonoperating income (expenses), net	<u>29,878</u>	<u>192,806</u>
Loss before capital contributions	(802,488)	(631,585)
Grant revenues and capital contributions	<u>402,486</u>	<u>103,875</u>
Decrease in net position	<u>\$ (400,002)</u>	<u>\$ (527,710)</u>

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

Revenues

A summary of revenues for the year ended June 30, 2015 and the amount and percentage of change in relation to prior year amounts is presented below:

	<u>Amount</u>	<u>% of Total</u>	<u>Increase (Decrease) From Prior Year</u>	<u>% Increase (Decrease)</u>
Operating:				
Terminal	\$ 47,370	5.37 %	\$ 120	0.25 %
Airfield/Runways	51,827	5.88	716	1.40
General Aviation/Hangars	110,809	12.57	5,673	5.40
Landside/Parking	38,199	4.33	(4,073)	(9.64)
Fuel Farm	15,839	1.80	5,919	59.67
Grant revenues	25,753	2.92	(2,016)	(7.26)
Contributions from member governments	<u>159,625</u>	<u>18.09</u>	<u>(21,154)</u>	<u>(11.70)</u>
Total operating	<u>449,422</u>	<u>50.96</u>	<u>(14,815)</u>	<u>(3.19)</u>
Nonoperating:				
Passenger facility charges	29,971	3.40	1,706	6.04
Interest and investment revenue	263	0.03	(88)	(25.07)
Other income	100	0.01	(171,414)	100.00
Loss on equipment disposal	<u>(456)</u>	<u>(0.05)</u>	<u>(456)</u>	
Total nonoperating	29,878	3.39	(170,252)	(85.07)
Grant revenues and capital contributions	<u>402,486</u>	<u>45.64</u>	<u>298,611</u>	287.47
Total revenues	<u>\$ 881,786</u>	<u>99.99 %</u>	<u>\$ 113,544</u>	14.78 %

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

Expenses

A summary of expenses for the year ended June 30, 2015, and the amount and percentage change in relation to prior year amounts is presented below:

	<u>Amount</u>	<u>% of Total</u>	<u>Increase (Decrease) From Prior Year</u>	<u>% Increase (Decrease)</u>
Operating:				
Personal services	\$ 145,111	11.32 %	\$ (4,449)	(2.97)%
Advertising	34,624	2.70	(90)	(0.26)
Consulting and professional fees	11,262	0.88	(271)	(2.35)
Dues and memberships	943	0.07	(81)	(7.91)
Liability insurance	8,425	0.66	766	10.00
Utilities	41,210	3.22	(4,465)	(9.78)
Contract work	23,629	1.84	(731)	(3.00)
Office supplies	2,119	0.17	2,119	100.00
Telephone	3,064	0.24	666	27.77
Travel and training	7,432	0.58	4,327	139.36
Botanicals	-	-	(627)	(100.00)
Fuel and oil	7,849	0.61	(1,989)	(20.22)
Janitorial supplies	121	0.01	57	89.06
Small equipment	124	0.01	(1,895)	(93.86)
Repairs and maintenance	<u>9,928</u>	<u>0.77</u>	<u>195</u>	2.00
Total operating	<u>295,841</u>	<u>23.08</u>	<u>(6,468)</u>	(2.14)
Depreciation	<u>985,947</u>	<u>76.92</u>	<u>(372)</u>	(0.04)
Nonoperating:				
Interest expense	<u>-</u>	<u>-</u>	<u>(7,324)</u>	(100.00)
Total nonoperating	<u>-</u>	<u>-</u>	<u>(7,324)</u>	(100.00)
Total expenses	<u>\$ 1,281,788</u>	<u>100.00 %</u>	<u>\$ (14,164)</u>	(1.09)%

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, noncapital financing, capital and related financing, and investing activities. Cash provided by operating activities includes rent income, landing fees, concession and fixed-based operator fees, operating grants from federal and state agencies, and member government contributions. Cash used from capital and related financing activities includes capital grants received as well as disbursements for the purchase of capital assets and the payment of debt principal and interest obligations.

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

Capital Acquisitions and Construction Activities

During 2015, the Authority expended \$425,190 on capital activities. These activities included Runway 30 improvements, obstruction removal in accordance with land acquisition, C Row Construction, runway safety enhancements and purchases of replacement furnace units and a security camera system.

Passenger Facility Charge (PFC)

The Authority received approval from the FAA to impose a PFC of \$3.00 per enplaned passenger beginning July 1, 1997, not to exceed \$460,000, to finance airport capital improvements. An amendment was received effective September 1, 2001 to increase the charge to \$4.50 with a total collection authority of \$521,299. An additional amendment was received, effective June 1, 2014, with a total collection authority of \$941,784. The charge remains \$4.50 per enplaned passenger. Through June 30, 2015, the Authority has collected PFCs, including interest earnings thereon, totaling \$551,707. For further details, see the Schedule of Passenger Facility Charges Collected and Expended in the Compliance Section included as supplementary information to the financial statements.

Economic Factors

As a result of the improved economy, there has been an increase in general aviation corporate air travel and utilization of the Southeast Iowa Regional Airport. The authority continues to be challenged to increase passenger enplanements and commercial air service

Contacting the Authority's Financial Management

This financial report is designed to provide Authority members' citizens and taxpayers and the Authority's customers and creditors with a general overview of the Authority's finances and to show accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed in writing to Mary Beard, Airport Manager, Southeast Iowa Regional Airport Authority, 2515 Summer Street, Burlington, IA 52601-3330 or by e-mail to director@brlairport.com.

**Southeast Iowa Regional Airport Authority,
A Component Unit of the City of Burlington
Statement of Net Position - Proprietary Fund
June 30, 2015**

Assets	
Current Assets	
Cash and cash equivalents	\$ 298,341
Receivables	242,371
Related party receivable	69,504
Prepaid expenses	3,039
Non-Federal Reimbursable Agreement deposit	<u>98,942</u>
Total current assets	<u>712,197</u>
 Capital assets	
Land	2,071,653
Land improvements	17,046,076
Building and improvements	3,169,579
Furniture and equipment	1,559,017
Less accumulated depreciation	<u>(12,380,130)</u>
Total capital assets	<u>11,466,195</u>
Total assets	<u>12,178,392</u>
Deferred Outflows of Resources	
Pension related deferred outflows	<u>19,440</u>
Liabilities	
Current Liabilities	
Accounts payable	8,481
Accrued expenses	18,036
Unearned revenue	<u>12,957</u>
Total current liabilities	<u>39,474</u>
 Long-term Liabilities	
Net OPEB Liability	2,968
Net pension liability	<u>62,762</u>
Total noncurrent liabilities	<u>65,730</u>
Total liabilities	<u>105,204</u>
Deferred Inflows of Resources	
Pension related deferred inflows	<u>23,936</u>
Net Position	
Invested in capital assets, net of related debt	11,466,195
Unrestricted	<u>602,497</u>
Total net position	<u>\$ 12,068,692</u>

See notes to financial statements.

**Southeast Iowa Regional Airport Authority,
A Component Unit of the City of Burlington
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund
Year Ended June 30, 2015**

Operating Revenues	
State grants	\$ 25,753
Rent income	204,536
Charges for services	59,508
Contributions from member governments	<u>159,625</u>
Total operating revenues	<u>449,422</u>
Operating Expenses	
Personal services	145,111
Advertising	34,624
Consulting and professional fees	11,262
Dues and memberships	943
Liability insurance	8,425
Utilities	41,210
Contract work	23,629
Office supplies	2,119
Telephone	3,064
Travel and training	7,432
Fuel and oil	7,849
Janitorial supplies	121
Small equipment	124
Repairs and maintenance	<u>9,928</u>
Total operating expenses	<u>295,841</u>
Operating income before depreciation	153,581
Depreciation	<u>985,947</u>
Operating loss	<u>(832,366)</u>
Nonoperating Income (Expense)	
Passenger facility charges	29,971
Interest and investment revenue	263
Miscellaneous income (expense)	100
Loss on equipment disposal	<u>(456)</u>
Total nonoperating income (expense)	<u>29,878</u>
Loss before capital contributions	(802,488)
Other contributions	27,473
Capital contributions - Federal and state grant revenues	<u>375,013</u>
Decrease in net position	(400,002)
Net position, beginning of year, restated	<u>12,468,694</u>
Net position, end of year	<u>\$ 12,068,692</u>

See notes to financial statements.

**Southeast Iowa Regional Airport Authority,
A Component Unit of the City of Burlington
Statement of Cash Flows - Proprietary Fund
Year Ended June 30, 2015**

Cash Flows From Operating Activities	
Receipts from customers	\$ 263,528
Receipts from federal and state agencies	31,156
Receipts from member governments	157,229
Payments to suppliers	(149,992)
Prepaid expenses	2,107
Payments to employees	<u>(145,288)</u>
Net cash provided by operating activities	<u>158,740</u>
Cash Flows From Capital and Related Financing Activities	
Passenger facility charges	30,125
Capital grants received	277,876
Purchase of capital assets	(425,190)
Non-Federal Reimbursable Agreement deposit	<u>(98,942)</u>
Net cash used by capital and related financing activities	<u>(216,131)</u>
Cash Flows From Investing Activities	
Interest	<u>263</u>
Net cash provided by investing activities	<u>263</u>
Net decrease in cash and cash equivalents	(57,128)
Cash and cash equivalents, beginning of year	<u>355,469</u>
Cash and cash equivalents, end of year	<u>\$ 298,341</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating loss	\$ (832,366)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	985,947
Changes in assets and liabilities:	
Receivables	2,816
Prepaid expenses	2,107
Accounts payable and accrued expenses	4,365
Unearned revenue	(325)
Net OPEB liability	(792)
Net pension liability	(16,755)
Deferred outflows of resources	(10,193)
Deferred inflows of resources	<u>23,936</u>
Net cash provided by operating activities	<u>\$ 158,740</u>
Supplemental Disclosure of Noncash Financing Activities	
Equipment purchases financed through accounts payable	\$ 1,785

See notes to financial statements.

**Southeast Iowa Regional Airport Authority,
A Component Unit of the City of Burlington
Statement of Fiduciary Net Position
June 30, 2015**

	Fiduciary Fund Employee Retirement Plan Trust
Assets	
Investments at fair value	\$ <u>91,975</u>
Net Position	
Held in trust for pension benefits	\$ <u>91,975</u>

See notes to financial statements.

**Southeast Iowa Regional Airport Authority,
A Component Unit of the City of Burlington
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2015**

	<u>Fiduciary Fund Employee Retirement Plan Trust</u>
Additions	
Contributions:	
Plan members	\$ 9,797
Investment earnings:	
Net increase in fair value of investments	<u>1,408</u>
Total additions	<u>11,205</u>
Deductions	
Net participant withdrawals	<u>-</u>
Total deductions	<u>-</u>
Increase in net position	11,205
Net position, beginning of year	<u>80,770</u>
Net position, end of year	<u>\$ 91,975</u>

See notes to financial statements.

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

Note 1. Nature of the Authority

The Southeast Iowa Regional Airport Authority (Authority) was created July 1, 1996 under the statutory rule of Iowa Code Chapter 330A. The Authority is a public body created by a charter agreement of the member governments. The purpose of the Authority is to operate and maintain a viable commercial air service airport certified under 14 Code of Federal Regulations (CFR) Part 139, to encourage economic growth and orderly development of general aviation, and to provide adequate commercial services and facilities for airport users. The agreement was amended effective July 1, 2005 to include Des Moines County.

The governing body of the Authority is a Board of Directors consisting of five representatives of the member governments. The Board of Directors is composed of three representatives from the City of Burlington, one representative from the City of West Burlington, and one representative from Des Moines County.

Note 2. Summary of Significant Accounting Policies

Reporting Entity

For financial reporting purposes, the Authority has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The Authority has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Authority are such that exclusion would cause the Authority's financial statements to be misleading or incomplete.

The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the entity to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the entity.

Based on the above criteria, there are no agencies or entities that should be combined with the financial statements of the Authority. However, based on these criteria, the Authority is a component unit of the City of Burlington for financial reporting purposes. The City of Burlington has financial accountability for the Authority because it appoints a voting majority of the Authority's Board of Directors and provides financial benefit to the Authority.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the Authority are prepared in accordance with accounting principles generally accepted in the United States of America. The Authority's reporting entity applies all relevant GASB pronouncements. During the year ended June 30, 2015, the Authority adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27*.

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

Note 2. Summary of Significant Accounting Policies (continued)

The accounts of the Authority are primarily organized as an enterprise fund. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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

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

The Authority also has a pension trust fund, which is a fiduciary fund type. This fund is used to account for deferred compensation plan assets, which are being held by the Authority in a trustee capacity. The Authority reports resources held in trust and the receipt, investment, and distribution of retirement contributions and benefits.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

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

Cash and Cash Equivalents

The Authority considers all short term investments with an original maturity of three months or less to be cash equivalents. The Authority had no short term investments or certificates of deposit during the year ended June 30, 2015.

Capital Assets

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

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

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

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

Note 2. Summary of Significant Accounting Policies (continued)

The cost of assets sold, retired, or otherwise disposed of and the related allowance for depreciation are eliminated from the accounts, and any resulting gain or loss is included in operations.

Expenditures for maintenance and repairs are charged against operations. Renewals and betterments that materially extend the life of an asset are capitalized.

During the year ended June 30, 2015, no interest costs were capitalized since there were no qualifying assets.

Unearned Revenue

The Authority's unearned revenue consists of hangar and farm rent for the fiscal year end June 30, 2016 received during the year ended June 30, 2015.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources on the fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year.

Deferred inflows of resources in the Statement of Net Position consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

Note 2. Summary of Significant Accounting Policies (continued)

Designated Net Position

The Board of Directors has designated all passenger facility charges for capital improvements. Designated net positions totaled \$382,420 for the year ended June 30, 2015.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Authority performed an evaluation of subsequent events through October 8, 2015, which is the date the financial statements were available to be issued. There are no subsequent events that require disclosure or recognition in the financial statements as of June 30, 2015.

Note 3. Cash and Cash Equivalents

The Authority's deposits at June 30, 2015 were entirely covered by federal depository insurance or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

Note 4. Capital Assets

A summary of capital assets at June 30, 2015 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ <u>2,020,492</u>	\$ <u>51,161</u>	\$ <u>-</u>	\$ <u>2,071,653</u>
Capital assets being depreciated:				
Land improvements	17,028,691	17,385	-	17,046,076
Building and improvements	2,817,508	355,643	3,572	3,169,579
Furniture and equipment	<u>1,556,231</u>	<u>2,786</u>	<u>-</u>	<u>1,559,017</u>
Total capital assets being depreciated	<u>21,402,430</u>	<u>375,814</u>	<u>3,572</u>	<u>21,774,672</u>
Less accumulated depreciation for:				
Land improvements	8,874,943	820,176	-	9,695,119
Building and improvements	1,343,338	92,864	3,116	1,433,086
Furniture and equipment	<u>1,179,018</u>	<u>72,907</u>	<u>-</u>	<u>1,251,925</u>
Total accumulated depreciation	<u>11,397,299</u>	<u>985,947</u>	<u>3,116</u>	<u>12,380,130</u>
Total capital assets being depreciated, net	<u>10,005,131</u>	<u>(610,133)</u>	<u>(456)</u>	<u>9,394,542</u>
Capital assets, net	\$ <u>12,025,623</u>	\$ <u>(558,972)</u>	\$ <u>(456)</u>	\$ <u>11,466,195</u>

As of July 1, 2014, the Authority reclassified capital assets totaling \$96,700 from land improvements to building and improvements.

Note 5. Related Organizations

Based on criteria set by the GASB, the Authority is a component unit of the City of Burlington (City) for financial reporting purposes. The City has financial accountability for the Authority under these criteria because it appoints a voting majority of the Authority's Board of Directors and provides financial benefits to the Authority.

Intergovernmental Agreement

The Authority has an agreement with the City pursuant to Chapters 28E, 28F, 28G and 445B of the Code of Iowa to provide for shared services between the City and the Authority for the continued operation and maintenance of an airport facility through June 30, 2016. The agreement outlines services provided to the Authority by the City, which include Aircraft Rescue and Fire Fighting (ARFF) services as outlined below, airport security in accordance with FAA directives, snow removal, equipment use, miscellaneous repair work as mutually agreed, and pavement preventive maintenance and minor repair projects whose costs do not exceed \$10,000 per year. The agreement also recognizes the Authority's participation in the City's All Lines Aggregate Insurance Program and Loss Fund, and requires the Authority to provide audited, accrual basis financial statements to the City each year for inclusion in the City's Comprehensive Annual Financial Report.

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

Note 5. Related Organization (continued)

ARFF Services - Joint Use Fire Station

The Charter agreement of the members calls for the joint construction and use of a fire station by the Authority and the City. Title to the fire station, which is located on Authority land, vests in the Authority. An intergovernmental agreement calls for specific ARFF services, in accordance with FAA regulations, to be provided to the Authority by the City. The Authority is required to reimburse the City a scheduled amount for these services, with incremental annual increases of \$100. The amount paid to the City for ARFF services provided during the fiscal year ended June 30, 2015 was \$9,500. The Authority is also required to maintain an account of \$2,000 each year to be utilized by the City for the ARFF Capital Improvement Program.

Note 6. Related Party Transactions

The Authority received the following payments from the City of West Burlington for the year ended June 30, 2015:

Member contribution	\$ 22,540
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There are no amounts due from the City of West Burlington as of June 30, 2015.

The Authority received the following payments from Des Moines County for the year ended June 30, 2015:

Member contribution	\$ 23,770
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There are no amounts due from Des Moines County as of June 30, 2015.

The Authority received the following payments from the City of Burlington during the year ended June 30, 2015:

Member contribution	\$ 138,393
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The following payments are due from the City of Burlington as of June 30, 2015:

Member contribution	\$ 69,504
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During the year ended June 30, 2015, the Authority paid the City of Burlington (City) \$9,500 for ARFF services provided during the year ended June 30, 2015.

One of the Authority's directors is an officer with a local bank. At June 30, 2015, the Authority has balances with the bank as follows:

Checking accounts	\$ 299,307
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**Southeast Iowa Regional Airport Authority,
A Component Unit of the City of Burlington
Notes to Financial Statements**

Note 7. Jointly-governed Organization

The Authority is a participant in the Joint Safety Committee (JSC). The JSC is a cooperative effort by the Authority, the City of Burlington, Des Moines County, Des Moines County Regional Solid Waste Commission, and Burlington Municipal Waterworks to monitor and improve on-the-job safety conditions and to assist in complying with Occupational Safety and Health Administration regulations. The Authority currently provides one member of the six-member Committee. For the year ended June 30, 2015, the Authority contributed \$712 to the JSC for operating expenses.

Note 8. Passenger Facility Charges

The Authority has been authorized by the FAA to collect Passenger Facility Charges for project activities completed in previous years. The total collection authority approved by the FAA is \$941,784.

Passenger Facility Charges - year ended June 30, 2015	\$ 29,971
Total collection authority remaining at June 30, 2015	\$ 396,048

Note 9. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the City of Burlington's commercial insurance, and by the purchase of commercial airport liability insurance from an independent third party. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

The Authority is a member of the Iowa Municipalities Workers' Compensation Association (IMWCA). The IMWCA is a local government risk-sharing pool whose members include various governmental entities throughout the State of Iowa. The IMWCA provides coverage and protection for workers' compensation. There were no reductions in insurance coverage from prior years during the year ended June 30, 2015.

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

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

Note 10. Operating Leases - Lessor

The Authority rents property used for equipment storage to individuals on a month-to-month basis. The Authority rents a building to the Civil Air Patrol under an annually renewable lease calling for \$1 a year rent. Rental income for the year ended June 30, 2015 was \$12,749.

The Authority rents terminal, office space, and parking space to commercial airlines, the Federal Aviation Administration, the Transportation Security Agency, a private air transportation operator and auto rental concessionaires on a month-to-month basis. Rental income for the year ended June 30, 2015 was \$58,548.

The Authority rents hangar space to individuals on a month-to-month basis. Rental income for the year ended June 30, 2015 totaled \$98,060.

The Authority leases farm ground to individuals under leases which terminate March 31, 2016. The leases are revocable for cause by the Authority and may be terminated by the lessees with 10 day notice. Rental income for the year ended June 30, 2015 was \$35,179. Future minimum lease payments consist of prepaid rent of \$10,037 received during the year ended June 30, 2015 and included in unearned revenue.

Property held for leasing is summarized as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>
Building and improvements	\$ 1,520,697	\$ 566,236
Land	651,999	-

Note 11. Other Postemployment Benefits (OPEB)

The Authority participates in a multi-government health insurance pool that provides medical, dental, and prescription drug coverage to employees and retirees. The Authority's current funding policy is to pay health and dental costs as they occur on a pay-as-you-go basis.

The Authority's annual Other Postemployment Benefits (OPEB) cost is calculated based on the annual required contribution (ARC) of the Authority, an amount actuarially determined in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The Authority's ARC is \$602 for the year ending June 30, 2015 and the Authority's net OPEB obligation is \$2,968 as of June 30, 2015, a decrease of \$792 from June 30, 2014.

As of June 30, 2015, there were no trusted assets.

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

Note 11. Other Postemployment Benefits (OPEB) (continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality, and the health care trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits for financial reporting purposes are based on the Plan as understood by the employer and the Plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the June 30, 2015 actuarial valuation date, the projected unit credit with linear proration to decrement cost method was used. The actuarial assumptions include a 4% discount rate based on the Authority's funding policy and an inflation rate of 3%. The projected annual medical trend rate is 9% with an ultimate medical trend rate of 5%. The medical trend rate is reduced .5% each year until reaching the ultimate medical trend rate. The amortization is level dollar amount over thirty years based on an open group.

Note 12. Employee Retirement Plan Trust

The Authority offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the Authority (without being restricted to the provisions of benefits under the plan), subject to the claims of the Authority's general creditors. Participants' rights under the plan are equal to those of general creditors of the Authority in an amount equal to the fair value of the deferred account for each participant.

The financial position and changes in financial position of the deferred compensation plan are presented in the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. The plan assets are invested in mutual funds and are recorded at fair value. The fair value consists of the net position value of mutual fund investments determined using market prices as of the close of regular trading on the New York Stock Exchange. The net position value as of June 30, 2015 is \$91,975. Plan contributions for the year ended June 30, 2015 were \$9,797. Plan contributions and deductions are recorded on the cash basis of accounting.

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

Note 13. Pension and Retirement Benefits

Pension Plan Description

Iowa Public Employees' Retirement System (IPERS) membership is mandatory for employees of the Association, except those covered by another retirement system. Employees of the Authority are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by IPERS. IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive; P.O. Box 9117; Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits

A member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to guard against the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

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

Note 13. Pension and Retirement Benefits (continued)

Disability and Death Benefits

A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or an amount calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions

Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, members contributed 5.95% of pay and the Authority contributed 8.93% for a total rate of 14.88%.

The Authority's total contributions to IPERS for the year ended June 30, 2015 were \$9,269.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the Authority reported a liability of \$62,762 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all IPERS-participating employers. At June 30, 2014, the Authority's collective proportion was 0.001551%, which was an increase of 0.000147% percent from its proportion measured as of June 30, 2013.

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

Note 13. Pension and Retirement Benefits (continued)

For the year ended June 30, 2015, the Authority recognized pension expense of \$6,257. At June 30, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 682	\$ -
Changes in assumptions	2,770	-
Net difference between projected and actual earnings on pension plan investments	-	23,936
Changes in proportion and differences between Authority's contributions and proportionate share of contributions	6,719	-
Authority's contributions subsequent to the measurement date	<u>9,269</u>	<u>-</u>
	<u>\$ 19,440</u>	<u>\$ 23,936</u>

The \$9,269 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2016	\$ (3,479)
2017	(3,479)
2018	(3,479)
2019	(3,479)
2020	<u>151</u>
	<u>\$ (13,765)</u>

There were no non-employer contributing entities at IPERS.

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

Note 13. Pension and Retirement Benefits (continued)

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00% per annum
Rates of salary increase (effective June 30, 2010)	4.00% to 17.00%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50%, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Tables Report for males or females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23 %	6.31 %
Non-US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	<u>1</u>	(0.69)
Total	<u>100 %</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Authority will be made at the contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Note 13. Pension and Retirement Benefits (continued)

Sensitivity of the Association's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate.

	1% Decrease <u>(6.5%)</u>	Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
Proportionate share of the net pension liability	\$ 118,587	\$ 62,762	\$ 15,640

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Note 14. Commitments and Contingencies

The Authority has outstanding commitments on contracts related to various airport improvement projects totaling \$157,200 and air service marketing projects totaling \$11,500. The projects are being implemented through Iowa Department of Transportation Commercial Air Service Vertical Infrastructure Programs and the Air Service Development Program, which reimburse the Authority for cost of the projects, not to exceed certain annual limits as stated in the related grant documentation.

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

Note 15. Accounting Change/Restatement

GASB No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27* was implemented during fiscal year 2015. The revision establishes new financial reporting requirements for state and local governments that provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Beginning net position for governmental activities was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

The financial statements for the year ended June 30, 2014 have been restated as follows:

	Net Investment in Capital <u>Assets</u>	<u>Unrestricted</u>	<u>Net Position</u>
As previously reported, June 30, 2014	\$12,025,623	\$ 513,341	\$12,538,964
Accounting adjustment GASB No. 68	<u>-</u>	<u>(70,270)</u>	<u>(70,270)</u>
As restated	<u>\$12,025,623</u>	<u>\$ 443,071</u>	<u>\$12,468,694</u>

**Southeast Iowa Regional Airport Authority
Schedule of Funding Progress
for the Retiree Health Care Plan
Required Supplementary Information**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded UAAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2015	\$ -	\$ 5,296	\$ 5,296	- %	\$ 37,100	14.30%
6/30/2014	\$ -	\$ 5,117	\$ 5,117	- %	\$ 29,980	17.10%
6/30/2013	\$ -	\$ 5,481	\$ 5,481	- %	\$ 18,725	29.30%

See accompanying independent auditor's report.

Southeast Iowa Regional Airport Authority,
A Component Unit of the City of Burlington
Schedule of the Authority's Proportionate Share of the Net Pension Liability
Iowa Public Employees Retirement System
Last Fiscal Year*
(In Thousands)
Other Information

Authority's proportion of the net pension liability	0.001551%
Authority's proportionate share of the net pension liability	\$62,762
Authority's covered-employee payroll	\$103,460
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.66%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.

See accompanying independent auditor's report.

**Southeast Iowa Regional Airport Authority,
A Component Unit of the City of Burlington
Schedule of the Authority's Contributions
Iowa Public Employees Retirement System
Last 10 Fiscal Years
(In Thousands)
Other Information**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Statutorily required contribution	\$ 9,269	\$ 9,239	\$ 7,933	\$ 7,294	\$ 6,272	\$ 6,285	\$ 4,950	\$ 5,726	\$ 5,128	\$ 5,666
Contributions in relation to the statutorily required contribution	<u>(9,269)</u>	<u>(9,239)</u>	<u>(7,933)</u>	<u>(7,294)</u>	<u>(6,272)</u>	<u>(6,285)</u>	<u>(4,950)</u>	<u>(5,726)</u>	<u>(5,128)</u>	<u>(5,666)</u>
Contribution deficiency (excess)	<u>\$ -</u>									
Authority's covered-employee payroll	\$ 103,800	\$ 103,460	\$ 91,499	\$ 90,384	\$ 90,245	\$ 94,511	\$ 77,953	\$ 94,645	\$ 89,183	\$ 98,539
Contributions as a percentage of covered-employee payroll	8.93 %	8.93 %	8.67 %	8.07 %	6.95 %	6.65 %	6.35 %	6.05 %	5.75 %	5.75 %

See accompanying independent auditor's report.

**Southeast Iowa Regional Airport Authority,
A Component Unit of the City of Burlington
Notes to Other Information – Pension Liability
Year ended June 30, 2015**

Changes in benefit terms:

Legislation passed in 2010 modified benefit terms for current members. The definition of final average salary changed from the highest 3 to the highest 5 years of covered wages. The vesting requirement changed from 4 years of service to 7 years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Changes in assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the 1-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs and deputies and protection-occupation members.

See accompanying independent auditor's report.

Southeast Iowa Regional Airport Authority, A Component Unit of the City of Burlington
Schedule of Revenues and Expenses
Year Ended June 30, 2015

	<u>Total</u>	<u>Terminal</u>	<u>Airfield/ Runways</u>	<u>General Aviation/ Hangars</u>	<u>ARFF</u>	<u>Landside/ Parking</u>	<u>Fuel Farm</u>	<u>Administration</u>
Operating Revenues								
State grants	\$ 25,753	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,753
Rent income	204,536	47,370	44,179	110,809	-	2,178	-	-
Charges for services	59,508	-	7,648	-	-	36,021	15,839	-
Contributions from member governments	159,625	-	-	-	-	-	-	159,625
Total operating revenues	<u>449,422</u>	<u>47,370</u>	<u>51,827</u>	<u>110,809</u>	<u>-</u>	<u>38,199</u>	<u>15,839</u>	<u>185,378</u>
Operating Expenses								
Personal services	145,111	4,399	51,851	2,673	-	4,321	-	81,867
Advertising	34,624	-	-	-	-	-	-	34,624
Consulting and professional fees	11,262	-	-	-	-	-	-	11,262
Dues and memberships	943	-	-	-	-	-	-	943
Liability insurance	8,425	-	-	-	-	-	-	8,425
Utilities	41,210	14,087	10,978	2,947	-	1,823	542	10,833
Contract work	23,629	12,287	-	-	9,500	920	-	922
Office supplies	2,119	-	-	-	-	-	-	2,119
Telephone	3,064	-	-	-	-	-	-	3,064
Travel and training	7,432	-	-	-	-	-	-	7,432
Fuel and oil	7,849	692	5,901	520	-	724	12	-
Janitorial supplies	121	121	-	-	-	-	-	-
Small equipment	124	-	-	-	-	-	-	124
Repairs and maintenance	9,928	2,675	4,485	-	-	1,738	39	991
Total operating expenses	<u>295,841</u>	<u>34,261</u>	<u>73,215</u>	<u>6,140</u>	<u>9,500</u>	<u>9,526</u>	<u>593</u>	<u>162,606</u>
Operating income (loss) before depreciation	153,581	13,109	(21,388)	104,669	(9,500)	28,673	15,246	22,772
Depreciation	<u>985,947</u>	<u>7,451</u>	<u>819,336</u>	<u>47,698</u>	<u>92,661</u>	<u>781</u>	<u>7,652</u>	<u>10,368</u>
Operating income (loss) before nonoperating income (expenses)	<u>(832,366)</u>	<u>5,658</u>	<u>(840,724)</u>	<u>56,971</u>	<u>(102,161)</u>	<u>27,892</u>	<u>7,594</u>	<u>12,404</u>
Nonoperating Income (Expense)								
Passenger facility charges	29,971	-	29,971	-	-	-	-	-
Interest and investment revenue	263	-	-	-	-	-	-	263
Miscellaneous income (expense)	100	-	-	-	-	-	-	100
Loss on equipment disposal	(456)	-	-	-	-	-	(456)	-
Total nonoperating income (expense)	<u>29,878</u>	<u>-</u>	<u>29,971</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(456)</u>	<u>363</u>
Income (loss) before capital contributions	(802,488)	5,658	(810,753)	56,971	(102,161)	27,892	7,138	12,767
Other contributions	27,473	-	-	-	-	-	-	27,473
Capital contributions - Federal and state grant revenues	<u>375,013</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>375,013</u>
Increase (decrease) in net position	<u>\$ (400,002)</u>	<u>\$ 5,658</u>	<u>\$ (810,753)</u>	<u>\$ 56,971</u>	<u>\$ (102,161)</u>	<u>\$ 27,892</u>	<u>\$ 7,138</u>	<u>\$ 415,253</u>

See accompanying independent auditor's report.

**Southeast Iowa Regional Airport Authority,
A Component Unit of the City of Burlington
Schedule of Passenger Facility Charges Collected and Expended
June 30, 2015**

	<u>PFC Receipts</u>	<u>Interest Earned</u>	<u>Expenditures</u>	<u>Unliquidated PFC Revenue</u>
Balance at June 30, 2014	\$ 515,765	\$ 5,962	\$ (515,765)	\$ 5,962
Quarter ending September 30, 2014	8,402	1	(8,402)	<u>1</u>
Balance at September 30, 2014				5,963
Quarter ending December 31, 2014	7,113	1	(7,113)	<u>1</u>
Balance at December 31, 2014				5,964
Quarter ending March 31, 2015	6,813	3	(6,813)	<u>3</u>
Balance at March 31, 2015				5,967
Quarter ending June 30, 2015	<u>7,643</u>	<u>4</u>	<u>(7,643)</u>	<u>4</u>
Balance at June 30, 2015				<u>\$ 5,971</u>
Cumulative	<u>\$ 545,736</u>	<u>\$ 5,971</u>	<u>\$ (545,736)</u>	

See accompanying independent auditor's report.



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

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and fiduciary fund of Southeast Iowa Regional Airport Authority (Authority), A Component Unit of the City of Burlington, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 8, 2015.

Internal Control Over Financial Reporting

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

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

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

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.

Compliance and Other Matters

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

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

Authority's Responses to Findings

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

Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Authority during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

CPA Associates PC

October 8, 2015



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

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

Compliance

We have audited the compliance of Southeast Iowa Regional Airport Authority (Authority), A Component Unit of the City of Burlington, with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (the Guide), issued by the Federal Aviation Administration, for its passenger facility charge program for the year ended June 30, 2015. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above, that could have a direct and material effect on the passenger facility charge program, occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority, a component unit of the City of Burlington, complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the year ended June 30, 2015.

Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations applicable to the passenger facility charge program. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on the passenger facility charge program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the Board of Directors, management, and the Federal Aviation Administration. This report is not intended to be and should not be used by anyone other than these specified parties.

CPA Associates PC

October 8, 2015

**Southeast Iowa Regional Airport Authority,
A Component Unit of the City of Burlington
Schedule of Findings
Year Ended June 30, 2015**

Part I: Findings Related to the Financial Statements

Material Weakness

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

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

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

Conclusion - Response accepted.

Instances of Noncompliance:

No matters were noted.

Part II: Other Findings Related to Required Statutory Reporting

- 15-1 Deposits and Investments - The Authority has adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.
- 15-2 Travel Expense - No expenditures of Authority money for travel expenses of spouses of Authority members or employees were noted.
- 15-3 Board Minutes - No transactions were found that we believe should have been approved in the Authority minutes but were not.
- 15-4 Questionable Disbursements - No disbursements were found that did not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979.