**OFFICE OF AUDITOR OF STATE**

STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

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Des Moines, Iowa 50319-0004

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NEWS RELEASE


Contact: Andy Nielsen
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FOR RELEASE December 8, 2015

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

The Authority had total revenues of $1,560,769 during the year ended June 30, 2015, a 65.9% increase over the prior year. Revenues included property tax of $620,584, rental income of $292,110 and federal grants of $514,984. The increase in revenues is primarily due to an increase in property tax received from the City of Council Bluffs and federal grants for airport improvement projects.

Expenses totaled $1,453,106 for the year ended June 30, 2015, an 8.5% decrease from the prior year, and included $192,412 for employee salaries, $854,274 for depreciation and $69,746 for insurance.

A copy of the audit report is available for review at the Council Bluffs Airport Authority, in the Office of Auditor of State and on the Auditor of State's web site at http://auditor.iowa.gov/reports/1533-0051-B000.pdf.

\# # #

**COUNCIL BLUFFS AIRPORT AUTHORITY**

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

**JUNE 30, 2015**

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**Council Bluffs Airport Authority**

**Officials**

| Name | Title | Term Expires |
| --- | --- | --- |
| 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 Vredeveld | Member | Mar 10, 2019 |
| Andrew Biller | Executive Director | Indefinite |

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Des Moines, Iowa 50319-0004

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Mary Mosiman, CPA
Auditor of State

# 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, 2015 and 2014, 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, 2015 and June 30, 2014, 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.

Emphasis of Matter

As discussed in Note 7 to the financial statements, the Council Bluffs Airport Authority adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinion is not modified with respect to this matter.

Other Matters

*Required Supplementary Information*

The Council Buffs 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 27 through 31 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.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council Bluffs Airport Authority's basic financial statements. The supplementary information included in Schedule 1, the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 18, 2015 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

MARY MOSIMAN, CPA
Auditor of State

Warren Jenkins

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 18, 2015

**Council Bluffs Airport Authority**

## Basic Financial Statements

Council Bluffs Airport Authority

Statement of Net Position

June 30, 2015 and 2014

| | 2015 | 2014 (not restated) |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 432,730 | 340,102 |
| Receivables: | | |
| Accounts | 2,240 | 2,035 |
| Property tax | 40,584 | 26,094 |
| Hangar rent | 390 | - |
| Miscellaneous | - | 3,280 |
| Due from other governments: | | |
| Federal Aviation Administration | 76,627 | 63,863 |
| Iowa Department of Transportation | 4,025 | 16,700 |
| Prepaid expense | 15,380 | 3,480 |
| Total current assets | 571,976 | 455,554 |
| Noncurrent assets: | | |
| Restricted cash | 14,427 | 33,832 |
| Capital assets, net of accumulated depreciation | 24,284,011 | 24,373,121 |
| Total noncurrent assets | 24,298,438 | 24,406,953 |
| **Total assets** | 24,870,414 | 24,862,507 |
| **Deferred Outflows of Resources** | | |
| Pension related deferred outflows | 27,000 | - |
| **Liabilities** | | |
| Current liabilities: | | |
| Accounts payable | 84,601 | 78,376 |
| Accrued interest payable | 7,437 | 8,779 |
| Payroll tax payable | 7,070 | 7,477 |
| Paid time off payable | - | 9,885 |
| Unearned hangar rent | 2,667 | 3,570 |
| Current portion of: | | |
| Capital lease purchase agreement payable | 1,008 | 862 |
| Bank loan payable | 100,000 | - |
| Notes payable | 195,000 | - |
| Revenue bonds payable | - | 185,000 |
| Total current liabilities | 397,783 | 293,949 |
| Noncurrent liabilities: | | |
| Capital lease purchase agreement payable | 2,559 | 3,566 |
| Net pension liability | 117,401 | - |
| Notes payable | 105,000 | - |
| Revenue bonds payable | 1,790,000 | 2,090,000 |
| Total noncurrent liabilities | 2,014,960 | 2,093,566 |
| **Total liabilities** | 2,412,743 | 2,387,515 |
| **Deferred Inflows of Resources** | | |
| Unavailable revenues: | | |
| Pension related deferred inflows | 44,774 | - |
| **Net position** | | |
| Net investment in capital assets | 22,090,444 | 22,093,693 |
| Unrestricted | 349,453 | 381,299 |
| **Total net position** | $ 22,439,897 | 22,474,992 |

See notes to financial statements.

Council Bluffs Airport Authority

Statement of Revenues, Expenses and Changes in Net Position

Years ended June 30, 2015 and 2014

| | 2015 | 2014 (not restated) |
|---|---|---|
| Operating revenues: | | |
| Land rent | $ 122,983 | 123,580 |
| Hangar rent | 169,127 | 167,637 |
| Other revenues | 51,331 | 30,227 |
| Total operating revenues | 343,441 | 321,444 |
| Operating expenses: | | |
| Salaries | 192,412 | 205,539 |
| Depreciation | 854,274 | 836,427 |
| FICA | 15,470 | 14,096 |
| IPERS | 10,022 | 16,849 |
| Advertising | 152 | 745 |
| Dues | 633 | 460 |
| Fuel | 13,663 | 19,686 |
| Insurance | 69,746 | 78,562 |
| Internet and web | 424 | 1,140 |
| License and subscriptions | 3,434 | 3,550 |
| Meetings | 293 | 1,663 |
| Office | 3,390 | 6,249 |
| Postage and freight | 552 | 711 |
| Professional fees | 64,282 | 151,531 |
| Radio and telephone | 5,069 | 5,891 |
| Buildings and grounds maintenance and repair | 5,978 | 12,140 |
| Equipment repair | 29,556 | 25,212 |
| Hangar repair | 4,064 | 12,210 |
| Runway repair | 5,032 | 7,916 |
| Trash hauling | 1,358 | 1,182 |
| Travel and training | 1,001 | 1,290 |
| Utilities | 48,480 | 56,161 |
| Miscellaneous | 18,285 | 9,308 |
| Total operating expenses | 1,347,570 | 1,468,518 |
| Operating loss | (1,004,129) | (1,147,074) |
| Non-operating revenues (expenses): | | |
| Property tax | 620,584 | 570,893 |
| Interest income | 360 | 498 |
| Federal grants | 514,984 | 41,841 |
| Other grant revenue | 81,000 | 6,151 |
| Interest expense | (105,536) | (118,697) |
| Gain on sale of assets | 400 | - |
| Net non-operating revenues | 1,111,792 | 500,686 |
| Change in net position | 107,663 | (646,388) |
| Net position beginning of year, as restated | 22,332,234 | 23,121,380 |
| Net position end of year | $ 22,439,897 | 22,474,992 |

See notes to financial statements.

Council Bluffs Airport Authority

Statement of Cash Flows

Years ended June 30, 2015 and 2014

| | 2015 | 2014 (not restated) |
|---|---|---|
| Cash flows from operating activities: | | |
| Cash received from rent | $ 290,817 | 305,312 |
| Cash received from other revenues | 54,406 | 30,086 |
| Cash paid to suppliers for goods and services | (283,657) | (396,587) |
| Cash paid to employees for services | (235,779) | (227,288) |
| Net cash used for operating activities | (174,213) | (288,477) |
| Cash flows from noncapital financing activities: | | |
| Cash received from property tax | 606,094 | 595,224 |
| Cash paid to County | - | (40,000) |
| Cash paid for EPA settlement | - | (60,000) |
| Net cash provided by noncapital financing activities | 606,094 | 495,224 |
| Cash flows from capital and related financing activities: | | |
| Federal grants received | 514,895 | 102,551 |
| Received from other governments | 81,000 | 6,151 |
| Sale of capital assets | 400 | - |
| Issuance of loans | 645,000 | - |
| Acquisition of capital assets | (762,574) | (252,704) |
| Principal paid on revenue bonds and loans | (730,000) | (170,000) |
| Interest paid on revenue bonds | (106,183) | (118,650) |
| Principal paid on capital lease purchase agreement | (861) | (803) |
| Interest paid on capital lease purchase agreement | (695) | (695) |
| Net cash used for capital and related financing activities | (359,018) | (434,150) |
| Cash flows from investing activities: | | |
| Interest received | 360 | 498 |
| Net increase (decrease) in cash and cash equivalents | 73,223 | (226,905) |
| Cash and cash equivalents beginning of year | 373,934 | 600,839 |
| Cash and cash equivalents end of year | $ 447,157 | 373,934 |
| **Reconciliation of operating loss to net cash used for operating activities:** | | |
| Operating loss | $ (1,004,129) | (1,147,074) |
| Adjustments to reconcile operating loss to net cash used for operating activities: | | |
| Depreciation | 854,274 | 836,427 |
| Changes in assets and liabilities: | | |
| Decrease in accounts receivable | 2,685 | 11,254 |
| (Increase) decrease in prepaid expense | (11,900) | 31,918 |
| Decrease in accounts payable | (6,250) | (23,013) |
| Decrease in payroll taxes payable | (407) | (689) |
| Increase (decrease) in unearned hangar rent | (903) | 2,700 |
| Decrease in net pension liability | (42,655) | - |
| Increase in deferred outflows of resources | (9,702) | - |
| Increase in deferred inflows of resources | 44,774 | - |
| Total adjustments | 829,916 | 858,597 |
| Net cash used for operating activities | $ (174,213) | (288,477) |

See notes to financial statements.

## (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.

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

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

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

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

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

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

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There were no qualifying assets acquired during the years ended June 30, 2015 and 2014.

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

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

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the Statement of Net Position consists of the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

## (2) Cash and Cash Equivalents

The Authority's deposits in banks at June 30, 2015 and 2014 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 No. 3, as amended by Statement No. 40.

## (3) Capital Assets

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 |
| Improvement 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 |

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

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

## (4) Long-Term Liabilities

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

| | Balance Beginning of Year as Restated | 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 |

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

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

<u>Capital Lease Purchase Agreement</u>

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, 2015:

| Year Ending June 30, | Amount |
|---|---|
| 2016 | $ 1,498 |
| 2017 | 1,497 |
| 2018 | 1,497 |
| Total minimum lease payments | 4,492 |
| Less amount representing interest | (925) |
| Present value of net minimum lease payments | $ 3,567 |

Payments under this agreement for the year ended June 30, 2015 totaled $1,556.

<u>Bank Loan</u>

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, 2015. During the year ended June 30, 2015, the Authority drew down $160,000 on the loan and repaid $60,000 of principal, plus interest of $993, leaving a principal balance on the loan of $100,000 at June 30, 2015.

Loan Agreement

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. The Authority refunded the bonds to reduce its total debt service payments by $23,029 and to obtain an economic gain (difference between the present value of debt service payments on the old and new debt) of approximately $23,000.

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 |

Revenue Bonds

One issue of unmatured revenue bonds is outstanding at June 30, 2015 and two issues were outstanding at June 30, 2014. The bonds bear interest at rates ranging from 4.35% to 5.05% per annum and mature in varying annual amounts, ranging from $100,000 to $275,000, with final maturities due in the year ending June 30, 2024.

The Authority has pledged the net revenues of the Authority, including property tax received by the Authority under Chapter 330A.15 of the Code of Iowa, net of specified operating expenses, to repay revenue bonds issued in June 2006 with an outstanding balance of $1,790,000 at June 30, 2015. Proceeds from the bonds provided financing for construction of improvements to the Authority's facilities and runway. The bonds are payable solely from the net revenues of the Authority. The total principal and interest remaining to be paid on the bonds at June 30, 2015 is $2,309,675. For the year ended June 30, 2015, the principal and interest required to be paid and total customer net revenues were $295,490 and $470,729, respectively. The Authority paid an additional $300,000 of principal during the year ended June 30, 2015 to pay off the series 2006A revenue bonds.

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

(a) The bonds will only be redeemed from the future earnings of the Authority and the bond holders hold a lien on the future earnings of the Authority.

(b) Sufficient monthly transfers shall be made to a revenue bond retirement account for the purpose of making the bond principal and interest payments when due.

(c) User rates shall be established at a level which produces and maintains net revenues, including taxes received by the Authority under Chapter 330A.15 of the Code of Iowa, at a level not less than 100% of the amount of principal and interest on the bonds falling due in the same year.

Details of revenue bonds payable at June 30, 2015 are as follows:

| 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 |

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

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

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

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2016 | $ - | 86,562 | 86,562 |
| 2017 | 100,000 | 86,563 | 186,563 |
| 2018 | 210,000 | 82,012 | 292,012 |
| 2019 | 220,000 | 72,248 | 292,248 |
| 2020 | 230,000 | 61,797 | 291,797 |
| 2021-2024 | 1,030,000 | 130,493 | 1,160,493 |
| Total | $ 1,790,000 | 519,675 | 2,309,675 |

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

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

## (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 P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

Pension Benefits – A 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 percent 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 percent 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 - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. 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.

Regular members contributed 5.95 percent of pay and the Authority contributed 8.93 percent for a total rate of 14.88 percent for fiscal years ended June 30, 2015 and 2014.

The Authority's contributions to IPERS for the years ended June 30, 2015 and 2014 were $17,155 and $17,299, respectively.

Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the Authority reported a liability of $117,401 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2014, the Authority's collective proportion was .002901 percent, which was an increase of .000074 percent from its collective proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Authority recognized pension expense of $10,022. At June 30, 2015, 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 | $ 1,276 | - |
| Changes of assumptions | 5,181 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 44,774 |
| Changes in proportion and differences between Authority contributions and proportionate share of contributions | 3,388 | - |
| Authority contributions subsequent to the measurement date | 17,155 | - |
| Total | $ 27,000 | 44,774 |

$17,155 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending June 30, | Total |
|---|---|
| 2016 | $ (8,894) |
| 2017 | (8,893) |
| 2018 | (8,894) |
| 2019 | (8,893) |
| 2020 | 645 |
| Total | $ (34,929) |

There were no non-employer contributing entities at IPERS.

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

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

The actuarial assumptions used in the June 30, 1014 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 pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. 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 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 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 7.5 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

| | 1% Decrease (6.5%) | Discount Rate (7.5%) | 1% Increase (8.5%) |
|---|---|---|---|
| Authority's proportionate share of the net pension liability: | $ 221,827 | $ 117,401 | $ 29,256 |

Pension Plan 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 the Pension Plan - At June 30, 2015, the Authority reported payables to IPERS of $1,215 for legally required employer contributions and $809 for legally required employee contributions which had been withheld from employee wages but not yet 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 727 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 risk pool are recorded as expenditures from its operating fund at the time of payment to the risk pool. The Authority's contributions to the Pool for the year ended June 30, 2015 were $14,702.

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 probably such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been recorded in the Authority's financial statements. As of June 30, 2015, 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.

## (7) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions.

During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental activities was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

| | Net Position |
|---|---|
| Net position June 30, 2014, as previously reported | $ 22,474,992 |
| Net pension liability at June 30, 2014 | (160,056) |
| Deferred outflows of resources related to prior year contibutions made after the June 30, 2013 measurement date | 17,298 |
| Net position July 1, 2014, as restated | $ 22,332,234 |

## Required Supplementary Information

Council Bluffs Airport Authority

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

Iowa Public Employees' Retirement System
Last Fiscal Year*
(In Thousands)

Required Supplementary Information

| | 2015 |
|---|---|
| Authority's collective proportion of the net pension liability (asset) | 0.002901% |
| Authority's collective proportionate share of the net pension liability (asset) | $ 117,401 |
| Authority's covered-employee payroll | $ 192,102 |
| Authority's collective proportionate share of the net pension liability as a percentage of its covered-employee payroll | 61.11% |
| Plan fiduciary net position as a percentage of the total pension liability | 87.61% |

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

See accompanying independent auditor's report.

Council Bluffs Airport Authority

Schedule of Authority Contributions

Iowa Public Employees' Retirement System
Last 10 Fiscal Years
(In Thousands)

Required Supplementary Information

| | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|
| Statutorily required contribution | $ 17,155 | 17,298 | 15,851 | 16,152 |
| Contributions in relation to the statutorily required contribution | (17,155) | (17,298) | (15,851) | (16,152) |
| Contribution deficiency (excess) | $ - | - | - | - |
| Authority's covered-employee payroll | $ 192,102 | 193,718 | 182,826 | 200,149 |
| Contributions as a percentage of covered-employee payroll | 8.93% | 8.93% | 8.67% | 8.07% |

GASB Statement No.68 requires ten years of information be presented in this table. Information for the year ended June 30, 2006 was not readily available.

See accompanying independent auditor's report.

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

*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 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action 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.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

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

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

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

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

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

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

**Supplementary Information**

Council Bluffs Airport Authority

Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

| Grantor/ Program | CFDA Number | Agency or Pass-through Number | Program Expenditures |
|---|---|---|---|
| Direct: | | | |
| U.S. Department of Transportation: | | | |
| Federal Aviation Administration: | | | |
| Airport Improvement Program | 20.106 | 3-19-0022-19-2014 | $ 503,687 |
| Indirect: | | | |
| U.S. Department of Homeland Security: | | | |
| Iowa Department of Homeland Security and Emergency Management: | | | |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | FEMA-4181-DRIA | 15,738 |
| Total | | | $ 519,425 |

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

See accompanying independent auditor's report.

**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, 2015, and the related Notes to Financial Statements, and have issued our report thereon dated November 18, 2015.

### Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control we consider to be material weaknesses. We did identify a deficiency in internal control, described in Part II of the accompanying Schedule of Findings and Questioned Costs as item (II-A-15), we consider to be a significant deficiency.

### 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 and Questioned Costs.

Comments involving statutory and other legal matters about the Authority's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Authority. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The Council Bluffs Airport Authority's Response to the Finding

The Council Bluffs Airport Authority's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Council Bluffs Airport Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
MARY MOSIMAN, CPA
Auditor of State

Warren Jenkins
WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 18, 2015

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## Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133

To the Members of the Council Bluffs
Airport Authority:

### Report on Compliance for Each Major Federal Program

We have audited the Council Bluffs Airport Authority's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2015. The Authority's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

### Management's Responsibility

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

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination on the Authority's compliance.

### Opinion on the Major Federal Program

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

### Report on Internal Control Over Compliance

The management of the Council Bluffs Airport Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Council Bluffs Airport Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council Bluffs Airport 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 a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Mary Mosiman

MARY MOSIMAN, CPA
Auditor of State

Warren Jenkins

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 18, 2015

Council Bluffs Airport Authority

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

**Part I: Summary of the Independent Auditor's Results:**

(a) An unmodified opinion was issued on the financial statements.

(b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements.

(c) The audit did not disclose any non-compliance which is material to the financial statements.

(d) No material weaknesses in internal control over the major program were noted.

(e) An unmodified opinion was issued on compliance with requirements applicable to the major program.

(f) The audit disclosed no audit findings which are required to be reporting in accordance with Office of Management and Budget Circular A-133, Section .510(a).

(g) The major program was CFDA Number 20.106 – Airport Improvement Program.

(h) The dollar threshold used to distinguish between Type A and Type B programs was $300,000.

(i) The Council Bluffs Airport Authority did not qualify as a low-risk auditee.

**Part II: Finding Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCY:**

II-A-15 Billings, Collections and Delinquent Accounts – Although hangar rent billings, collections and delinquent accounts are accounted for by the Administrative Assistant weekly, there is no documentation of independent review of the billings and related collections.

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

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

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**Part III: Findings and Questioned Costs for Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

No material weaknesses in internal control over the major program were noted.

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-15 Questionable Expenses – No expenses we believe may not meet the requirements of public purpose as defined by an Attorney General's opinion dated April 25, 1979 were noted.

IV-B-15 Travel Expenses – No expenditures of Authority money for travel expenses of spouses of Authority officials or employees were noted.

IV-C-15 Authority Minutes – No transactions were found that we believe should have been approved in the Authority minutes but were not.

IV-D-15 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Authority's investment policy were noted.

Council Bluffs Airport Authority

Staff

This audit was performed by:

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Andrew E. Nielsen, CPA
Deputy Auditor of State