



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE

December 26, 2012

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Auditor of State David A. Vaudt today released an audit report on the Council Bluffs Airport Authority.

The Authority had total revenues of \$1,997,210 during the year ended June 30, 2012, a 31% decrease from the prior year. Revenues included property tax of \$594,562, rental income of \$186,018 and federal grants of \$986,424. The decrease in revenues is due to a decrease in federal grants for airport improvement projects.

Expenses totaled \$1,456,120 for the year ended June 30, 2012, a 5% increase over the prior year, and included \$204,012 for employee salaries, \$790,155 for depreciation and \$133,636 for interest expense.

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/1233-0051-B000.pdf>.

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COUNCIL BLUFFS AIRPORT AUTHORITY

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

JUNE 30, 2012

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Council Bluffs Airport Authority

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John Dalton	Chairman	Mar 10, 2013
Brad Knott	Vice Chairman	Mar 10, 2015
Jeanette M. Aldredge	Secretary/Treasurer	Mar 10, 2013
Dean Krueger	Member	Mar 10, 2013
Bill McGinn	Member	Mar 10, 2013
Rick Crowl	Member	Mar 10, 2015
Barbara Vredevelde	Member	Mar 10, 2015
Danny Smith	Executive Director	Indefinite

Council Bluffs Airport Authority



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Independent Auditor's Report

To the Members of the Council Bluffs
Airport Authority:

We have audited the accompanying statement of net assets, and the related statements of revenues, expenses and changes in net assets and cash flows, of the Council Bluffs Airport Authority as of and for the years ended June 30, 2012 and 2011. These financial statements are the responsibility of the Authority's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

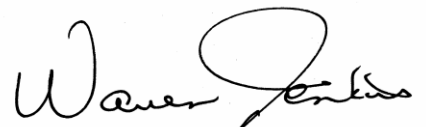
In our opinion, based on our audits, the financial statements referred to above present fairly, in all material respects, the financial position of the Council Bluffs Airport Authority at June 30, 2012 and June 30, 2011, and the respective changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated December 6, 2012 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 and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Council Bluffs Airport Authority's basic financial statements. Other 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our 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 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.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 6, 2012

Basic Financial Statements

Exhibit A

Council Bluffs Airport Authority

Statement of Net Assets

June 30, 2012 and 2011

	2012	2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 81,414	78,041
Receivables:		
Accounts	188	-
Property tax	28,233	24,212
Hangar rent	850	2,070
Miscellaneous	3,280	-
Due from other governments:		
Federal Aviation Agency	393,847	604,616
Pottawattamie County (net of \$15,173 discount for 2012)	344,827	100,000
Iowa Department of Transportation	77,992	29,424
Prepaid expense	24,731	4,761
Total current assets	<u>955,362</u>	<u>843,124</u>
Noncurrent assets:		
Restricted cash	1,935	76,726
Due from other governments - Pottawattamie County (net of discount of \$26,228)	-	303,772
Capital assets (net of accumulated depreciation)	25,561,293	24,987,040
Bond issuance costs	24,948	29,914
Total noncurrent assets	<u>25,588,176</u>	<u>25,397,452</u>
Total assets	<u>26,543,538</u>	<u>26,240,576</u>
Liabilities		
Current liabilities:		
Accounts payable	225,783	214,058
Accrued interest payable	10,024	10,592
Payroll tax payable	7,872	8,417
Unearned hangar rent	2,430	1,170
Current portion of:		
Bonds payable	160,000	150,000
Bank loan payable	-	100,000
Total current liabilities	<u>406,109</u>	<u>484,237</u>
Noncurrent liabilities:		
Bonds payable	2,445,000	2,605,000
Total liabilities	<u>2,851,109</u>	<u>3,089,237</u>
Net assets		
Invested in capital assets, net of related debt	22,956,293	22,232,040
Unrestricted	736,136	919,299
Total net assets	<u>\$ 23,692,429</u>	<u>23,151,339</u>

See notes to financial statements.

Council Bluffs Airport Authority

Statement of Revenues, Expenses and Changes in Net Assets

Years ended June 30, 2012 and 2011

	2012	2011
Operating revenues:		
Land rent	\$ 67,843	35,650
Hangar rent	118,175	109,666
Other revenues	29,186	18,785
Total operating revenues	<u>215,204</u>	<u>164,101</u>
Operating expenses:		
Salaries	204,012	189,021
Depreciation	790,155	738,189
FICA	16,584	15,679
IPERS	16,152	12,680
Advertising	500	2,129
Dues	1,042	195
Engineering	750	7,486
Fuel	19,770	26,064
Insurance	74,031	66,946
Internet and web	789	1,465
License and subscriptions	2,948	3,114
Meetings	2,006	2,672
Office	7,902	7,749
Postage and freight	763	339
Professional fees	91,228	60,145
Radio and telephone	3,449	5,788
Buildings and grounds maintenance and repair	10,163	19,303
Equipment repair	9,585	12,203
Hangar repair	3,019	4,611
Runway repair	7,421	2,423
Trash hauling	1,120	1,590
Travel and training	1,374	6,406
Utilities	44,116	41,429
Miscellaneous	8,639	7,287
Total operating expenses	<u>1,317,518</u>	<u>1,234,913</u>
Operating loss	<u>(1,102,314)</u>	<u>(1,070,812)</u>
Non-operating revenues (expenses):		
Property tax	594,562	575,527
Interest income	11,266	13,866
Federal grants	986,424	2,033,813
Other grant revenue	189,754	113,654
Amortization of bond issuance cost	(4,966)	(5,408)
Interest expense	(133,636)	(142,433)
Net non-operating revenues	<u>1,643,404</u>	<u>2,589,019</u>
Change in net assets	541,090	1,518,207
Net assets beginning of year	<u>23,151,339</u>	<u>21,633,132</u>
Net assets end of year	<u>\$ 23,692,429</u>	<u>23,151,339</u>

See notes to financial statements.

Exhibit C

Council Bluffs Airport Authority

Statement of Cash Flows

Years ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Cash received from rent	\$ 188,498	135,791
Cash received from other revenues	25,718	26,152
Cash paid to suppliers for goods and services	(305,266)	(280,641)
Cash paid to employees for services	(237,293)	(215,927)
Net cash used for operating activities	<u>(328,343)</u>	<u>(334,625)</u>
Cash flows from noncapital financing activities:		
Cash received from property tax	\$ 590,541	569,484
Proceeds from bank loan	55,348	170,000
Principal paid on bank loan	(155,348)	(70,000)
Interest paid on bank loan	(1,133)	(3,480)
Net cash provided by noncapital financing activities	<u>489,408</u>	<u>666,004</u>
Cash flows from capital and related financing activities:		
Federal grants received	1,148,625	2,329,561
Received from other governments	248,699	229,888
Sale of capital assets	-	2,432
Acquisition of capital assets	(1,358,002)	(2,836,799)
Principal paid on revenue bonds	(150,000)	(140,000)
Interest paid on revenue bonds	(133,071)	(139,440)
Net cash used for capital and related financing activities	<u>(243,749)</u>	<u>(554,358)</u>
Cash flows from investing activities:		
Interest received	11,266	13,866
Net decrease in cash and cash equivalents	(71,418)	(209,113)
Cash and cash equivalents beginning of year	154,767	363,880
Cash and cash equivalents end of year	<u>\$ 83,349</u>	<u>154,767</u>
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	\$ (1,102,314)	(1,070,812)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation	790,155	738,189
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(2,248)	6,092
(Increase) decrease in prepaid expense	(19,970)	4,476
Increase (decrease) in accounts payable	5,319	(5,773)
Increase (decrease) in payroll taxes payable	(545)	1,453
Increase (decrease) in unearned hangar rent	1,260	(8,250)
Total adjustments	<u>773,971</u>	<u>736,187</u>
Net cash used for operating activities	<u>\$ (328,343)</u>	<u>(334,625)</u>

See notes to financial statements.

Council Bluffs Airport Authority

Notes to Financial Statements

June 30, 2012 and 2011

(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 Airport 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 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 applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

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, Liabilities and Net Assets

The following accounting policies are followed in preparing the Statement of Net Assets.

Cash, Investments 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 set aside in a bond sinking 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 \$1,000 and estimated useful lives in excess of five years.

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	5 - 50
Equipment and vehicles	5 - 10

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, 2012 and 2011.

(2) Cash and Investments

The Authority's deposits in banks at June 30, 2012 and 2011 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; 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, 2012 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	937,620	1,353,056	1,231,579	1,059,097
Total capital assets not being depreciated	3,129,684	1,353,056	1,231,579	3,251,161
Capital assets being depreciated:				
Buildings	6,854,386	11,352	-	6,865,738
Improvements other than buildings	17,964,620	1,231,579	-	19,196,199
Equipment and vehicles	321,305	-	-	321,305
Total capital assets being depreciated	25,140,311	1,242,931	-	26,383,242
Less accumulated depreciation for:				
Buildings	1,258,549	163,526	-	1,422,075
Improvement other than buildings	1,837,676	600,104	-	2,437,780
Equipment and vehicles	186,730	26,525	-	213,255
Total accumulated depreciation	3,282,955	790,155	-	4,073,110
Total capital assets being depreciated, net	21,857,356	452,776	-	22,310,132
Total capital assets, net	\$ 24,987,040	1,805,832	1,231,579	25,561,293
Total depreciation expense				\$ 790,155

Capital assets activity for the year ended June 20, 2011 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	894,837	2,212,675	2,169,892	937,620
Total capital assets not being depreciated	3,086,901	2,212,675	2,169,892	3,129,684
Capital assets being depreciated:				
Buildings	4,683,029	2,173,857	2,500	6,854,386
Improvements other than buildings	17,806,644	157,976	-	17,964,620
Equipment and vehicles	271,055	50,250	-	321,305
Total capital assets being depreciated	22,760,728	2,382,083	2,500	25,140,311
Less accumulated depreciation for:				
Buildings	1,139,673	118,944	68	1,258,549
Improvements other than buildings	1,241,488	596,188	-	1,837,676
Equipment and vehicles	163,673	23,057	-	186,730
Total accumulated depreciation	2,544,834	738,189	68	3,282,955
Total capital assets being depreciated, net	20,215,894	1,643,894	2,432	21,857,356
Total capital assets, net	\$ 23,302,795	3,856,569	2,172,324	24,987,040
Total depreciation expense				\$ 738,189

(4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Revenue bonds	\$ 2,755,000	-	150,000	2,605,000	160,000
Bank loan	100,000	55,348	155,348	-	-
Total	\$ 2,855,000	55,348	305,348	2,605,000	160,000

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Revenue bonds	\$ 2,895,000	-	140,000	2,755,000	150,000
Bank loan	-	170,000	70,000	100,000	100,000
Total	\$ 2,895,000	170,000	210,000	2,855,000	250,000

Revenue Bonds

Two issues of unmatured revenue bonds are outstanding at June 30, 2012 and June 30, 2011. 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 any specified operating expenses, to repay revenue bonds issued in June 2006 with an outstanding balance of \$2,605,000 at June 30, 2012. 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. Annual principal and interest payments on the bonds are expected to require more than 100% of net revenues. The total principal and interest remaining to be paid on the bonds outstanding at June 30, 2012 is \$3,500,243. For the year ended June 30, 2012, principal and interest paid and total customer net expenses were \$283,071 and (\$507,752), respectively.

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.

At June 30, 2012, the Authority had established the required sinking account but did not make the required monthly transfers to the sinking account. In addition, the Authority’s net revenues were less than the required 100% of principal and interest falling due during the year because operating expenses exceed revenues.

Details of revenue bonds payable at June 30, 2012 are as follows:

Issue	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2012
Series 2006A	Jun 1, 2006	4.35-5.05%	June 1, 2017	\$ 105,000-195,000	1,465,000	\$ 815,000
Series 2006B	Jun 1, 2006	4.55-5.00%	June 1, 2024	100,000-275,000	1,790,000	1,790,000
Total						<u>\$ 2,605,000</u>

Details of revenue bonds payable at June 30, 2011 are as follows:

Issue	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2011
Series 2006A	Jun 1, 2006	4.35-5.05%	June 1, 2017	\$ 105,000-195,000	1,465,000	\$ 965,000
Series 2006B	Jun 1, 2006	4.55-5.00%	June 1, 2024	100,000-275,000	1,790,000	1,790,000
Total						<u>\$ 2,755,000</u>

A summary of the annual revenue bond principal and interest requirements to maturity at June 30, 2012 is as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 160,000	126,170	286,170
2014	170,000	118,650	288,650
2015	185,000	110,490	295,490
2016	195,000	101,518	296,518
2017	205,000	91,865	296,865
2018-2022	1,150,000	305,932	1,455,932
2023-2024	540,000	40,618	580,618
Total	<u>\$ 2,605,000</u>	<u>895,243</u>	<u>3,500,243</u>

A summary of the annual revenue bond principal and interest requirements to maturity at June 30, 2011 is as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 150,000	133,070	283,070
2013	160,000	126,170	286,170
2014	170,000	118,650	288,650
2015	185,000	110,490	295,490
2016	195,000	101,518	296,518
2017-2021	1,105,000	358,680	1,463,680
2022-2024	790,000	79,735	869,735
Total	<u>\$ 2,755,000</u>	<u>1,028,313</u>	<u>3,783,313</u>

Bank Loan

On July 29, 2010, 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 was collected. The loan bears interest at 3.5% per annum plus .250% above the U.S. prime rate and matures on July 29, 2011. During the year ended June 30, 2011, the Authority drew down \$170,000 on the loan and repaid \$70,000 of principal, plus interest of \$3,449, leaving a principal balance on the loan of \$100,000 at June 30, 2011. During the year ended June 30, 2012, the Authority drew down \$55,348 on the loan and repaid \$155,348 of principal, plus interest of \$1,133, leaving a zero balance on the loan at June 30, 2012.

(5) Pension and Retirement Benefits

The Authority contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.38% of their annual covered salary and the Authority is required to contribute 8.07% of annual covered payroll. Contribution requirements are established by state statute. The Authority's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$16,152, \$12,680 and \$10,096, respectively, equal to the required contribution for each year.

(6) Due from other Governments

The Authority entered into a memorandum of agreement with Pottawattamie County on February 23, 2004, which was amended on July 9, 2007. Pursuant to the agreement, the County is to pay the Authority for improvements made by the Authority to a County road in the amount of \$1,000,000. Payment is to be made in semi-annual installments on July 1 and December 1 each year, beginning July 1, 2006 and ending on or about December 31, 2015. The County made payments of \$70,000 and \$130,000 for each of the years ended June 30, 2012 and 2011, respectively. On October 14, 2012, the balance due from the County was paid in full. The amount due from the County consists of the following:

	<u>June 30,</u>	
	<u>2012</u>	<u>2011</u>
Current portion	\$ 360,000	100,000
Long-term portion	-	330,000
Discount	(15,173)	(26,228)
Total	<u>\$ 344,827</u>	<u>403,772</u>

(7) Related Party Transactions

The Authority contracts with Advanced Air, Inc. to be the fixed base operator (FBO) at the Authority. The President of Advanced Air, Inc. is the daughter of the Executive Director of the Authority. Payments to Advanced Air, Inc. from the Authority for the years ended June 30, 2012 and 2011 were \$49,088 and \$1,735, respectively.

(8) Risk Management

The Authority is exposed to various risks of loss, including those related to torts; thefts of, damage to, and destruction of assets; errors and omissions; and natural disasters. Significant losses are covered by commercial insurance, the Authority assumes liability for any deductibles and claims in excess of coverage limitations. There have been no significant reductions in insurance coverage or settlement amounts exceeding insurance coverage in any of three fiscal years.

(9) EPA Commitment

On September 13, 2011, the Authority received an Administrative Order, Findings of Violation and Order for Compliance regarding noncompliance with Section 309(a)(3) of the Clean Water Act and 33 U.S.C., paragraph 1319(a)(3), from the United States Environmental Protection Agency (EPA). The violations cited by the EPA pertain to the discharge of stormwater associated with industrial activity (excavation and construction of a 5,500-foot runway) and management of stormwater at the construction site in accordance with the Authority's NPDES permit issued by the Iowa Department of Natural Resources (IDNR). The Administrative Order requires the Authority to take corrective action necessary to correct the deficiencies, eliminate and prevent recurrence of the violations cited in the Order within thirty days of the effective date of the Order. On November 8, 2011, the Authority submitted a plan to the EPA outlining a plan to correct the deficiencies, including a schedule for corrective action. The EPA approved the plan on November 30, 2011.

As of June 30, 2012, the Authority has been notified of the EPA's intent to file an administrative complaint seeking \$177,500 of civil penalties for violation of the Clean Water Act. The Authority has been offered an opportunity to negotiate a resolution of the proposed penalty prior to the EPA's filing of the complaint. The outcome of the negotiation is unknown at this time. Management does not believe the resolution will be material to the financial statements.

Supplementary Information

Council Bluffs Airport Authority

Council Bluffs Airport Authority
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2012

Grantor/ Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Transportation:			
Federal Aviation Division:			
Airport Improvement Program	20.106	3-19-0022-15-2009	\$ 28,215
Airport Improvement Program	20.106	3-19-0022-16-2009	5,797
Airport Improvement Program	20.106	3-19-0022-17-2010	468,311
Airport Improvement Program	20.106	3-19-0022-18-2011	363,607
Total			<u>\$ 865,930</u>

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 the amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor’s report.

Council Bluffs Airport Authority



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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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 the accompanying financial statements of the Council Bluffs Airport Authority as of and for the year ended June 30, 2012 and have issued our report thereon dated December 6, 2012. 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.

Internal Control Over Financial Reporting

The management of the Council Bluffs Airport Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Council Bluffs Airport Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Council Bluffs Airport Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Council Bluffs Airport Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weakness have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting we consider to be a material weakness and other deficiencies we consider to be significant deficiencies.

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. We consider the deficiency in the Council Bluffs Airport Authority's internal control described in the accompanying Schedule of Findings and Questioned Costs as item II-A-12 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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items II-B-12 through II-J-12 to be significant deficiencies.

Compliance and Other Matters

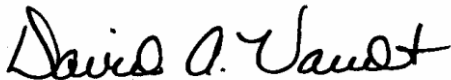
As part of obtaining reasonable assurance about whether the Council Bluffs Airport Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have 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 required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance 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, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Authority. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The Council Bluffs Airport Authority's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the Authority's responses, we did not audit the Council Bluffs Airport Authority's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and customers of the Council Bluffs Airport Authority and other parties to whom the Authority may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 6, 2012



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control over Compliance in Accordance
with OMB Circular A-133

To the Members of the Council Bluffs
Airport Authority:

Compliance

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 the Council Bluffs Airport Authority's major federal program for the year ended June 30, 2012. The Council Bluffs Airport Authority's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the Council Bluffs Airport Authority's management. Our responsibility is to express an opinion on the Council Bluffs Airport Authority's compliance based on our audit.

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 Council Bluffs Airport 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. Our audit does not provide a legal determination on the Council Bluffs Airport Authority's compliance with those requirements.

In our opinion, the Council Bluffs Airport Authority complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

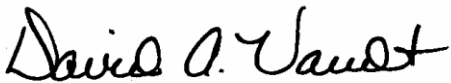
Internal Control Over Compliance

The management of the Council Bluffs Airport Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the Council Bluffs Airport Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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.

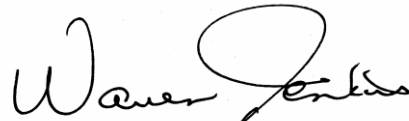
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance 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 officials, employees and customers of the Council Bluffs Airport Authority and other parties to whom the Council Bluffs Airport Authority may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 6, 2012

Council Bluffs Airport Authority

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

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

- (a) An unqualified opinion was issued on the financial statements.
- (b) Significant deficiencies and a material weakness in internal control over financial reporting were 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 unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which are required to be reported 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.

Council Bluffs Airport Authority

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-12 Segregation of Duties – One important aspect of internal accounting control is the segregation of duties among individuals to prevent a single individual from handling duties which are incompatible. For the Authority, one individual approves expenses and signs checks. In addition the individual handling and recording cash also performs the bank reconciliation. While the bank reconciliation is reviewed by the Authority Treasurer, the review is not documented.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Authority should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including appointed officials.

Response – The Authority is limited on office personnel, with only the Executive Director and the Administrative Assistant employed. In the current fiscal year, internal controls for cash handling and monthly bank reconciliation are as follows:

- The Administrative Assistant handles cash, records payments in the accounting software and performs the bank reconciliation monthly.
- The Executive Director approves all disbursements, signs checks, reviews and approves the bank reconciliation once completed.
- The Executive Director reviews the aged receivables report weekly, verifying that payments have been posted to the customer accounts.
- Bank reconciliations are given to each Board member monthly and they are reviewed at each Board meeting by all members.
- The Board Secretary-Treasurer reviews and approves all transactions and the reconciliation monthly and discusses her findings with the Board.

The Authority feels that this is the maximum internal control possible under the circumstances.

Conclusion – Response acknowledged. The Authority should utilize appointed officials to review expenses monthly. Bank reconciliation reviews performed by the Authority Treasurer should be evidenced with the Treasurer's signature or initials and the date of review.

II-B-12 Receipts – An independent person does not open the mail and prepare an initial listing of collections.

Recommendation – To provide control over the proper collection and recording of all receipts, an independent person should open the mail and prepare an initial listing of receipts. This listing should periodically be reconciled to the general ledger and to deposits by an independent person.

Council Bluffs Airport Authority

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Response – The Authority is limited on office personnel, with only the Executive Director and the Administrative Assistant employed. There is not an independent person available to open the mail nor an affordable solution at this time. The Board fully understands the issue of control and believes the Authority has oversight.

Conclusion - Response acknowledged. The Authority should utilize appointed officials to periodically open mail and test mail receipts.

- II-C-12 Reconciliation of Billings, Collections and Delinquent Accounts – Documentation to support reconciliation of hangar rent billings, collections and delinquent accounts were not provided during our audit.

Recommendation – Procedures should be established to reconcile hangar rent billings, collections and delinquent accounts monthly. The Authority should review the reconciliations and monitor delinquencies.

Response – In the current fiscal year, the Administrative Assistant does collections on a weekly/monthly basis. An aged receivable list is ran and reviewed weekly for problem accounts noting if action is being taken or needed. Copies of reminder demand letters and certified information are kept in the individual hangar lease customer files along with noting the individual invoice under the “notes” section in PeachTree accounting software. Hangar rents are reconciled on a monthly basis.

Conclusion – Response accepted.

- II-D-12 Disbursements – Policies do not prohibit blank checks from being signed in advance. Purchases are not always authorized or approved for payment and do not always document the purpose for the expenditures in enough detail to allow a reviewer to ascertain the public benefit derived from the expenditures.

Recommendation – Checks should only be signed when the completed check and appropriate supporting documentation are available for review. Prior to signing, the checks and supporting documentation should be reviewed for propriety and approved for payment.

Response – The Authority Executive Director does not sign “blank checks” and purchases are always authorized with prior approval. While the exact dollar amount may not be determined (RE: going to Hy-Vee to purchase lunch for the Board meeting) in advance, the purchase is known and agreed upon. Prior to purchase the check is typed and filled in with the vendor along with the date and reason for purchase. The purchase takes place that same day. Upon return, a receipt is provided and the Executive Director signs off approving the purchase. The check stub is then entered into PeachTree accounting software noting the vendor, date and payment amount. This prevents skipped check numbers in the accounting sequence.

Conclusion - Response acknowledged. The purpose for expenditures should be sufficiently documented.

Council Bluffs Airport Authority

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

II-E-12 Computer Systems – During our review of internal control, the existing control activities in the Authority’s computer systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following weaknesses in the Authority’s computer systems were noted:

The Authority does not have written policies for:

- Requiring staff to log off unattended computers.
- Requiring unique user names and passwords for all personnel.
- Requiring the maintenance of password privacy and confidentiality.
- Requiring passwords be changed at least every 60-90 days.
- Requiring password length of a minimum of 8 characters, including special characters.
- Requiring a lockout function for incorrectly entered passwords.

Also, the Authority does not have a written disaster recovery plan, internet usage policy and record retention policy.

Recommendation – The Authority should develop written policies addressing the above items in order to improve the Authority’s control over its computer systems. A written disaster recovery plan should be developed. At a minimum, the plan should identify computer equipment needed for temporary processing and paper supplies, such as checks, warrants, purchase orders, etc., which should be located off-site. Additionally, copies of user documentation and the disaster plan itself should be maintained at an off-site location.

Response – The Authority does have an office policies and procedures manual. Within this manual, on page 2, you will find a “Computer and Network Use” policy. The policy covers the following: require staff to log off unattended computers, unique user names and passwords for all personnel, maintenance of passwords privacy and confidentiality, passwords to be changed at least every 90 days. On page 11 in the same manual you will find the Authority’s “Disaster Recovery Plan” covering aircraft crash, fuel fire, fuel or chemical spill and tornado. We do have a nightly and quarterly procedure for system backup. The hard drive back up is performed off site by Administrator and stored on the Authority’s site server on a nightly basis. The accounting software is backed up in 3 month intervals during every fiscal billing. The Authority will add/adopt a written electronic data processing policy to include the following:

- Password length of a minimum of 8 characters, including special characters

Council Bluffs Airport Authority

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

- Lockout function for incorrectly entered passwords
- Internet usage
- Record retention

Conclusion - Response accepted. The computer and network use and disaster recovery plan policies were adopted on June 20, 2012.

II-F-12 Accounting Policies and Procedures Manual – The Authority does not have an accounting policies and procedures manual.

Recommendation – An accounting policies and procedures manual should be developed to provide the following benefits:

- (1) Aid in training additional or replacement personal.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.

Response – The Authority now has an accounting policy and procedures manual. The manual was reviewed and approved by the Board at the June 20, 2012 Board meeting and also noted in the meeting minutes.

Conclusion – Response acknowledged. The “Office Policies and Procedures Manual” adopted on June 20, 2012 does not address accounting policies and procedures. An accounting policies and procedures manual should be developed.

II-G-12 Capital Assets – The Authority has not established a formal written capital asset policy establishing capitalization criteria and thresholds and asset useful lives. A physical inventory of capital assets is not performed periodically by an employee having no responsibility for maintaining the capital asset records.

Recommendation – The Authority should develop written capital asset policies establishing capitalization criteria and thresholds and asset useful lives and requiring periodic inspection of capital assets (reconciled to capital asset listings) by an employee having no responsibility for maintaining the capital asset records.

Response – The Authority now has an office policies and procedures manual. Within this manual on page 6 through 9, a “Capital Asset Policy” is in place noting the criteria, thresholds and useful life. The Authority performs a physical inventory of all assets annually. This information is gathered by an outside employee (maintenance personnel) and reported to an independent CPA firm where adjustments are made keeping an updated current asset list.

Conclusion – Response accepted. The capital assets policy was adopted on June 20, 2012.

Council Bluffs Airport Authority

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

II-H-12 Salary and Wage Approvals – While the Authority annually approves percentage wage increases for Authority staff and records the increases in the minutes record, the minutes do not reflect the actual salary and/or hourly rate of pay for each employee.

Recommendation – To ensure employees are paid the salary and/or hourly rate intended and approved by the Authority, the minutes record should reflect the total approved salary and/or hourly rate for each employee, not just the percentage increase.

Response – For future pay increases, the Authority will note the salary and wage approvals along with the exact actual salary and hourly rate of each employee. This will also be reflected in the Board meeting minutes.

Conclusion – Response accepted.

II-I-12 Credit Cards – The Authority provides a credit card to the Executive Director for use while on Authority business. The Authority has not adopted a formal policy to regulate the use of the credit card and to establish procedures for the proper accounting of credit card charges.

Recommendation – The Authority should adopt a formal written policy regulating the use of the Authority’s credit card. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response – The Authority now has an office policies and procedures manual. Within this manual, on page 5, a “Credit Card Policy” is in place. The policy notes who the card is for, who is authorized to use the card, what required documentation is needed, including detailing the goods and services purchased, cost of goods or services, the date of the purchase and the official business for which it was purchased.

Conclusion – Response accepted. The credit card policy was adopted on June 20, 2012.

II-J-12 Fuel Inventory – The Authority maintains an inventory of unleaded and diesel fuel for Authority owned vehicles which provide maintenance and security to the airport. For 9 of 12 months, fuel and mileage logs were not maintained for each Authority vehicle and completed each time a vehicle was fueled.

Recommendation – The Authority should develop policies and procedures to require complete and accurate fuel and mileage logs be maintained for all Authority vehicles. Policies should also require the logs be reviewed periodically to ensure fuel is used only for Authority vehicles and recorded use is periodically reconciled to purchases and amounts on hand.

Council Bluffs Airport Authority

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Response – The Authority currently utilizes a fuel log recording all uses of fuel, including fuel drops and fuel uses for which vehicles. In addition, outside fuel receipts are turned in weekly noting which vehicle the fuel was used for and current mileage on the unit. At the time of review for fiscal year 2012, the stick fuel reader was down and manual recording had taken place for several weeks. This has since been fixed, system readings and functions are normal.

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 DEFICIENCY:

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

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-12 Questionable Expenses – Certain expenses we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These expenses are detailed as follows:

Paid To	Purpose	Amount
Jeannie Aldredge	Beer, wine for open house	\$ 32
Hy-Vee	Food, pop, coffee for breakroom and Board meetings, net of \$433	
	Board member reimbursements	877
Famous Dave's	Lunch for business consultant	26

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

Council Bluffs Airport Authority

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Recommendation – The Authority should establish a policy prohibiting the purchase of alcoholic beverages. The Authority should determine and document the public purpose served by the remaining expenditures before authorizing any further payments. If this practice is continued, the Authority should establish written policies and procedures, including the requirement for proper documentation.

Response – The serving of lunch at Board meetings seems to be questioned for public purpose. It is the idea of the Authority that lunch is provided to boost morale and the attendance of Board members is more convenient over the lunch hour as they have before and after prior engagements. In addition, each member or liaison is charged a lunch fee of \$6 dollars per meal to cover the lunch expense. On occasion, additional purchases at Hy-Vee may occur on a monthly basis as noted in this questionable expense. For example, the purchase of coffee. Coffee is provided for all customers and pilots visiting the airport. The Authority feels that it is good customer service for greeting and morale of visitors. On page 3 of the “Office Policies and Procedures Manual” the Entertainment Policy states “The purchase of alcohol by the CBAA is strictly forbidden for any purpose whatsoever”.

Conclusion – Response acknowledged. The Authority should determine and document the public purpose served prior to authorizing payments for food for the break room and Board meetings and other expenses which may be questionable as to public purpose.

IV-B-12 Travel Expenses – No expenditures of Authority money for travel expenses of spouses of Authority officials or employees were noted.

IV-C-12 Authority Minutes – Except as noted in II-H-12 above, no transactions were found that we believe should have been approved in the Authority minutes but were not.

IV-D-12 Business Transactions – No transactions between the Authority and Authority officials and employees were noted.

IV-E-12 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.

IV-F-12 Revenue Bonds – The Authority’s revenue bond resolutions, Section 17(b), require the Authority establish a sinking account for the payment of principal and interest on the revenue bonds. Monthly transfers into the sinking account are required, sufficient to pay the full installment of principal and interest coming due on the next interest and/or interest and principal date. While the Authority has established the required sinking account, monthly transfers were not made to the account during the fiscal year, as required. In addition, the Authority’s revenue bond resolutions, Section 19(b), require the Authority establish, impose, adjust and provide for the collection of rates to be charged by the Authority that produce net operating revenues equal to at least 100% of the principal and interest coming due in each fiscal year. The Authority’s fiscal year 2012 net

Council Bluffs Airport Authority

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

operating expenses (expenses exceeding revenues) of \$(507,752) were less than 100% of the \$283,071 revenue bond principal and interest due during fiscal year 2012.

Recommendation – The Authority should make monthly transfers to the sinking account as required. The Authority should consult bond counsel to determine the disposition of the net revenue violation.

Response – While the Authority did not make monthly transfers into the bond sinking account, past bond payments have been available and made promptly when due. The Authority will deposit adequate funds semi-annually into the bond sinking fund to cover all bond payments in a timely manner.

Conclusion – Response acknowledged. The Authority should make monthly transfers to the sinking account and should consult bond counsel to determine the disposition of the net revenue violation.

IV-G-12 Authority Provided Vehicle – The Authority provides a vehicle to the Executive Director for business use. Pursuant to the Internal Revenue Service (IRS) Fringe Benefit Guide, Publication 15-B, personal vehicle use is defined as “Commuting between residence and work station, and vacation, weekend use, or use by spouse or dependents”. Also in accordance with the IRS Fringe Benefit Guide, personal use of employer provided vehicles is a taxable benefit to the employee. If the employee provides records to substantiate the personal versus business use of the vehicle, only the personal use is taxable. However, in the absence of records substantiating use, the value of all use of the vehicle represents wages to the employee.

The Authority does not have a policy governing the allowable use of the Authority provided vehicle. In addition, for the first six months of fiscal year 2012, the Authority did not require personal versus business use to be substantiated and the value of the use of the Authority provided vehicle was not included in the Executive Director’s taxable wages subject to applicable state and federal tax withholding, as required.

For the last six months of fiscal year 2012, the Authority deducted 55 cents for every mile that was recorded as personal use from the Director’s salary. However, the Authority did not include commuting between residence and work station as personal miles and, beginning January 1, 2012, the standard IRS mileage rate was 55.5 cents per mile. There is no independent review of the Executive Director’s mileage log.

We reviewed the Executive Director’s mileage log for the month of May 2012 and noted 14.9 miles reported as personal use, calculating to that month’s payroll deduction of \$8.20 (14.9 miles x 55 cents/mile). However, after adding commuting miles and using the correct rate of 55.5 cents per mile, it was determined there were 350 miles of personal use for the month of May, amounting to what should have been a \$194 wage deduction.

Council Bluffs Airport Authority

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Recommendation – The Authority should comply with IRS guidelines when determining personal use miles (i.e., include commuting miles) and should use the proper IRS mileage rate in calculating wage deductions for the Director’s personal use of the Authority vehicle. An independent review of the Director’s mileage log should be performed, including periodically tracing log mileage to the vehicle’s actual mileage. In accordance with an Attorney General’s opinion dated May 13, 1993, personal use should be limited and incidental to the business purposes for which the vehicle is provided.

Response – The Authority now has a written vehicle usage policy on page 4 of the “Office Policies and Procedures Manual”. As per the policy, commuting mileage is not considered personal use as the Director is expected to be available on call 24 hours a day by the FAA and the airport. The policy will be amended to include a reimbursement amount for any personal use of said vehicle by any personnel at the airport.

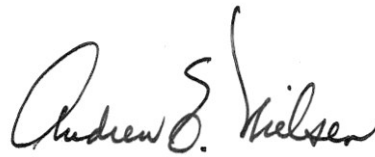
Conclusion – Response acknowledged. The IRS Fringe Benefit Guide, Publication 15-B, defines personal vehicle use as including “commuting between residence and work station” and includes no exceptions to this definition for an employee who is “on call” and/or required by the employer to use an employer owned vehicle for commuting. Accordingly, in accordance with IRS prescribed rules, commuting miles should be part of the calculation of the monthly wage deduction for the Director’s personal use of the Authority owned vehicle.

Council Bluffs Airport Authority

Staff

This audit was performed by:

Marlys Gaston, CPA, Manager
Tiffany M. Ainger, Senior Auditor
Russell G. Jordan, CPA, Staff Auditor
Philip A. Rethwisch, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State