

**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, 2017

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**Southeast Iowa Regional Airport Authority,
A Component Unit of the City of Burlington
Officials
June 30, 2017**

Name	Representing
Charles E. Walsh	City of Burlington
Mick Fletcher	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, 2017, 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 financial position of the Authority as of June 30, 2017, and the 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 15 to the financial statements, the Authority adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. 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 4 - 9, schedule of Changes in the Authority's total OPEB Liability and Related Ratios on page 32 and pension information on pages 33 - 35 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 36 - 37, 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 25, 2017, 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 25, 2017

**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, 2017. 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 increased 0.3%, or \$1,288, from fiscal year 2016 to fiscal year 2017. General aviation and hanger revenues increased while fuel farm and grant revenues decreased.
- The Authority's operating expenses, before depreciation, were 9%, or \$29,017, more in fiscal year 2017 than in fiscal year 2016. The increase in operating expenses is primarily due to an increase in personal services and repairs and maintenance.
- The Authority's net nonoperating income increased 22% from fiscal year 2016 to fiscal year 2017.
- The Authority's grant revenues and capital contributions increased 73%, or \$112,126, from fiscal year 2016 to fiscal year 2017. The increase is primarily the result of timing of Infrastructure improvements funded by the Iowa Department of Transportation.
- Net position for 2017 was \$10.9 million, a decrease of \$0.5 million from 2016.

Southeast Iowa Regional Airport, which is operated by the Authority, is an Essential Air Service airport. During the fiscal year ended June 30, 2017, commercial air service was provided by Air Choice One. Air Choice One provided two daily round trip flights to St. Louis, Missouri; Chicago, Illinois and Minneapolis, Minnesota 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 changes in the Authority's total OPEB liability and related ratios.

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 2017 totaled approximately \$10.9 million, compared to approximately \$11.4 million at the end of fiscal year 2016. A summary of the Authority's net position at June 30, 2017 and 2016 is shown below:

	2017	Not Restated 2016
Assets:		
Current assets	\$ 860,403	\$ 910,365
Capital assets	<u>10,173,800</u>	<u>10,680,007</u>
Total assets	<u>11,034,203</u>	<u>11,590,372</u>
Deferred Outflow of Resources:		
Pension related deferred outflows	<u>31,064</u>	<u>29,183</u>
Liabilities:		
Current liabilities	75,720	89,040
Noncurrent liabilities	<u>105,773</u>	<u>78,405</u>
Total liabilities	<u>181,493</u>	<u>167,445</u>
Deferred Inflow of Resources:		
Pension and OPEB related deferred inflows	<u>2,985</u>	<u>19,368</u>
Net Position:		
Invested in capital assets, net of related debt	10,173,800	10,680,007
Unrestricted	<u>706,989</u>	<u>752,735</u>
Total net position	<u>\$ 10,880,789</u>	<u>\$ 11,432,742</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.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* was implemented during fiscal year 2017. The beginning net position was restated to retroactively report the Postemployment Benefits Other Than Pensions (OPEB) as of June 30, 2016. The financial statement amounts for fiscal year 2016 OPEB was not restated because the information was not available. In the past, OPEB expense was the amount of the annual required contribution. Current reporting provides a more comprehensive measure of OPEB expense which is more reflective of the amounts employees earned during the year.

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, 2017 and 2016 is presented below:

	2017	Not Restated 2016
Operating revenues	\$ 492,531	\$ 491,243
Operating expenses	<u>(350,723)</u>	<u>(321,706)</u>
Operating income before depreciation	141,808	169,537
Depreciation	<u>(993,022)</u>	<u>(992,497)</u>
Operating loss	(851,214)	(822,960)
Nonoperating income, net	<u>41,302</u>	<u>33,802</u>
Loss before capital contributions	(809,912)	(789,158)
Grant revenues and capital contributions	<u>265,334</u>	<u>153,208</u>
Decrease in net position	<u>\$ (544,578)</u>	<u>\$ (635,950)</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, 2017 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	\$ 49,818	6.23 %	\$ 1,802	3.75 %
Airfield/Runways	52,928	6.62	799	1.53
General Aviation/Hangars	113,346	14.19	3,480	3.17
Landside/Parking	45,987	5.75	1,478	3.32
Fuel Farm	14,721	1.84	(3,185)	(17.79)
Grant revenues	26,566	3.32	(2,726)	(9.31)
Contributions from member governments	<u>189,165</u>	<u>23.68</u>	<u>(360)</u>	<u>(0.19)</u>
Total operating	<u>492,531</u>	<u>61.63</u>	<u>1,288</u>	<u>0.26</u>
Nonoperating:				
Passenger facility charges	31,548	3.95	1,946	6.57
Interest and investment revenue	1,435	0.18	493	52.34
Other income	<u>8,319</u>	<u>1.04</u>	<u>5,061</u>	100.00
Total nonoperating	<u>41,302</u>	<u>5.17</u>	<u>7,500</u>	22.19
Grant revenues and capital contributions	<u>265,334</u>	<u>33.20</u>	<u>112,126</u>	73.19
Total revenues	<u>\$ 799,167</u>	<u>100.00 %</u>	<u>\$ 120,914</u>	17.83 %

**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, 2017, and the amount and percentage change in relation to prior year amounts is presented below:

	<u>Amount</u>	<u>% of Total</u>	Increase (Decrease) From Prior Year	<u>% Increase (Decrease)</u>
Operating:				
Personal services	\$ 186,825	13.92 %	\$ 25,588	15.87 %
Advertising	33,864	2.52	(3,222)	(8.69)
Consulting and professional fees	13,855	1.03	(1,557)	(10.10)
Dues and memberships	1,375	0.10	(23)	(1.65)
Liability insurance	5,139	0.38	(1,689)	(24.74)
Utilities	41,592	3.10	3,492	9.17
Contract work	25,143	1.87	611	2.49
Office supplies	1,542	0.11	(187)	(10.82)
Telephone	2,635	0.20	(188)	(6.66)
Travel and training	5,223	0.39	641	13.99
Botanicals	1,347	0.10	345	100.00
Fuel and oil	4,564	0.34	(920)	(16.78)
Janitorial supplies	147	0.01	28	23.53
Small equipment	-	-	(1,584)	100.00
Repairs and maintenance	<u>27,472</u>	<u>2.03</u>	<u>7,682</u>	38.82
Total operating	350,723	26.10	29,017	9.02
Depreciation	<u>993,022</u>	<u>73.90</u>	<u>525</u>	0.05
Total expenses	<u>\$ 1,343,745</u>	<u>100.00 %</u>	<u>\$ 29,542</u>	2.25 %

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.

Capital Acquisitions and Construction Activities

During 2017, the Authority expended \$496,807 on capital activities. These activities included Runway 30 improvements, apron rehabilitation, hangar construction, administrative building siding, vehicle repairs and purchases of a mower.

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

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, 2017, the Authority has collected PFCs, including interest earnings thereon, totaling \$613,529. 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 Beaird, Airport Manager, Southeast Iowa Regional Airport Authority, 2515 Summer Street, Burlington, IA 52601-3330 or by e-mail to director@brlairport.com.

**Southeast Iowa Regional Airport Authority,
A Component Unit of the City of Burlington
Statement of Net Position - Proprietary Fund
June 30, 2017**

Assets	
Current Assets	
Cash and cash equivalents	\$ 225,932
Certificate of deposit	226,128
Receivables	248,108
Related party receivable	73,512
Prepaid expenses	4,681
Non-Federal Reimbursable Agreement deposit	<u>82,042</u>
Total current assets	<u>860,403</u>
Capital assets	
Land	2,162,935
Land improvements	17,284,051
Building and improvements	3,446,098
Furniture and equipment	1,620,354
Less accumulated depreciation	<u>(14,339,638)</u>
Total capital assets	<u>10,173,800</u>
Total assets	<u>11,034,203</u>
Deferred Outflows of Resources	
Pension related deferred outflows	<u>31,064</u>
Liabilities	
Current Liabilities	
Accounts payable	43,696
Accrued expenses	18,611
Unearned revenue	<u>13,413</u>
Total current liabilities	<u>75,720</u>
Long-term Liabilities	
Net OPEB Liability	11,167
Net pension liability	<u>94,606</u>
Total noncurrent liabilities	<u>105,773</u>
Total liabilities	<u>181,493</u>
Deferred Inflows of Resources	
Pension and OPEB related deferred inflows	<u>2,985</u>
Net Position	
Invested in capital assets, net of related debt	10,173,800
Unrestricted	<u>706,989</u>
Total net position	<u>\$ 10,880,789</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, 2017**

Operating Revenues	
State grants	\$ 26,566
Rent income	210,689
Charges for services	66,111
Contributions from member governments	<u>189,165</u>
Total operating revenues	<u>492,531</u>
Operating Expenses	
Personal services	186,825
Advertising	33,864
Consulting and professional fees	13,855
Dues and memberships	1,375
Liability insurance	5,139
Utilities	41,592
Contract work	25,143
Office supplies	1,542
Telephone	2,635
Travel and training	5,223
Botanical	1,347
Fuel and oil	4,564
Janitorial supplies	147
Repairs and maintenance	<u>27,472</u>
Total operating expenses	<u>350,723</u>
Operating income before depreciation	141,808
Depreciation	<u>993,022</u>
Operating loss	<u>(851,214)</u>
Nonoperating Income (Expense)	
Passenger facility charges	31,548
Interest and investment revenue	1,435
Miscellaneous income	<u>8,319</u>
Total nonoperating income	<u>41,302</u>
Loss before capital contributions	(809,912)
Capital contributions - Federal and state grant revenues	<u>265,334</u>
Decrease in net position	(544,578)
Net position, beginning of year, restated	<u>11,425,367</u>
Net position, end of year	<u>\$ 10,880,789</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, 2017**

Cash Flows From Operating Activities	
Receipts from customers	\$ 278,032
Receipts from federal and state agencies	23,107
Receipts from member governments	188,798
Payments to suppliers	(166,080)
Prepaid expenses	(1,083)
Payments to employees	(179,712)
Net cash provided by operating activities	<u>143,062</u>
Net Cash Provided By Noncapital Financing Activities	
Other payments	<u>4</u>
Cash Flows From Capital and Related Financing Activities	
Passenger facility charges	30,073
Capital grants received	140,909
Purchase of capital assets	<u>(496,807)</u>
Net cash used by capital and related financing activities	<u>(325,825)</u>
Cash Flows From Investing Activities	
Interest	1,435
Purchase of certificate of deposit	<u>(778)</u>
Net cash provided by investing activities	<u>657</u>
Net decrease in cash and cash equivalents	(182,102)
Cash and cash equivalents, beginning of year	<u>408,034</u>
Cash and cash equivalents, end of year	<u>\$ 225,932</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating loss	\$ (851,214)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	993,022
Changes in assets and liabilities:	
Receivables	(2,683)
Prepaid expenses	(1,083)
Accounts payable and accrued expenses	3,202
Unearned revenue	89
Net OPEB liability	242
Net pension liability	19,751
Deferred outflows of resources	(1,881)
Deferred inflows of resources	<u>(16,383)</u>
Net cash provided by operating activities	<u>\$ 143,062</u>
Supplemental Disclosure of Noncash Financing Activities	
Equipment purchases financed through accounts payable	\$ 36,630

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, 2017**

	Fiduciary Fund Employee Retirement Plan Trust
Assets	
Investments at fair value	\$ <u>116,290</u>
Net Position	
Held in trust for pension benefits	\$ <u>116,290</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, 2017**

	<u>Fiduciary Fund Employee Retirement Plan Trust</u>
Additions	
Contributions:	
Plan members	\$ 8,503
Investment earnings:	
Net increase in fair value of investments	<u>14,045</u>
Total additions	<u>22,548</u>
Deductions	
Net participant withdrawals	<u>-</u>
Total deductions	<u>-</u>
Increase in net position	22,548
Net position, beginning of year	<u>93,742</u>
Net position, end of year	<u>\$ 116,290</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, 2017, the Authority adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

**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 polices:

Cash and Cash Equivalents

The Authority considers all short term investments with an original maturity of three months or less to be cash equivalents. Cash investments not meeting the definition of cash equivalents at June 30, 2017 include a non-negotiable certificate of deposit of \$226,128.

Capital Assets

Capital assets are stated at original cost and include asset purchases of \$1,000 or more that have a useful life longer than one year. 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.

Unearned Revenue

The Authority's unearned revenue consists of hangar rent for the fiscal year end June 30, 2018 received during the year ended June 30, 2017.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(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, the unamortized portion of the net difference between projected and actual earnings on IPERS investments and pension 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.

Postemployment Benefits Other Than Pensions (OPEB)

The Authority's defined benefit OPEB plan, is an agent multiple-employer health insurance pool that provides medical, dental, and prescription drug coverage to employees and retirees. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financial requirements to the Authority's Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) which 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 consist of differences between expected and actual experience, changes in proportion and differences between the Authority's contributions and proportionate share of contributions, and the unamortized portion of the change in OPEB assumptions.

**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 \$413,630 for the year ended June 30, 2017.

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 25, 2017, 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, 2017.

Note 3. Cash and Cash Equivalents

The Authority's deposits at June 30, 2017 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, 2017 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ <u>2,071,653</u>	\$ <u>91,282</u>	\$ <u>-</u>	\$ <u>2,162,935</u>
Capital assets being depreciated:				
Land improvements	17,161,405	122,646	-	17,284,051
Building and improvements	3,192,774	253,324	-	3,446,098
Furniture and equipment	<u>1,626,802</u>	<u>22,184</u>	<u>28,632</u>	<u>1,620,354</u>
Total capital assets being depreciated	<u>21,980,981</u>	<u>398,154</u>	<u>28,632</u>	<u>22,350,503</u>
Less accumulated depreciation for:				
Land improvements	10,515,692	820,574	-	11,336,266
Building and improvements	1,526,685	91,932	-	1,618,617
Furniture and equipment	<u>1,330,250</u>	<u>80,516</u>	<u>26,011</u>	<u>1,384,755</u>
Total accumulated depreciation	<u>13,372,627</u>	<u>993,022</u>	<u>26,011</u>	<u>14,339,638</u>
Total capital assets being depreciated, net	<u>8,608,354</u>	<u>(594,868)</u>	<u>(2,621)</u>	<u>8,010,865</u>
Capital assets, net	<u>\$10,680,007</u>	<u>\$ (503,586)</u>	<u>\$ (2,621)</u>	<u>\$10,173,800</u>

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, 2021. 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, 2017 was \$9,700. 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, 2017:

Member contribution	\$ 22,540
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There are no amounts due from the City of West Burlington as of June 30, 2017.

The Authority received the following payments from Des Moines County for the year ended June 30, 2017:

Member contribution	\$ 23,770
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There are no amounts due from Des Moines County as of June 30, 2017.

The Authority received the following payments from the City of Burlington during the year ended June 30, 2017:

Member contribution	\$ 142,488
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The following payments are due from the City of Burlington as of June 30, 2017:

Member contribution	\$ 73,512
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During the year ended June 30, 2017, the Authority paid the City of Burlington (City) \$9,700 for ARFF services provided during the year ended June 30, 2017.

One of the Authority's directors is an officer with a local bank. At June 30, 2017, the Authority has balances with the bank as follows:

Checking accounts	\$ 229,466
Certificate of deposit	226,128

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

Note 7. Jointly-governed Organizations

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, 2017, the Authority contributed \$565 to the JSC for operating expenses.

The Authority is a participant in the City/County Health Care Plan (COBCO). The COBCO is a cooperative effort by the Authority, the City of Burlington, Burlington Municipal Waterworks, Des Moines County, Des Moines County Regional Solid Waste Commission, Des Moines County Communications Center, City of Danville, City of Mediapolis and Two Rivers Levee Drainage District to create and maintain a self-funded health benefits program through cooperative action with private agencies, as authorized by Chapter 28E of the Code of Iowa. The Authority currently is not a representative on COBCO's Board of Trustees. For the year ended June 30, 2017, the Authority contributed \$4,989 to cover the employee benefits offered by COBCO.

Note 8. 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, 2017.

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 9. 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, 2017	\$	31,548
Total collection authority remaining at June 30, 2017	\$	334,923

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, 2017 was \$13,957.

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, 2017 was \$61,158.

The Authority rents hangar space to individuals on a month-to-month basis. Rental income for the year ended June 30, 2017 totaled \$99,389. The Authority has received prepaid rent of \$3,025 during the year ended June 30, 2017 which is included in unearned revenue.

The Authority leases farm ground to individuals under leases which terminate March 31, 2019. 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, 2017 was \$36,185. Future minimum lease payments consist of prepaid rent of \$10,238 received during the year ended June 30, 2017 and included in unearned revenue.

Property held for leasing is summarized as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>
Building and improvements	\$ 1,790,522	\$ 660,120
Land	665,439	-

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

Note 11. Other Postemployment Benefits (OPEB)

Plan Description

The Authority participates in an agent multi-employer health insurance pool administered by COBCO 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 establishes and amends contribution requirements.

Iowa Code section 509A.13 provides that if the state, school district, county, or city has procured some form of group health care insurance for its employees, that entity must permit its retired employees to continue participation in the group health insurance plan, at the retiree's expense, until the retiree reaches 65. In addition, surviving spouses of eligible retired state employees may elect to continue participation in the state's group health insurance plan, at their expense, until they reach 65.

As of June 30, 2017, there were no trusted assets held in trust that meet the criteria of GASB No. 75.

Benefits Provided

The Authority provides healthcare benefits for retirees and their dependents. The benefit terms provide for payment of 100% of health insurance premiums for non-Medicare-eligible retirees.

Employees Covered by Benefit Terms

At June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active plan members	<u>2</u>
Total	<u><u>2</u></u>

Total OPEB Liability

The Authority's total OPEB liability of \$11,167 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

**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 Assumptions and Other Inputs

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	1.3% per year
Salary increases	7.6%, average, including inflation
Healthcare cost trend rates	9.0% for year 2017, decreasing 0.5% per year to an ultimate rate of 5.0% for 2025 and later years
Retirees' share of benefit-related costs	50% of projected health insurance premiums for retirees

The discount rate was based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher tax exempt, high quality 20-year municipal bonds.

Mortality rates were based on the RPH-2015 Total Dataset Mortality Table fully generational using Scale MP-2015.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for 2009 to 2013 conducted by the Iowa Public Employee's Retirement System.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 6/30/16 (restated)	\$ <u>10,925</u>
Changes for the year:	
Service cost	882
Interest	311
Changes in assumptions or other inputs	(404)
Benefit payments	<u>(547)</u>
Net changes	<u>242</u>
Balance at 6/30/17	\$ <u><u>11,167</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.9% percent in 2016 to 3.6% percent in 2017.

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

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

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.6 percent) or 1-percentage-point higher (4.6 percent) than the current discount rate:

	1% Decrease <u>(2.6%)</u>	Discount Rate <u>(3.6%)</u>	1% Increase <u>(4.6%)</u>
Total OPEB liability	\$11,778	\$11,167	\$10,564

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (8.0 percent decreasing to 4.0 percent) or 1-percentage-point higher (10.0 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

	1% Decrease (8.0% decreasing <u>to 4.0%</u>)	Healthcare Cost Trend Rates (9.0% decreasing <u>to 5.0%</u>)	1% Increase (10.0% decreasing <u>to 6.0%</u>)
Total OPEB liability	\$10,145	\$11,167	\$12,346

OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2017, the Authority recognized OPEB expense of \$615. At June 30, 2017, the Authority reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources
Changes of assumptions or other inputs	\$ 373

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2018	\$ 31
2019	31
2020	31
2021	31
2022	31
Thereafter	218

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

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, 2017 is \$116,290. Plan contributions for the year ended June 30, 2017 were \$8,503. Plan contributions and deductions are recorded on the cash basis of accounting.

Note 13. Pension Plan

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.

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

Note 13. Pension and Retirement Benefits (continued)

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, except for members with service before June 30, 2012 will use the highest three-year average salary as of that date 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 that 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.

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

Note 13. Pension and Retirement Benefits (continued)

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 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 2017, pursuant to the required rate, members contributed 5.95% of covered payroll and the Authority contributed 8.93% of covered payroll, for a total rate of 14.88%.

The Authority's contributions to IPERS for the year ended June 30, 2017 totaled \$11,330.

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

At June 30, 2017, the Authority reported a liability of \$94,606 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 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, 2016, the Authority's proportion was 0.001503%, which was a decrease of 0.000012% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Authority recognized pension expense of \$12,444. At June 30, 2017, 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	\$ 836	\$ 1,129
Changes in assumptions	1,443	-
Net difference between projected and actual earnings on IPERS investments	13,479	-
Changes in proportion and differences between Authority's contributions and the Authority's proportionate share of contributions	3,976	1,483
Authority's contributions subsequent to the measurement date	<u>11,330</u>	<u>-</u>
	<u>\$ 31,064</u>	<u>\$ 2,612</u>

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

Note 13. Pension and Retirement Benefits (continued)

The \$11,330 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, 2018. 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>	
2018	\$ 3,030
2019	3,030
2020	7,185
2021	3,930
2022	<u>(53)</u>
	<u>\$ 17,122</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions

The total pension liability in the June 30, 2016 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, 2016 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.

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

Note 13. Pension and Retirement Benefits (continued)

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:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core plus fixed income	28 %	1.90 %
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.42
Cash	<u>1</u>	(0.26)
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 the 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 of 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 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 7.50%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 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	\$ 153,060	\$ 94,606	\$ 45,270

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

Note 13. Pension and Retirement Benefits (continued)

IPERS' Fiduciary Net Position

Detailed information about the IPERS' 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 \$815,700 and air service marketing projects totaling \$11,800. 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.

Note 15. Accounting Change/Restatement

GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* was implemented during fiscal year 2017. The revision establishes new financial reporting requirements for state and local governments that provide their employees with retiree health insurance, including additional note disclosures and required supplementary information. In addition, GASB No. 75 requires a state or local government employer to recognize a net OPEB liability and changes in the net OPEB liability and deferred inflows of resources which arise from other types of events related to OPEB. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported. Beginning net position for governmental activities was restated to retroactively report the beginning net OPEB liability as follows:

	Net Investment in Capital Assets	Unrestricted	Net Position
	<u>Assets</u>	<u>Unrestricted</u>	<u>Net Position</u>
As previously reported, June 30, 2016	\$10,680,007	\$ 752,735	\$11,432,742
Accounting adjustment GASB No. 75	<u>-</u>	<u>(7,375)</u>	<u>(7,375)</u>
As restated	<u>\$10,680,007</u>	<u>\$ 745,360</u>	<u>\$11,425,367</u>

**Southeast Iowa Regional Airport Authority
Required Supplementary Information
Schedule of Changes in the Authority's
Total OPEB Liability and Related Ratios**

Total OPEB liability	2017
Service cost	\$ 882
Interest	311
Changes of assumptions or other inputs	(404)
Benefit payments	<u>(547)</u>
Net change in total OPEB liability	242
Total OPEB liability - beginning (restated)	<u>10,925</u>
Total OPEB liability - ending	<u>\$ 11,167</u>
Covered employee payroll	\$ 123,163
Total OPEB liability as a percentage of covered-employee payroll	9.1 %

Notes to Schedule:

Changes of assumptions. Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2017	3.56 %
2016	2.92 %

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 3 Fiscal Years*
Required Supplementary Information**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Authority's proportion of the net pension liability	0.001503%	0.001515%	0.001551%
Authority's proportionate share of the net pension liability	\$ 94,606	\$ 74,855	\$ 62,762
Authority's covered-employee payroll	\$ 126,882	\$ 107,880	\$ 103,800
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	74.56%	69.39%	60.46%
IPERS net position as a percentage of the total pension liability	81.82%	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 year.

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
Required Supplementary Information**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Statutorily required contribution	\$ 11,330	\$ 9,634	\$ 9,269	\$ 9,239	\$ 7,933	\$ 7,294	\$ 6,272	\$ 6,285	\$ 4,950	\$ 5,726
Contributions in relation to the statutorily required contribution	<u>(11,330)</u>	<u>(9,634)</u>	<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>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 126,882	\$ 107,880	\$ 103,800	\$ 103,460	\$ 91,499	\$ 90,384	\$ 90,245	\$ 94,511	\$ 77,953	\$ 94,645
Contributions as a percentage of covered-employee payroll	8.93 %	8.93 %	8.93 %	8.93 %	8.67 %	8.07 %	6.95 %	6.65 %	6.35 %	6.05 %

See accompanying independent auditor's report.

**Southeast Iowa Regional Airport Authority,
A Component Unit of the City of Burlington
Notes to Required Supplementary Information – Pension Liability
Year Ended June 30, 2017**

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.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the unfunded actuarial liability (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.

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, 2017

	Total	Terminal	Airfield/ Runways	General Aviation/ Hangars	ARFF	Landside/ Parking	Fuel Farm	Administration
Operating Revenues								
State grants	\$ 26,566	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,566
Rent income	210,689	49,818	45,185	113,346	-	2,340	-	-
Charges for services	66,111	-	7,743	-	-	43,647	14,721	-
Contributions from member governments	189,165	-	-	-	-	-	-	189,165
Total operating revenues	<u>492,531</u>	<u>49,818</u>	<u>52,928</u>	<u>113,346</u>	<u>-</u>	<u>45,987</u>	<u>14,721</u>	<u>215,731</u>
Operating Expenses								
Personal services	186,825	11,130	74,280	4,587	3,124	1,870	-	91,834
Advertising	33,864	-	-	-	-	-	-	33,864
Consulting and professional fees	13,855	-	-	-	-	-	-	13,855
Dues and memberships	1,375	-	-	-	-	-	-	1,375
Liability insurance	5,139	-	-	-	-	-	-	5,139
Utilities	41,592	14,470	11,233	2,997	-	1,862	492	10,538
Contract work	25,143	12,969	29	-	9,700	2,445	-	-
Office supplies	1,542	-	-	-	-	-	-	1,542
Telephone	2,635	-	-	-	-	-	-	2,635
Travel and training	5,223	-	-	-	-	-	-	5,223
Botanical	1,347	-	1,347	-	-	-	-	-
Fuel and oil	4,564	589	3,238	174	-	206	-	357
Janitorial supplies	147	147	-	-	-	-	-	-
Repairs and maintenance	27,472	1,782	8,780	819	-	596	(527)	16,022
Total operating expenses	<u>350,723</u>	<u>41,087</u>	<u>98,907</u>	<u>8,577</u>	<u>12,824</u>	<u>6,979</u>	<u>(35)</u>	<u>182,384</u>
Operating income (loss) before depreciation	141,808	8,731	(45,979)	104,769	(12,824)	39,008	14,756	33,347
Depreciation	993,022	8,091	822,578	49,834	92,661	-	13,986	5,872
Operating income (loss) before nonoperating income (expenses)	<u>(851,214)</u>	<u>640</u>	<u>(868,557)</u>	<u>54,935</u>	<u>(105,485)</u>	<u>39,008</u>	<u>770</u>	<u>27,475</u>
Nonoperating Income (Expense)								
Passenger facility charges	31,548	-	31,548	-	-	-	-	-
Interest and investment revenue	1,435	-	-	-	-	-	-	1,435
Miscellaneous income	8,319	-	-	-	-	-	8,319	-
Total nonoperating income (expense)	<u>41,302</u>	<u>-</u>	<u>31,548</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,319</u>	<u>1,435</u>
Income (loss) before capital contributions	(809,912)	640	(837,009)	54,935	(105,485)	39,008	9,089	28,910
Capital contributions - Federal and state grant revenues	265,334	-	107,792	157,542	-	-	-	-
Increase (decrease) in net position	<u>\$ (544,578)</u>	<u>\$ 640</u>	<u>\$ (729,217)</u>	<u>\$ 212,477</u>	<u>\$ (105,485)</u>	<u>\$ 39,008</u>	<u>\$ 9,089</u>	<u>\$ 28,910</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, 2017**

	<u>PFC Receipts</u>	<u>Interest Earned</u>	<u>Expenditures</u>	<u>Unliquidated PFC Revenue</u>
Balance at June 30, 2016	\$ 575,329	\$ 6,275	\$ (575,329)	\$ 6,275
Quarter ending September 30, 2016	7,797	93	(7,797)	<u>93</u>
Balance at September 30, 2016				6,368
Quarter ending December 30, 2016	7,797	96	(7,797)	<u>96</u>
Balance at December 30, 2016				6,464
Quarter ending March 31, 2017	7,105	100	(7,105)	<u>100</u>
Balance at March 31, 2017				6,564
Quarter ending June 30, 2017	<u>8,833</u>	<u>104</u>	<u>(8,833)</u>	<u>104</u>
Balance at June 30, 2017				<u>\$ 6,668</u>
Cumulative	<u>\$ 606,861</u>	<u>\$ 6,668</u>	<u>\$ (606,861)</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, 2017, 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 25, 2017.

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.

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

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, 2017 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 25, 2017



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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, 2017. 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, 2017.

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

**Southeast Iowa Regional Airport Authority,
A Component Unit of the City of Burlington
Schedule of Findings
Year Ended June 30, 2017**

Part I: Findings Related to the Financial Statements

Material Weakness

Segregation of Duties

Criteria - Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the Authority's financial statement.

Condition - Generally, one individual has control over the following areas for the Authority:

1. Accounting system - record keeping for revenues, expenses and related reporting.
2. Receipts - collecting, depositing, journalizing and posting.
3. Payroll - changes to the master list, preparation and distribution.

Cause - The Authority has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect - Inadequate segregation of duties could adversely affect the Authority's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

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

- 17-1 Deposits and Investments - The Authority has adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.
- 17-2 Travel Expense - No expenditures of Authority money for travel expenses of spouses of Authority members or employees were noted.
- 17-3 Board Minutes - No transactions were found that we believe should have been approved in the Authority minutes but were not.
- 17-4 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.