



**Yuma County Airport Authority, Inc.**

**Basic Financial Statements**

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**Year Ended September 30, 2014**

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**Independent Auditor's Report**

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To the Board of Directors  
Yuma County Airport Authority, Inc.

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and each major fund of Yuma County Airport Authority, Inc. (the Authority) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and each major fund of the Authority, as of September 30, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As discussed in Note 1 to the financial statements, in 2014 the Authority adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## **Other Matters – Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2015, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Authority's internal control over financial reporting and compliance.

*Walker & Armstrong LLP*

Phoenix, Arizona  
February 5, 2015

**YUMA COUNTY AIRPORT AUTHORITY, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year ended September 30, 2014**

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As management of the Yuma County Airport Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities for the year ended September 30, 2014. We encourage readers to consider the information presented here in conjunction with the following financial statements, which begin on page 8.

**FINANCIAL HIGHLIGHTS**

- The assets of the Authority exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$44,518,465 (net position).
- The Authority's cash balance at September 30, 2014 was \$460,493 representing an increase of \$93,012 from September 30, 2013.
- The Authority had intergovernmental revenues of \$3,805,021, operating revenues (charges for services) of \$3,731,030 and operating expenses of the enterprise fund totaling \$5,166,886 for the year ended September 30, 2014.
- The Authority's capital outlays for the year ended September 30, 2014 totaled \$4,217,285 which includes costs of \$3,968,605 in construction in progress.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise two components: 1) fund financial statements, and 2) notes to the financial statements.

**Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority operates using only enterprise funds and has no governmental fund reporting activities.

The *fund financial statements* focus on individual parts of the government and reporting the Authority's operations. Fund financial statements include the following funds:

- Enterprise funds which are used to account for the Authority's business-type activities.

**YUMA COUNTY AIRPORT AUTHORITY, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year ended September 30, 2014**

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**OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED**

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 11 through 20 of this report.

**FUND FINANCIAL ANALYSIS**

The following is a discussion of the Authority's completed and capitalized projects and significant changes in operations from the prior year.

Significant capital outlays included in construction in progress for the year included:

1. **Terminal Apron Rehabilitation.** Capital outlays of \$247,515 were expended on the design and construction of this project. This project consisted of repairs to the commercial aviation aircraft parking ramp adjacent to the passenger terminal building. Funding was provided by the ADOT with an airport capital improvement grant as well as the Passenger Facility Charge system. These improvements were completed at a total cost of \$254,794.
2. **AIC Building.** Capital outlays of \$67,851 were expended on the design and construction of a 32,000 square foot multi-tenant hangar building. This project was funded by the US Economic Development Authority and a construction loan. The project was completed in October of 2013 at a total cost of \$5,228,428.
3. **DCC Apron Phase II.** Capital outlays of \$3,653,239 were expended on the design and construction of this project which resulted in the expansion of the heavy aircraft parking ramp in the Defense Contractors Complex. This project was funded by an FAA airport improvement project grant, the ADOT and the Passenger Facility Charge system. The project was completed in December of 2014 at a total cost of \$3,968,920.
4. **Terminal Phone/Paging System.** Capital outlays of \$167,543 were expended in equipment and furniture which were mostly comprised of a new airport phone and paging communication system. The project was started and completed during 2014.

Capital grants and contributions of \$3,805,021 which are reported as intergovernmental revenue decreased by \$1,847,711 as compared to the fiscal year ended September 30, 2013.

**YUMA COUNTY AIRPORT AUTHORITY, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year ended September 30, 2014**

**FUND FINANCIAL ANALYSIS – CONTINUED**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$44,518,465 at the close of the most recent fiscal year.

By far the largest portion of the Authority's net position reflects its investment in capital assets (e.g., land, construction in progress, improvements, buildings, furniture, fixtures, and equipment). The Authority uses these capital assets to provide the means to create and maintain facilities necessary to support the continued growth of civil aviation in Yuma, Arizona; consequently, these assets are not available for future spending. The unrestricted net position of the Authority is available for future use to provide services.

The following is a summary analysis of the net position and changes in net position of the Authority:

<b>Net Position</b>		
<b>September 30, 2014 and 2013</b>		
	<b>2014</b>	<b>2013</b>
<b>Assets:</b>		
Current and other assets	\$ 1,195,826	\$ 1,080,039
Capital assets	61,862,024	59,847,808
<b>Total assets</b>	63,057,850	60,927,847
<b>Liabilities:</b>		
Current	927,099	1,087,689
Non-current	5,929,856	5,776,130
<b>Total liabilities</b>	6,856,955	6,863,819
<b>Deferred inflows of resources</b>		
Unearned revenue	619,188	928,782
Service concession arrangements	11,063,242	11,491,389
<b>Total deferred inflows of resources</b>	11,682,430	12,420,171
<b>Net position:</b>		
Net investment in capital assets	44,545,388	42,432,453
Unrestricted (deficit)	( 26,923)	( 788,596)
<b>Total net position</b>	\$ 44,518,465	\$ 41,643,857

**YUMA COUNTY AIRPORT AUTHORITY, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year ended September 30, 2014**

**FUND FINANCIAL ANALYSIS – CONTINUED**

<b>Changes in Net Position</b>		
<b>Years ended September 30, 2014 and 2013</b>		
	<b>2014</b>	<b>2013</b>
<b>Program revenues:</b>		
Charges for services	\$ 3,731,030	\$ 3,584,699
Intergovernmental	3,805,021	5,652,732
<b>General revenues:</b>		
Passenger facility charges	304,180	292,327
Interest income	228	659
Service concessions	428,148	428,148
Total revenues	8,268,607	9,958,565
<b>Expenses:</b>		
Airport operations	5,166,886	5,335,881
Interest expense	227,113	220,758
Total expenses	5,393,999	5,556,639
Change in net position	2,874,608	4,401,926
Net position, beginning of year, as restated	41,643,857	37,241,931
Net position, end of year	\$ 44,518,465	\$ 41,643,857

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

As of September 30, 2014 the Authority's investment in capital assets was \$44,545,388 (net of accumulated depreciation and related debt). This investment in capital assets includes land, construction in progress, buildings, improvements, furniture, fixtures and equipment.

Major capital asset additions included the completion of the AIC multi-tenant commercial hangar facility, providing state of the art aircraft storage and maintenance facility and the badly needed repairs and rehabilitation of the commercial airline aircraft parking ramp. Additionally, the Authority invested over \$3.6M in the expansion of a concrete aircraft parking apron in the Defense Contractor Complex providing an additional 800 feet of space capable of parking the world's largest aircraft.



**YUMA COUNTY AIRPORT AUTHORITY, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year ended September 30, 2014**

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**CAPITAL ASSET AND DEBT ADMINISTRATION – Continued**

**Capital Assets – Continued**

- There was \$167,543 in capital expenditures for the purchase of equipment and furniture for the Authority's operations.
- The Authority did acquire additional vehicles during the year including an additional pickup for use by the Operations department and a double knuckle bucket truck for the Maintenance department.
- There were no significant capital expenditures for the purchase of land.

Additional information on the Authority's capital assets can be found in Note 4 on pages 15 and 16 of this report.

**Debt**

***Line of Credit***

The Authority has a revolving line of credit. The detail of this debt is discussed in Note 5 on page 16 of this report.

***Long-Term Debt***

The Authority has three notes payable. The detail of these notes is discussed in Note 7 on pages 17 and 18 of this report.

**CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, 2191 E. 32<sup>nd</sup> Street, Suite 218, Yuma, AZ85365 or call (928) 726-5882.

**Yuma County Airport Authority**  
**Statement of Net Position - Enterprise Fund**  
**September 30, 2014**

**Assets**

***Current assets:***

Cash and cash equivalents	\$	460,493
Accounts receivable, net		57,942
Intergovernmental receivables		316,972
Prepaid items		84,635
Deposits		6,924
Total current assets		926,966

***Noncurrent assets:***

Restricted cash		268,860
Capital assets:		
Capital assets, not being depreciated		10,623,901
Capital assets, being depreciated, net		51,238,123
Total noncurrent assets		62,130,884
Total assets		63,057,850

**Liabilities**

***Current liabilities:***

Accounts payable		290,502
Line of credit		103,278
Accrued expenses		220,676
Refundable deposits		92,384
Current portion of long-term liabilities		220,259
Total current liabilities		927,099

***Noncurrent liabilities:***

Noncurrent portion of long-term liabilities		5,929,856
Total noncurrent liabilities		5,929,856
Total liabilities		6,856,955

**Deferred Inflows of Resources**

Unearned revenue		619,188
Service concession arrangements		11,063,242
Total deferred inflows of resources		11,682,430

**Net Position**

Net investment in capital assets		44,545,388
Unrestricted (deficit)		(26,923)
Total net position		\$ 44,518,465

The accompanying notes are an integral part of these financial statements.

**Yuma County Airport Authority**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Enterprise Fund**  
**Year ended September 30, 2014**

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<b>Operating Revenues:</b>	
Aeronautical	\$ 2,276,341
Non-aeronautical	1,454,689
Total operating revenues	3,731,030
<b>Operating Expenses:</b>	
Personnel expenses	1,688,017
Operating expenses	1,261,285
Depreciation	2,203,070
Amortization	14,514
Total operating expenses	5,166,886
Operating loss	(1,435,856)
<b>Nonoperating Revenues (Expenses):</b>	
Interest income	228
Service concessions revenue	428,148
Intergovernmental	3,805,021
Passenger facility charges	304,180
Interest expense	(227,113)
Total nonoperating revenues (expenses)	4,310,464
Changes in net position	2,874,608
Total net position - beginning of year	41,643,857
Total net position - end of year	\$ 44,518,465

The accompanying notes are an integral part of these financial statements.

**Yuma County Airport Authority**  
**Statement of Cash Flows - Enterprise Fund**  
**Year ended September 30, 2014**

<b>Cash flows from operating activities:</b>	
Receipts from customers and users	\$ 3,407,127
Payments to suppliers	(1,620,013)
Payments to employees	(1,688,017)
Net cash provided by operating activities	99,097
<b>Cash flows from capital and related financing activities:</b>	
Acquisition and construction of capital assets	(4,217,284)
Receipts of passenger facilities charges	304,180
Capital grants received	3,814,894
Increase in restricted assets	(10,419)
Acquisition of debt	1,701,835
Principal paid on debt	(1,372,406)
Interest paid on debt	(227,113)
Net cash used for capital and related financing activities	(6,313)
<b>Cash flows from investing activities:</b>	
Interest and dividends	228
Net increase in cash and cash equivalents	93,012
Cash and cash equivalents, beginning of year	367,481
Cash and cash equivalents, end of year	\$ 460,493
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>	
Operating loss	\$ (1,435,856)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	2,203,070
Amortization of unearned revenue	(309,594)
Changes in assets and liabilities:	
Increase in accounts receivable	(21,637)
Increase in prepaid items	(592)
Decrease in accounts payable	(374,114)
Increase in accrued expenses	30,493
Increase in refundable deposits	7,327
Net cash provided by operating activities	\$ 99,097

The accompanying notes are an integral part of these financial statements.

**Yuma County Airport Authority, Inc.**  
**Notes to Financial Statements**  
**September 30, 2014**

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**Note 1 – Summary of Significant Accounting Policies**

The accounting policies of Yuma County Airport Authority conform to generally accepted accounting principles applicable to governmental entities adopted by the Governmental Accounting Standards Board (GASB).

For the year ended September 30, 2014, the Authority implemented the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 reclassifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources and recognizes certain other items that were previously reported as assets and liabilities as revenues or expenses.

**A. Reporting Entity**

Yuma County Airport Authority, Inc. is a validly organized and existing body politic incorporated in the State of Arizona. Yuma County Airport Authority, Inc. (the Authority) was formed to operate the Yuma International Airport located in Yuma, Arizona under a lease authorized by Arizona Revised Statute Section 28-8411, *et seq*, which provides for tax exempt status of the Authority. Accordingly, no provision is made for Federal or Arizona income taxes.

The Authority has no governmental funds. All of the Authority's activities are reported in one enterprise fund related to Airport operations.

**B. Fund Financial Statements**

The fund financial statements provide information about the Authority's only fund which is an enterprise fund reported as a proprietary fund type. As such, no separate government-wide financial statement is required.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The financial statements are reported using 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.

Fees and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

## Notes to Financial Statements – Continued

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### **Note 1 – Summary of Significant Accounting Policies – Continued**

Under the terms of grant agreements, the Authority funds certain programs by a combination of grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. The Authority applies grant resources to such programs before using general revenues.

Enterprise funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund are charges to customers for sales and service. Operating expenses of the Authority's enterprise fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

#### **D. Assets, Liabilities and Net Position**

##### **1. Deposits and Investments**

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

*Concentration of credit risk* - the Authority's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and trade accounts receivable. The Authority places its cash with high credit worthy institutions. At times such cash may be in excess of the FDIC insurance limit. All amounts in excess of FDIC coverage are fully collateralized in accordance with State Law. The Authority routinely assesses the financial strength of its customers and, as a consequence, believes that its trade accounts receivable credit risk exposure is limited.

##### **2. Receivables and Payables**

All trade receivables are shown net of an allowance for uncollectibles.

Federal and state grants and contracts are recorded as intergovernmental receivables and revenues when the related expenditures are incurred. That portion of reimbursement in excess of expenditures is offset in the unearned revenue account.

## Notes to Financial Statements – Continued

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### Note 1 – Summary of Significant Accounting Policies – Continued

#### 3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

#### 4. Capital Assets

Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects as constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of assets constructed.

Property and equipment are depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	5 to 50 years
Furniture, fixtures and equipment	3 to 50 years
Vehicles	5 to 7 years

#### 5. Compensated Absences

It is the Authority's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Upon termination of employment, all unused vacation and sick leave benefits are paid to employees with more than six months length of employment. Accordingly, vacation and sick leave benefits are accrued as a liability in the financial statements.

#### 6. Unearned Revenue

Unearned revenue represents the unamortized balance in remodel costs of the terminal building incurred by the Authority that were reimbursed in 2011 by the lessee. The Authority is amortizing the unearned revenue over the 5 year life of the building lease.

## Notes to Financial Statements – Continued

### Note 1 – Summary of Significant Accounting Policies – Continued

#### 7. Estimates

The preparation of the basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position, the disclosure of contingent assets and liabilities at the date of the basic financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Note 2 – Cash and Investments

At September 30, 2014, the Authority's cash consisted of the following:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash on hand	\$ 200	\$ -	\$ 200
Cash in bank	460,293	268,860	729,153
Total	<u>\$ 460,493</u>	<u>\$ 268,860</u>	<u>\$ 729,353</u>

At September 30, 2014, the carrying amount of the Authority's total cash in bank was \$729,153 and the bank balance was \$921,326. Of the bank balance, \$250,000 was covered by federal depository insurance and \$671,326 was covered by collateral held by the pledging institution's trust department.

#### Restricted Cash

The restricted cash at September 30, 2014 was held in a demand deposit bank account. This account represents passenger facility charges that have been collected by the Authority. These funds are restricted in that they can only be used for projects authorized by the Federal Aviation Administration.

### Note 3 – Receivables

Accounts receivable consisted of the following at September 30, 2014:

Accounts receivable	\$ 58,442
Less allowance for uncollectibles	( 500)
Net total receivables	<u>\$ 57,942</u>



## Notes to Financial Statements – Continued

### Note 3 – Receivables – Continued

Intergovernmental receivables consisted of the following at September 30, 2014:

Federal Aviation Administration	\$	163,287
Arizona Department of Transportation		114,764
U.S. Department of Homeland Security		38,921
		316,972
Total intergovernmental receivables	\$	316,972

### Note 4 – Capital Assets

Capital asset activity for the year ended September 30, 2014 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b><i>Capital assets, not being depreciated:</i></b>				
Land and easements	\$ 6,485,651	\$ -	\$ -	\$ 6,485,651
Construction in progress	5,652,867	3,968,605	( 5,483,222)	4,138,250
Total capital assets, not being depreciated	12,138,518	3,968,605	( 5,483,222)	10,623,901
<b><i>Capital assets, being depreciated:</i></b>				
Buildings and improvements	64,459,787	5,527,359	-	69,987,146
Furniture, fixtures and equipment	1,735,588	167,543	-	1,903,131
Vehicles	397,029	37,000	-	434,029
Total capital assets, being depreciated	66,592,404	5,731,902	-	72,324,306
<b><i>Less accumulated depreciation for:</i></b>				
Buildings and improvements	( 17,547,732)	( 2,025,668)	-	( 19,573,400)
Furniture, fixtures and equipment	( 1,009,290)	( 153,377)	-	( 1,162,666)
Vehicles	( 326,092)	( 24,024)	-	( 350,117)
Total accumulated depreciation	( 18,883,114)	( 2,203,069)	-	( 21,086,183)
Total capital assets, being depreciated, net	47,709,290	3,528,833	-	51,238,123
Business-type activities capital assets, net	\$ 59,847,808	\$ 7,497,438	\$(5,483,222)	\$ 61,862,024

**Notes to Financial Statements – Continued**

**Note 4 – Capital Assets – Continued**

Depreciation expense of \$2,203,069 was charged to the airport operation enterprise fund.

**Construction in Progress**

The activity for the Authority’s projects in progress for the year ended September 30, 2014 follows:

<b>Project</b>	<b>Balance, October 1, 2013</b>	<b>Additions</b>	<b>Completed Projects</b>	<b>Balance, September 30, 2014</b>
Land Acquisition	\$ 38,750	\$ -	\$ -	\$ 38,750
Taxiway Y Phase I	255,701	-	-	255,701
DCC Apron Phase II	190,560	3,653,239	-	3,843,799
AIC Building	5,160,578	67,851	(5,228,429)	-
Terminal Apron Rehabilitation	7,278	247,515	( 254,793)	-
<b>Total</b>	<b>\$ 5,652,867</b>	<b>\$ 3,968,605</b>	<b>\$ (5,483,222)</b>	<b>\$ 4,138,250</b>

**Note 5 - Line of Credit**

The Authority has a \$1,000,000 revolving line of credit available through June 21, 2038 with a variable interest rate (4.25% at September 30, 2014) with no floor or ceiling. The line of credit is to be used to provide funds to pay contractors on construction draws prior to the Authority receiving grant payments from the Aeronautical Division of the Arizona Department of Transportation (ADOT). The line of credit has monthly interest payments with outstanding principal payable upon receipt of grant funding from ADOT, not to exceed 6 months from the date of the applicable draw. Activity for the line of credit for the year ended September 30, 2014, was as follows:

	<b>Balance October 1, 2013</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance September 30, 2014</b>	<b>Due Within One Year</b>
Line of credit	\$ -	\$ 1,311,650	\$ 1,208,372	\$ 103,278	\$ 103,278

## Notes to Financial Statements – Continued

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### Note 6 – Service Concession Arrangements

The Authority has entered into lease agreements with five tenants under which these tenants have constructed or improved buildings and operate and collect user fees from their customers. These agreements have land leases ranging from 15 to 40 years. The tenants are required to operate and maintain their facilities in accordance with the land leases. As of September 30, 2014, the Authority reports the assets constructed or improved as capital assets which have a carrying value of \$11,754,914 and reports deferred inflow of resources in the amount of \$11,063,242 pursuant to the service concession arrangements.

### Note 7 – Long-Term Debt

Long-term debt of the Authority at September 30, 2014, consists of:

Note Payable to 1 <sup>st</sup> Bank Yuma, with monthly payments of \$13,364 including interest at 2.84% as of September 30, 2014. The interest rate is adjusted every five years. The note has a no negative amortization clause and matures on July 21, 2038. The Authority has pledged general airport revenues, as collateral for the note.	\$ 2,987,470
Note Payable to 1 <sup>st</sup> Bank Yuma, with monthly payments of \$12,517 including interest at prime plus 1% (4.25% at September 30, 2014) with no floor or ceiling. The note has a no negative amortization clause and matures on June 21, 2038. The Authority has pledged general airport revenues, as collateral for the note.	1,764,068
Note Payable to 1 <sup>st</sup> Bank Yuma for \$2,000,000 with interest only payments on the outstanding balance at a variable interest of prime plus 1.65% (4.9% September 30, 2014) with no floor or ceiling. Monthly principal and interest payments of \$10,701; maturing in December 2043. The Authority has pledged general airport revenues, as collateral for the note.	<u>1,398,577</u>
	<u>\$ 6,150,115</u>

**Notes to Financial Statements – Continued**

**Note 7 – Long-Term Debt - Continued**

Debt service requirements (at current interest rates) at September 30, 2014 are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 220,259	\$ 224,489	\$ 444,748
2016	224,100	215,841	439,941
2017	233,113	206,828	439,941
2018	242,506	197,435	439,941
2019	252,295	187,646	439,941
2020-2024	1,423,452	776,252	2,199,704
2025-2029	1,738,633	461,071	2,199,704
2030-2034	857,192	188,126	1,045,318
2035-2039	958,565	71,965	1,030,530
	<u>\$ 6,150,115</u>	<u>\$ 2,529,653</u>	<u>\$ 8,679,768</u>

Changes in long-term debt for the year ended September 30, 2014, are as follows:

	<u>Balance October 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance September 30, 2014</u>	<u>Due Within One Year</u>
Notes payable	<u>\$ 5,923,965</u>	<u>\$ 390,185</u>	<u>\$ (164,035)</u>	<u>\$ 6,150,115</u>	<u>\$ 220,259</u>

**Note 8 – Commitments and Contingency**

Amounts received or receivable from grantor agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any of expenditures which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

On January 17, 1966 the Yuma County Airport Authority, Inc. entered into an agreement with the County of Yuma, whereby the Authority would lease all buildings, structures, improvements and personal property of the Yuma International Airport for a nominal fee. Effective December 1, 2007, the Authority and Yuma County entered into an amendment of this agreement which extends the agreement another 25 years to November 30, 2032 in addition to allowing for the option to renew for another 25 years. On March 18, 2008, the Authority exercised the option to renew for the additional 25 years which brings the termination of the agreement to November 30, 2057.

## Notes to Financial Statements – Continued

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### **Note 8 – Commitments and Contingency - Continued**

Title to all real property acquired by the Yuma County Airport Authority, Inc. vests in the County of Yuma. During the term of the lease agreement, the Authority will operate and manage the property. All personal property acquired belongs to the Authority and may be sold or traded by it. However, upon termination of the lease agreement, the personal property passes to the County of Yuma.

The Authority is subject to legal proceedings and claims which arise in the ordinary course of its operations. Management believes the amount of liability, if any, with respect to these actions will not materially affect the financial position of the Authority. Accordingly, no provision has been recognized in the financial statements for any potential claim pertaining to the civil matters.

### **Note 9 – Risk Management**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance for all such risks of loss, including workers' compensation and employees' health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### **Note 10 – Rental Revenues and Landing Fees**

The Authority derives revenue from the leasing of property and equipment. A schedule of minimum future rentals under non-cancelable operating leases as of the end of the last fiscal year is as follows:

<u>Year Ending September 30,</u>	
2015	\$ 1,457,293
2016	1,507,814
2017	1,197,593
2018	1,193,908
2019	909,352
Thereafter	<u>6,510,925</u>
Total	<u>\$ 12,776,885</u>

Landing fees received by the Authority are a contingent rental based on a charge per thousand pounds of certified gross weight of the aircraft for each landing. The Authority is also receiving contingent rental revenue from various car rental agencies, the airport restaurant, and Republic Parking Systems, based on a percentage of gross revenue.

## Notes to Financial Statements – Continued

### Note 10 – Rental Revenues and Landing Fees - Continued

The amount of contingent rentals for the past four fiscal years follows:

	Year Ended September 30,			
	2014	2013	2012	2011
Aircraft landing fees	\$ 161,586	\$ 174,307	\$ 144,249	\$ 156,736
Car rental and parking fees	931,542	942,667	976,708	992,130
Total	<u>\$ 1,093,128</u>	<u>\$ 1,116,974</u>	<u>\$ 1,120,957</u>	<u>\$ 1,148,866</u>

### Note 11 – Pension Plan

**Plan Description** - The Arizona State Retirement System (ASRS) administers a cost-sharing multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health insurance plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan that covers general employees of the Authority. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by writing or calling the plan.

**ASRS**  
3300 N. Central Avenue  
P.O. Box 33910  
Phoenix, AZ 85067-3910  
(602) 240-2000 or (800) 621-3778

**Funding Policy** - The Arizona State Legislature establishes and may amend active Plan members' and the Authority's contribution rates.

**Cost-sharing plans** – For the year ended September 30, 2014, active ASRS members and the Authority were each required by statute to contribute at the actuarially determined rate of 11.54 percent (11.3 percent retirement and 0.24 percent long-term disability) of the members' annual covered payroll through July 30, 2014 and 11.6 (11.48 percent retirement and 0.12 percent long-term disability) thereafter. The Authority's share of contributions to ASRS for the years ended September 2014, 2013, and 2012 were \$120,446, \$126,351, and \$111,718 respectively, which were equal to the required contributions for the year. Contributions came from employee withholdings and operating resources of the Authority.

**Yuma County Airport Authority, Inc.**

**Single Audit Reports**

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**Year ended September 30, 2014**

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**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 Board of Directors  
Yuma County Airport Authority, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of Yuma County Airport Authority, Inc. (the Authority) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 5, 2015.

**Internal Control over Financial Reporting**

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

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 that a material misstatement of the entity'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 that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Phoenix, Arizona  
February 5, 2015

Walker & Armstrong LLP

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

To the Board of Directors  
Yuma County Airport Authority, Inc.

**Report on Compliance for Each Major Program**

We have audited Yuma County Airport Authority, Inc.'s (the Authority) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended September 30, 2014. The Authority's major federal program is identified in the summary of audit results section 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 grants applicable to its federal programs

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the Authority's major program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 noncompliance 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 that 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 of the Authority's compliance.

## **Opinion on the Major Federal Program**

In our opinion, the 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 September 30, 2014.

## **Report on Internal Control over Compliance**

Management of Yuma County Airport Authority, Inc. 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 Authority's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an 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 Authority's internal control over compliance.

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

## **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the business-type activities and each major fund of Yuma County Airport Authority, Inc. as of and for the year ended September 30, 2014 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated February 5, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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.

Phoenix, Arizona  
February 5, 2015

*Walker & Armstrong LLP*

**Yuma County Airport Authority, Inc.  
 Schedule of Findings and Questioned Costs  
 Year ended September 30, 2014**

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**A. Summary of Audit Results**

***Financial Statements***

Type of auditor's report issued:

<b>Unqualified</b>	
<b>Yes</b>	<b>No</b>

Internal control over financial reporting:

Material weakness(es) identified?

	<b>X</b>
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Significant deficiencies identified?

<b>None Reported</b>	
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Noncompliance material to the financial statements noted?

	<b>X</b>
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***Federal Awards***

Internal control over financial reporting:

Material weaknesses identified?

	<b>X</b>
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Significant deficiencies identified?

<b>None Reported</b>	
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Type of auditor's report issued on compliance for major programs:

<b>Unqualified</b>	
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Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?

	<b>X</b>
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***Identification of major programs:***

<b>CFDA No.</b>	<b>Name of Federal Program</b>
20.106	Airport Improvement Program

Dollar threshold used to distinguish between type A and B programs:

	<b>\$300,000</b>
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Auditee qualified as a low risk auditee?

<b>X</b>	
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***Other Matters***

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])?

	<b>X</b>
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**B. Financial Statement Findings:** None

**C. Federal Award Findings:** None

**Yuma County Airport Authority, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**Year ended September 30, 2014**

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Federal Grantor / Pass - Through Grantor / Program Title	CFDA Number	Expenditures
<b><u>U.S. Department of Commerce</u></b>		
Investments for Public Works and Economic Development Facilities	11.300	\$ 33,857
<b><u>U.S. Department of Transportation</u></b>		
Airport Improvement Program	20.106	3,357,127
Total expenditures of federal awards		\$ 3,390,984

See accompanying notes to schedule.

**Yuma County Airport Authority, Inc.**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year ended September 30, 2014**

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**Note 1 – Basis of Accounting**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Yuma County Airport Authority, Inc. and is presented on the accrual basis of accounting.

**Note 2 – Catalog of Federal Domestic Assistance (CFDA) Numbers**

The program titles and CFDA numbers were obtained from the 2014 *Catalog of Federal Domestic Assistance*.