

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE

November 9, 2016

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

The Authority had total revenues of \$1,284,843 during the year ended June 30, 2016, a 17.7% decrease from the prior year. Revenues included property tax of \$712,509, rental income of \$301,983 and federal grants of \$176,906. The decrease in revenues is primarily due to a decrease in federal grants received for airport improvement projects.

Expenses totaled \$1,391,739 for the year ended June 30, 2016, a 4.2% decrease from the prior year, and included \$191,162 for employee salaries, \$866,972 for depreciation and \$59,654 for professional fees.

A copy of the audit report is available for review at the Council Bluffs Airport Authority, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1633-0051-B000>.

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COUNCIL BLUFFS AIRPORT AUTHORITY

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2016

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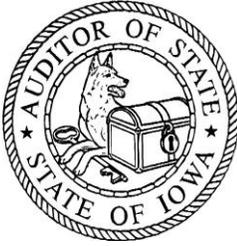
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Council Bluffs Airport Authority

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Brad Knott	Chairman	Mar 10, 2019
Rick Crowl	Vice Chairman	Mar 10, 2019
Jeanette M. Aldredge	Secretary/Treasurer	Mar 10, 2017
Steve Grandfield	Member	Mar 10, 2017
Scott Hartman	Member	Mar 10, 2017
Patti McAtee	Member	Mar 10, 2019
Barbara Vredevel	Member	Mar 10, 2019
Andrew Biller	Executive Director	Indefinite

Council Bluffs Airport Authority



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Independent Auditor's Report

To the Members of the Council Bluffs Airport Authority:

Report on the Financial Statements

We have audited the accompanying Statement of Net Position, and the related Statements of Revenues, Expenses and Changes in Net Position and Cash Flows, of the Council Bluffs Airport Authority as of and for the years ended June 30, 2016 and 2015, and the related Notes to Financial Statements, which collectively comprise the Authority's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Council Bluffs Airport Authority as of June 30, 2016 and June 30, 2015, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

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

U.S. generally accepted accounting principles require the Schedule of the Authority's Proportionate Share of the Net Pension Liability and the Schedule of Authority Contributions on pages 25 through 28 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 which 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 U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 24, 2016 on our consideration of the Council Bluffs Airport Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Council Bluffs Airport Authority's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State

October 24, 2016

Basic Financial Statements

Exhibit A

Council Bluffs Airport Authority

Statement of Net Position

June 30, 2016 and 2015

	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 479,331	432,730
Receivables:		
Accounts	9,073	2,240
Property tax	21,999	40,584
Hangar rent	426	390
Due from other governments:		
Federal Aviation Administration	36,131	76,627
Iowa Department of Transportation	26,741	4,025
Iowa Department of Homeland Security	121,732	-
Prepaid expense	525	15,380
Total current assets	<u>695,958</u>	<u>571,976</u>
Noncurrent assets:		
Restricted cash	-	14,427
Capital assets, net of accumulated depreciation	<u>23,701,896</u>	<u>24,284,011</u>
Total noncurrent assets	<u>23,701,896</u>	<u>24,298,438</u>
Total assets	<u>24,397,854</u>	<u>24,870,414</u>
Deferred Outflows of Resources		
Pension related deferred outflows	<u>25,173</u>	<u>27,000</u>
Liabilities		
Current liabilities:		
Accounts payable	23,601	84,601
Accrued interest payable	2,540	7,437
Payroll tax payable	7,956	7,070
Unearned hangar rent	3,385	2,667
Current portion of:		
Capital lease purchase agreement payable	1,178	1,008
Bank loan payable	-	100,000
Notes payable	225,000	195,000
Total current liabilities	<u>263,660</u>	<u>397,783</u>
Noncurrent liabilities:		
Capital lease purchase agreement payable	1,381	2,559
Net pension liability	138,533	117,401
Notes payable	1,670,000	105,000
Revenue bonds payable	-	1,790,000
Total noncurrent liabilities	<u>1,809,914</u>	<u>2,014,960</u>
Total liabilities	<u>2,073,574</u>	<u>2,412,743</u>
Deferred Inflows of Resources		
Pension related deferred inflows	<u>16,452</u>	<u>44,774</u>
Net position		
Net investment in capital assets	21,804,337	22,090,444
Unrestricted	<u>528,664</u>	<u>349,453</u>
Total net position	<u>\$ 22,333,001</u>	<u>22,439,897</u>

See notes to financial statements.

Council Bluffs Airport Authority

Statement of Revenues, Expenses and Changes in Net Position

Years ended June 30, 2016 and 2015

	2016	2015
Operating revenues:		
Land rent	\$ 113,045	122,983
Hangar rent	188,938	169,127
Other revenues	59,777	51,331
Total operating revenues	<u>361,760</u>	<u>343,441</u>
Operating expenses:		
Salaries	191,162	192,412
Depreciation	866,972	854,274
FICA	14,553	15,470
IPERS	11,306	10,022
Advertising	512	152
Dues	510	633
Fuel	6,875	13,663
Insurance	50,794	69,746
Internet and web	439	424
License and subscriptions	3,791	3,434
Meetings	54	293
Office	3,744	3,390
Postage and freight	497	552
Professional fees	59,654	64,282
Radio and telephone	6,576	5,069
Buildings and grounds maintenance and repair	14,770	5,978
Equipment repair	10,365	29,556
Hangar repair	1,636	4,064
Runway repair	7,809	5,032
Trash hauling	1,302	1,358
Travel and training	3,398	1,001
Utilities	37,187	48,480
Miscellaneous	11,290	18,285
Total operating expenses	<u>1,305,196</u>	<u>1,347,570</u>
Operating loss	<u>(943,436)</u>	<u>(1,004,129)</u>
Non-operating revenues (expenses):		
Property tax	712,509	620,584
Interest income	427	360
Federal grants	176,906	514,984
Other grant revenue	26,741	81,000
Interest expense	(86,543)	(105,536)
Gain on sale of assets	6,500	400
Net non-operating revenues	<u>836,540</u>	<u>1,111,792</u>
Change in net position	<u>(106,896)</u>	<u>107,663</u>
Net position beginning of year	<u>22,439,897</u>	<u>22,332,234</u>
Net position end of year	<u>\$ 22,333,001</u>	<u>22,439,897</u>

See notes to financial statements.

Exhibit C

Council Bluffs Airport Authority

Statement of Cash Flows

Years ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Cash received from rent	\$ 302,665	290,817
Cash received from other revenues	52,944	54,406
Cash paid to suppliers for goods and services	(215,993)	(283,657)
Cash paid to employees for services	(221,498)	(235,779)
Net cash used for operating activities	(81,882)	(174,213)
Cash flows from noncapital financing activities:		
Cash received from property tax	731,094	606,094
Cash flows from capital and related financing activities:		
Federal grants received	72,954	514,895
Received from other governments	26,741	81,000
Sale of capital assets	6,500	400
Issuance of loans	1,915,000	645,000
Acquisition of capital assets	(336,212)	(762,574)
Principal paid on revenue bonds and loans	(2,210,000)	(730,000)
Interest paid on revenue bonds	(90,950)	(106,183)
Principal paid on capital lease purchase agreement	(1,008)	(861)
Interest paid on capital lease purchase agreement	(490)	(695)
Net cash used for capital and related financing activities	(617,465)	(359,018)
Cash flows from investing activities:		
Interest received	427	360
Net increase in cash and cash equivalents	32,174	73,223
Cash and cash equivalents beginning of year	447,157	373,934
Cash and cash equivalents end of year	\$ 479,331	447,157
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	\$ (943,436)	(1,004,129)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation	866,972	854,274
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(6,869)	2,685
(Increase) decrease in prepaid expense	14,855	(11,900)
Decrease in accounts payable	(9,645)	(6,250)
Increase (decrease) in payroll tax payable	886	(407)
Increase (decrease) in unearned hangar rent	718	(903)
Increase (decrease) in net pension liability	21,132	(42,655)
(Increase) decrease in deferred outflows of resources	1,827	(9,702)
Increase (decrease) in deferred inflows of resources	(28,322)	44,774
Total adjustments	861,554	829,916
Net cash used for operating activities	\$ (81,882)	(174,213)

See notes to financial statements.

Council Bluffs Airport Authority

Notes to Financial Statements

June 30, 2016 and 2015

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

For financial reporting purposes, the Council Bluffs Airport Authority has included all funds, organizations, agencies, boards, commissions and authorities. The Authority has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Authority are such that exclusion would cause the Authority's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Authority to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Authority. The Council Bluffs Airport Authority has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There were no qualifying assets acquired during the years ended June 30, 2016 and 2015.

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which 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 Authority after the measurement date but before the end of the Authority’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 applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. 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 IPERS investments.

(2) Cash and Cash Equivalents

The Authority’s deposits in banks at June 30, 2016 and 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 depositories to ensure there will be no loss of public funds.

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

The Authority had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

(3) Capital Assets

Capital assets activity for the year ended June 20, 2016 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	\$ 2,192,064	-	-	2,192,064
Construction in progress	711,077	253,606	587,427	377,256
Total capital assets not being depreciated	2,903,141	253,606	587,427	2,569,320
Capital assets being depreciated:				
Buildings	7,477,581	-	-	7,477,581
Improvements other than buildings	20,059,392	602,969	-	20,662,361
Equipment and vehicles	341,425	15,709	23,564	333,570
Total capital assets being depreciated	27,878,398	618,678	23,564	28,473,512
Less accumulated depreciation for:				
Buildings	1,876,689	179,426	-	2,056,115
Improvement other than buildings	4,346,354	659,958	-	5,006,312
Equipment and vehicles	274,485	27,588	23,564	278,509
Total accumulated depreciation	6,497,528	866,972	23,564	7,340,936
Total capital assets being depreciated, net	21,380,870	(248,294)	-	21,132,576
Total capital assets, net	\$ 24,284,011	5,312	587,427	23,701,896
Total depreciation expense				\$ 866,972

Capital assets activity for the year ended June 20, 2015 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	\$ 2,192,064	-	-	2,192,064
Construction in progress	140,965	754,937	184,825	711,077
Total capital assets not being depreciated	2,333,029	754,937	184,825	2,903,141
Capital assets being depreciated:				
Buildings	7,477,581	-	-	7,477,581
Improvements other than buildings	19,874,567	184,825	-	20,059,392
Equipment and vehicles	334,698	10,227	3,500	341,425
Total capital assets being depreciated	27,686,846	195,052	3,500	27,878,398
Less accumulated depreciation for:				
Buildings	1,697,263	179,426	-	1,876,689
Improvements other than buildings	3,698,970	647,384	-	4,346,354
Equipment and vehicles	250,521	27,464	3,500	274,485
Total accumulated depreciation	5,646,754	854,274	3,500	6,497,528
Total capital assets being depreciated, net	22,040,092	(659,222)	-	21,380,870
Total capital assets, net	\$ 24,373,121	95,715	184,825	24,284,011
Total depreciation expense				\$ 854,274

(4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2016 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Capital lease purchase agreement	\$ 3,567	-	1,008	2,559	1,178
Bank loan	100,000	125,000	225,000	-	-
Loan agreements	300,000	1,790,000	195,000	1,895,000	225,000
Revenue bonds	1,790,000	-	1,790,000	-	-
Net pension liability	117,401	21,132	-	138,533	-
Total	\$ 2,310,968	1,936,132	2,211,008	2,036,092	226,178

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Capital lease purchase agreement	\$ 4,428	-	861	3,567	1,008
Bank loan	-	160,000	60,000	100,000	100,000
Loan agreement	-	485,000	185,000	300,000	195,000
Revenue bonds	2,275,000	-	485,000	1,790,000	-
Net pension liability	160,056	-	42,655	117,401	-
Total	\$ 2,439,484	645,000	773,516	2,310,968	296,008

Capital Lease Purchase Agreement

The Authority entered into a capital lease purchase agreement to lease a copier with a historical cost of \$5,231. The following is a schedule of the future minimum lease payments, including interest at 15.72% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2016:

Year ending June 30,	Amount
2017	\$ 1,498
2018	1,497
Total minimum lease payments	2,995
Less amount representing interest	(436)
Present value of net minimum lease payments	\$ 2,559

Payments under this agreement for the year ended June 30, 2016 totaled \$1,498.

Bank Loan

On November 3, 2014, the Authority entered into a line of credit bank loan for a maximum loan amount of \$1,000,000 to assist with cash flow until certain grant funding is collected. The loan bears interest at .25% per annum plus the U.S. prime rate, with a minimum rate of 3.50%, and matures on November 3, 2016. During the year ended June 30, 2016, the Authority drew down \$125,000 on the loan and repaid \$225,000 of principal, plus interest of \$2,558, leaving no principal balance on the loan at June 30, 2016.

Loan Agreements

On January 26, 2015, the Authority entered into a \$485,000 loan agreement with the City of Council Bluffs with an interest rate of .61% per annum for a current refunding of \$485,000 of series 2006A revenue bonds dated June 1, 2006.

A summary of the annual principal and interest requirements to maturity at June 30, 2016 is as follows:

Year ending June 30,	Principal	Interest	Total
2017	\$ 105,000	641	105,641

A summary of the annual principal and interest requirements to maturity at June 30, 2015 is as follows:

Year ending June 30,	Principal	Interest	Total
2016	\$ 195,000	1,830	196,830
2017	105,000	641	105,641
Total	\$ 300,000	2,471	302,471

On April 28, 2016, the Authority entered into a \$1,790,000 loan agreement with the City of Council Bluffs with an interest rate of 1.75% per annum for a current refunding of \$1,790,000 of series 2006B revenue bonds dated June 1, 2006. The Authority refunded the bonds to reduce its total debt service payments by \$282,879 and to obtain an economic gain (difference between the present value of debt service payments on the old and new debt) of approximately \$266,000.

A summary of the annual principal and interest requirements to maturity at June 30, 2016 is as follows:

Year ending June 30,	Principal	Interest	Total
2017	\$ 120,000	31,325	151,325
2018	225,000	29,225	254,225
2019	230,000	25,287	255,287
2020	235,000	21,263	256,263
2021	240,000	17,150	257,150
2022-2024	740,000	25,987	765,987
Total	\$ 1,790,000	150,237	1,940,237

Revenue Bonds

No revenue bonds were outstanding at June 30, 2016. The following issue was outstanding at June 30, 2015.

Issue	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2015
Series 2006B	Jun 1, 2006	4.55-5.00%	June 1, 2024	100,000-275,000	1,790,000	\$ 1,790,000

The proceeds of the 2016 loan agreement with the City of Council Bluffs were used to fully redeem the principal balance of the revenue bonds during the fiscal year ended June 30, 2016.

(5) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the Authority, except for 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 the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, PO 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 Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time 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 Regular 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% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month 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 combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

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 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 - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires 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 years 2016 and 2015, pursuant to the required rate, Regular members contributed 5.95% of pay and the Authority contributed 8.93% for a total rate of 14.88%.

The Authority's contributions to IPERS for the years ended June 30, 2016 and 2015 were \$16,669 and \$17,155, respectively.

Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the Authority reported a liability of \$138,533 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 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 IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the Authority's collective proportion was 0.002787%, which was a decrease of 0.000114% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Authority recognized pension expense of \$11,306. At June 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,093	-
Changes of assumptions	3,814	-
Net difference between projected and actual earnings on IPERS' investments	-	11,530
Changes in proportion and differences between Authority contributions and proportionate share of contributions	2,597	4,922
Authority contributions subsequent to the measurement date	16,669	-
Total	\$ 25,173	16,452

\$16,669 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 ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	Total
2017	\$ (4,215)
2018	(4,215)
2019	(4,215)
2020	4,928
2021	(231)
Total	<u>\$ (7,948)</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 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.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00%, inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 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 Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of 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:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the Authority will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority'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 7.50%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Authority's proportionate share of the net pension liability:	\$ 242,550	138,533	50,739

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS - At June 30, 2016, the Authority reported payables to IPERS of \$1,349 for legally required Authority contributions and \$899 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

(6) Risk Management

The Authority is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 746 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. The Authority only uses the Pool for property coverage. There have been no reductions in insurance coverage from prior years.

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

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

Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Authority's property contributions to the Pool are recorded as expenditures from its operating fund at the time of payment to the Pool. The Authority's contributions to the Pool for the year ended June 30, 2016 were \$14,861.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Authority's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Authority's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the Authority's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The Authority does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2016, no liability has been recorded in the Authority's financial statements. As of June 30, 2016, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

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

Council Bluffs Airport Authority

Required Supplementary Information

Council Bluffs Airport Authority

Council Bluffs Airport Authority

Schedule of the Authority's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Two Years*

Required Supplementary Information

	<u>2016</u>	<u>2015</u>
Authority's proportion of the net pension liability	0.002787%	0.002901%
Authority's proportionate share of the net pension liability	\$ 138,533	117,401
Authority's covered-employee payroll	\$ 192,102	193,718
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	72.11%	60.60%
IPERS' net position as a percentage of the total pension liability	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

Council Bluffs Airport Authority
 Schedule of Authority Contributions
 Iowa Public Employees' Retirement System
 For the Last Ten Years

Required Supplementary Information

	2016	2015	2014	2013
Statutorily required contribution	\$ 16,669	17,155	17,298	15,851
Contributions in relation to the statutorily required contribution	(16,669)	(17,155)	(17,298)	(15,851)
Contribution deficiency (excess)	\$ -	-	-	-
Authority's covered-employee payroll	\$ 186,658	192,102	193,718	182,826
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.67%

See accompanying independent auditor's report.

2012	2011	2010	2009	2008	2007
16,152	12,680	10,096	9,253	7,846	7,566
(16,152)	(12,680)	(10,096)	(9,253)	(7,846)	(7,566)
-	-	-	-	-	-
200,149	182,446	151,820	145,717	129,686	131,583
8.07%	6.95%	6.65%	6.35%	6.05%	5.75%

Council Bluffs Airport Authority

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2016

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven 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.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of 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.
- 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 the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

**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**

Council Bluffs Airport Authority



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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

To the Members of the Council Bluffs Airport Authority:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the Council Bluffs Airport Authority as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, and have issued our report thereon dated October 24, 2016.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Council Bluffs Airport Authority's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the Authority's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Authority. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The Council Bluffs Airport Authority's Responses to the Findings

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

Purpose of this Report

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

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


MARY MOSIMAN, CPA
Auditor of State

October 24, 2016

Council Bluffs Airport Authority

Schedule of Findings

Year ended June 30, 2016

Finding Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

No matters were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

- (1) Questionable Disbursements – A Certain disbursement we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefit to be derived had not been clearly documented was noted.

The Authority incurred a \$30 registration fee for a spouse of an employee to attend the 2016 Iowa Public Airports Association Conference.

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

Recommendation – The Authority should document the public benefit to be derived for any disbursements that may appear to be questionable.

Response – The Authority will document the public benefit to be derived for any disbursements that may appear to be questionable.

Conclusion – Response accepted.

- (2) Travel Expenses – No expenditures of Authority money for travel expenses of spouses of Authority officials or employees were noted.
- (3) Authority Minutes – No transactions were found that we believe should have been approved in the Authority minutes but were not.
- (4) Deposits and Investments – A resolution naming official depositories has not been approved by the Airport.

Recommendation – The Airport should approve a financial institution as a depository of public funds by written resolution or order that shall be entered of record in the minutes of the approving board, and distinctly name each depository approved, and specify the maximum amount that may be kept on deposit in each depository per Chapter 12C.2 of the Code of Iowa.

Response – The Authority will approve by Board resolution any financial institutions as the depository of public funds, including the maximum amount that may be kept on deposit per Chapter 12C.2 of the Code of Iowa.

Conclusion – Response accepted.

Council Bluffs Airport Authority

Staff

This audit was performed by:

Brian R. Brustkern, CPA, Manager
Ryan J. Pithan, Senior Auditor
Trent M. Mussmann, Senior Auditor
Elizabeth P. Dawson, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State