



Yuma County Airport Authority, Inc.
Basic Financial Statements

Year Ended September 30, 2013

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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, 2013, 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 of 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, 2013, 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 2013 the Authority adopted new accounting guidance, GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

Other Matters

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 March 7, 2014, 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.



Phoenix, Arizona
March 7, 2014

YUMA COUNTY AIRPORT AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended September 30, 2013

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, 2013. 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 at the close of the most recent fiscal year by \$41,643,857 (net position).
- The Authority's cash balance at September 30, 2013 was \$367,481 representing a decrease of \$404,377 from September 30, 2012.
- The Authority had intergovernmental revenues of \$5,652,732, operating revenues (charges for services) of \$3,584,699 and operating expenses of the enterprise fund totaling \$5,335,881 for the year ended September 30, 2013.
- The Authority's capital outlays for the year ended September 30, 2012 totaled \$7,137,229 which includes costs of \$3,903,663 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, 2013

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 21 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. **Widening of Taxiway Z.** Capital outlays of \$1,804,472 were expended on the design and construction of this project. FAA funding for this project was provided through the AIP Grant. These improvements were completed at a total cost of \$2,396,571.
2. **AIC Building.** Capital outlays of \$4,879,866 were expended on this design and construction of a 32,000 square foot hangar building. This project is funded by the US Economic Development Authority and a construction loan. The project was completed in October of 2013 at a total cost of \$5,154,801.
3. **Sterile Area Improvements.** Capital outlays of \$305,265 were expended on the design and construction of this project which resulted in the expansion of the sterile area which houses commercial airline passengers after they have been screened and are awaiting their flight. Improvements will include the expansion of the seating area as well as the construction of badly needed restrooms. This project was funded by the Passenger Facility Charge system as well as ADOT Grant. The project was completed at a total cost of \$323,825.

Capital grants and contributions of \$5,652,732 which are reported as intergovernmental revenue increased by \$4,869,688 as compared to the fiscal year ended September 30, 2012.

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 \$41,643,857 at the close of the most recent fiscal year.

YUMA COUNTY AIRPORT AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended September 30, 2013

FUND FINANCIAL ANALYSIS – CONTINUED

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:

Net Position		
September 30, 2013 and 2012		
	2013	2012 (As Restated)
Assets:		
Current and other assets	\$ 1,080,039	\$ 1,251,796
Capital assets	59,847,808	54,740,746
Total assets	60,927,847	55,992,542
Liabilities:		
Current	2,016,471	1,934,662
Non-current	5,776,130	4,896,412
Total liabilities	7,792,601	6,831,074
Deferred inflow of resources		
Service concession arrangements	11,491,389	11,919,537
Net position:		
Net investment in capital assets	42,432,453	37,716,840
Unrestricted (deficit)	(788,596)	(474,909)
Total net position	\$ 41,643,857	\$ 37,241,931

YUMA COUNTY AIRPORT AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended September 30, 2013

FUND FINANCIAL ANALYSIS – CONTINUED

Changes in Net Position		
Years ended September 30, 2013 and 2012		
	2013	2012
Program revenues:		
Charges for services	\$ 3,584,699	\$ 3,618,890
Intergovernmental	5,652,732	783,044
General revenues:		
Passenger facility charges	292,327	277,584
Interest income	659	2,788
Deferred inflows	428,147	428,147
Total revenues	9,958,564	5,110,453
Expenses:		
Airport operations	5,335,880	5,021,801
Interest expense	220,758	292,749
Total expenses	5,556,638	5,314,550
Change in net position	4,401,926	(204,097)
Net position, beginning of year, as restated	37,241,931	37,446,028
Net position, end of year	\$ 41,643,857	\$ 37,241,931

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2013 the Authority's investment in capital assets was \$53,923,842 (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 Rolle Field Hangar improvements providing for a remote facility attractive to the UAV market, the completion of the Taxiway Z widening and lighting project, the expansion of the passenger terminal sterile area and the investment of over \$5M into a state of the art aircraft storage and maintenance hangar ready for lease in 2014.

YUMA COUNTY AIRPORT AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended September 30, 2013

CAPITAL ASSET AND DEBT ADMINISTRATION – Continued

Capital Assets – Continued

- There were no significant capital expenditures for the purchase of equipment and furniture for the Authority's operations.
- There were no capital expenditure purchases of vehicles.
- 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.

Service Concession Agreements

Effective for the year ended September 30, 2013, the Authority implemented GASB No. 60 as explained in more detail in note 1 on page 11 for the reporting of buildings and improvements related to service concession agreements and related deferred inflows of resources. Accordingly, effective for the year ended September 30, 2013, the Authority is reporting buildings and improvements paid for by lessees under the service concession agreements totaling \$12,041,231 net of accumulated depreciation of \$1,104,623 and recognizing deferred inflows of resources of \$11,491,389 net of accumulated amortization of \$1,654,465. These arrangements have facility leases ranging from 15 to 40 years.

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. 32nd Street, Suite 218, Yuma, AZ 85365 or call (928) 726-5882.

Yuma County Airport Authority
Statement of Net Position - Enterprise Funds
September 30, 2013

Assets

Current assets:

Cash and cash equivalents	\$	367,481
Accounts receivable, net		36,305
Intergovernmental receivables		326,845
Prepaid items		84,043
Deposits		6,924
Total current assets		821,598

Noncurrent assets:

Restricted cash		258,441
Capital assets:		
Capital assets, not being depreciated		12,138,518
Capital assets, being depreciated, net		47,709,290
Total noncurrent assets		60,106,249
Total assets		60,927,847

Liabilities

Current liabilities:

Accounts payable		664,615
Accrued expenses		190,182
Deferred revenue		928,782
Refundable deposits		85,057
Current portion of long-term liabilities		147,835
Total current liabilities		2,016,471

Noncurrent liabilities:

Noncurrent portion of long-term liabilities		5,776,130
Total noncurrent liabilities		5,776,130
Total liabilities		7,792,601

Deferred Inflow of Resources

Service concession arrangements		11,491,389
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Net Position

Net investment in capital assets		42,432,453
Unrestricted (deficit)		(788,596)
Total net position		\$ 41,643,857

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 Funds
Year ended September 30, 2013

Operating Revenues:	
Aeronautical	\$ 2,173,810
Non-aeronautical	1,410,889
Total operating revenues	3,584,699
Operating Expenses:	
Personnel expenses	1,693,623
Operating expenses	1,606,043
Depreciation	2,030,167
Amortization	6,048
Total operating expenses	5,335,881
Operating loss	(1,751,182)
Nonoperating Revenues (Expenses):	
Interest income	659
Service concession arrangements	428,148
Intergovernmental	5,652,732
Passenger facility charges	292,327
Interest expense	(220,758)
Total nonoperating revenues (expenses)	6,153,108
Changes in net position	4,401,926
Total net position - beginning of year, as restated	37,241,931
Total net position - end of year	\$ 41,643,857

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

Yuma County Airport Authority
Statement of Cash Flows - Enterprise Funds
Year ended September 30, 2013

Cash flows from operating activities:	
Receipts from customers and users	\$ 3,278,449
Payments to suppliers	(1,202,507)
Payments to employees	(1,693,623)
Net cash provided by operating activities	382,319
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(7,137,229)
Receipts of passenger facilities charges	292,327
Capital grants received	5,513,959
Increase in restricted assets	(55,250)
Acquisition of debt	953,175
Principal paid on debt	(133,579)
Interest paid on debt	(220,758)
Net cash used for capital and related financing activities	(787,355)
Cash flows from investing activities:	
Interest and dividends	659
Net decrease in cash and cash equivalents	(404,377)
Cash and cash equivalents, beginning of year	771,858
Cash and cash equivalents, end of year	\$ 367,481
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (1,751,182)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	2,030,167
Amortization of deferred revenue	(309,594)
Changes in assets and liabilities:	
Decrease in accounts receivable	90,547
Decrease in allowance for doubtful accounts	(87,268)
Increase in prepaid items	(42,476)
Decrease in deposits	600
Increase in accounts payable	476,214
Decrease in accrued expenses	(24,754)
Increase in refundable deposits	65
Net cash provided by operating activities	\$ 382,319

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

Yuma County Airport Authority, Inc.
Notes to the Financial Statements
September 30, 2013

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, 2013, the Authority implemented the provisions of GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 60 improves consistency in financial reporting for concession arrangements. GASB Statement No. 62 incorporates certain accounting and financial reporting guidance in FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins into GASB's authoritative literature. GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

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

Financial statements are provided for proprietary funds.

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

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 deferred revenue account.

Notes to Financial Statements – Continued

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 40 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. Deferred Revenue

Deferred 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 deferred 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, 2013, 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	367,281	258,441	625,722
Total	<u>\$ 367,481</u>	<u>\$ 258,441</u>	<u>\$ 625,922</u>

At September 30, 2013, the carrying amount of the Authority's total cash in bank was \$625,722 and the bank balance was \$836,681. Of the bank balance, \$250,000 was covered by federal depository insurance and \$586,681 was covered by collateral held by the pledging institution's trust department.

Restricted Cash

The restricted cash at September 30, 2013 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, 2013:

Accounts receivable	\$ 36,805
Less allowance for uncollectibles	<u>(500)</u>
Net total receivables	<u>\$ 36,305</u>

Notes to Financial Statements – Continued

Note 3 – Receivables – Continued

Intergovernmental receivables consisted of the following at September 30, 2013:

U.S. Department of Commerce	\$	223,817
Federal Aviation Administration		52,533
Arizona Department of Transportation		27,612
U.S. Department of Homeland Security		22,883
		22,883
Total intergovernmental receivables	\$	326,845

Note 4 – Capital Assets

Capital asset activity for the year ended September 30, 2013 is as follows:

	<u>Beginning Balance (As restated)</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<i>Capital assets, not being depreciated:</i>				
Land and easements	\$ 6,485,651	\$ -	\$ -	\$ 6,485,651
Construction in progress	1,749,204	7,022,819	(3,119,156)	5,652,867
Total capital assets, not being depreciated	8,234,855	7,022,819	(3,119,156)	12,138,518
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	61,250,140	3,209,647	-	64,459,787
Furniture, fixtures and equipment	1,711,669	23,919	-	1,735,588
Vehicles	397,029	-	-	397,029
Total capital assets, being depreciated	63,358,838	3,233,566	-	66,592,404
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(15,697,694)	(1,850,038)	-	(17,547,732)
Furniture, fixtures and equipment	(853,185)	(156,105)	-	(1,009,290)
Vehicles	(302,068)	(24,024)	-	(326,092)
Total accumulated depreciation	(16,852,947)	(2,030,167)	-	(18,883,114)
Total capital assets, being depreciated, net	46,505,891	1,203,399	-	47,709,290
Business-type activities capital assets, net	\$ 54,740,746	\$ 8,226,218	\$(3,119,156)	\$ 59,847,808

Notes to Financial Statements – Continued

Note 4 – Capital Assets – Continued

Depreciation expense of \$2,030,167 was charged to the airport operation enterprise fund.

Construction in Progress

At September 30, 2013, the Authority had the following projects still in progress:

Project	Balance, October 1, 2012	Additions	Completed Projects	Balance, September 30, 2013
Land Acquisition	\$ 38,750	\$ -	\$ -	\$ 38,750
Taxiway Y Phase I	255,701	-	-	255,701
Rolle Field Facility	6,500	3,466	(9,966)	-
DCC Apron Phase I	167,870	22,690	-	190,560
Security System	382,695	6,099	(388,794)	-
AIC Building	280,712	4,879,866	-	5,160,578
Sterile Area Remodel	18,560	305,265	(323,825)	-
Terminal Apron Rehabilitation	6,317	961	-	7,278
Taxiway Zulu	592,099	1,804,472	(2,396,571)	-
Total	\$ 1,749,204	\$ 7,022,819	\$ (3,119,156)	\$ 5,652,867

Note 5 - Line of Credit

The Authority has a \$1,000,000 revolving line of credit with a variable interest rate calculated daily at 87.5% of the prime rate as published in the West Coast edition of the Wall Street Journal maturing June 21, 2038. The interest rate at September 30, 2013, is 4.25% 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, 2013, was as follows:

	Balance October 1, 2012	Additions	Retirements	Balance September 30, 2013	Due Within One Year
Line of credit	\$ -	\$ 673,332	\$ 673,332	\$ -	\$ -

Notes to Financial Statements – Continued

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. The tenants are required to operate and maintain their facilities in accordance with the land leases. As of September 30, 2013, the Authority reports the assets constructed or improved as capital assets which have a carrying value of \$12,041,231 and reports deferred inflow of resources in the amount of \$11,491,389 pursuant to the service concession arrangements.

Note 7 – Long-Term Debt

Long-term debt of the Authority at September 30, 2013, consists of:

Note Payable to 1 st Bank Yuma, with monthly payments of \$17,642 including interest. The variable interest rate is 4.75% until July 21, 2013 and 2.84% thereafter. The interest rate is determined by prime rate published in the West Coast edition of <i>The Wall Street Journal</i> less .25%, 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.	\$ 3,061,043
Note Payable to 1 st Bank Yuma, with monthly payments of \$12,517 including interest. The variable interest rate through September 30, 2013 is 4.25%. The interest rate is determined by prime rate published in West Coast Edition of the <i>Wall Street Journal</i> plus 1%, 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.	1,836,987
Note Payable to 1 st Bank Yuma for \$2,000,000 with interest only payments on the outstanding balance at a variable interest rate of 4.9% until January 13, 2014. The interest rate is determined by prime rate published in West Coast Edition of the <i>Wall Street Journal</i> plus 1.65%, with no floor or ceiling. Monthly principal and interest payments of \$10,701 effective January 13, 2014 until maturity December 2043. The Authority has pledged general airport revenues, as collateral for the note.	1,025,935
	<u>\$ 5,923,965</u>

Notes to Financial Statements – Continued

Note 7 – Long-Term Debt - Continued

Debt service requirements (at current interest rates) at September 30, 2013 were as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 147,835	\$ 199,423	\$ 347,258
2015	236,120	202,863	438,983
2016	245,804	193,179	438,983
2017	255,905	183,078	438,933
2018	266,439	172,544	438,933
2019-2023	1,506,829	688,083	2,194,912
2024-2028	1,247,355	417,424	1,664,779
2029-2033	928,743	215,938	1,144,681
2034-2038	1,088,935	101,229	1,190,164
	<u>\$ 5,923,965</u>	<u>\$ 2,373,761</u>	<u>\$ 8,297,726</u>

Changes in long-term debt for the year ended September 30, 2013, are as follows:

	<u>Balance October 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance September 30, 2013</u>	<u>Due Within One Year</u>
Notes payable	<u>\$ 5,104,369</u>	<u>\$ 953,175</u>	<u>\$ (133,579)</u>	<u>\$ 5,923,965</u>	<u>\$ 147,835</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

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>	
2014	\$ 1,319,325
2015	812,763
2016	860,283
2017	546,911
2018	539,919
Thereafter	<u>7,055,116</u>
Total	<u>\$ 11,134,317</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 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:

	<u>Year Ended September 30,</u>			
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Aircraft landing fees	\$ 164,154	\$ 144,249	\$ 156,736	\$ 158,791
Car rental and parking fees	942,666	976,708	992,130	864,090
Total	<u>\$ 1,106,820</u>	<u>\$ 1,120,957</u>	<u>\$ 1,148,866</u>	<u>\$ 1,022,881</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, 2013, active ASRS members and the Authority were each required by statute to contribute at the actuarially determined rate of 11.14 percent (10.9 percent retirement and 0.24 percent long-term disability) of the members' annual covered payroll through July 30, 2013 and 11.54 (11.3 percent retirement and 0.24 percent long-term disability) thereafter. The Authority's share of contributions to ASRS for the years ended September 2013, 2012, and 2011 were \$126,351, \$111,718, and \$96,461 respectively, which were equal to the required contributions for the year. Contributions came from employee withholdings and operating resources of the Authority.

Notes to Financial Statements – Continued

Note 12 – Restatement for Service Concession Arrangements

For the year ended September 30, 2013, the Authority implemented the provisions of GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The October 1, 2012, net position was restated to properly report these arrangements. The effect on the October 1, 2012 net position balance was an increase of \$400,186 reported as follows:

Beginning unrestricted net position, as originally reported		\$ 36,841,745
Additions to buildings and improvements	\$ 13,145,854	
Less, accumulated depreciation	<u>(826,131)</u>	
Net increase in capital assets		12,319,723
Recognition of deferred inflows of resources for service concession arrangements	(13,145,854)	
Less, accumulated amortization	<u>1,226,317</u>	
Net increase in deferred inflows		<u>(11,919,537)</u>
Total change in net position		<u>400,186</u>
Beginning unrestricted net position, as restated		<u>\$ 37,241,931</u>

Yuma County Airport Authority, Inc.

Single Audit Reports

Year ended September 30, 2013

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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, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 7, 2014.

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.

Walker & Armstrong, LLP

Phoenix, Arizona
March 7, 2014

**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, 2013. 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, 2013.

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, 2013 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated March 7, 2014, 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.

Walker & Armstrong, LLP

Phoenix, Arizona
March 7, 2014

**Yuma County Airport Authority, Inc.
 Schedule of Findings and Questioned Costs
 Year ended September 30, 2013**

Summary of Audit Results

Financial Statements

Type of auditor's report issued:	<u>Unqualified</u>	
	<u>Yes</u>	<u>No</u>
Internal control over financial reporting:		
Material weakness(es) identified?	<u> </u>	<u> X </u>
Significant deficiencies identified?	<u>None Reported</u>	
Noncompliance material to the financial statements noted?	<u> </u>	<u> X </u>

Federal Awards

Internal control over financial reporting:		
Material weaknesses identified?	<u> </u>	<u> X </u>
Significant deficiencies identified?	<u>None Reported</u>	
Type of auditor's report issued on compliance for major programs:	<u>Unqualified</u>	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?	<u> </u>	<u> X </u>

Identification of major programs:

CFDA No.	Name of Federal Program
11.300	Investments for Public Works and Economic Development Facilities

Dollar threshold used to distinguish between type A and B programs:	<u>\$300,000</u>	
Auditee qualified as a low risk auditee?	<u> X </u>	<u> </u>

Other Matters

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])?	<u> </u>	<u> X </u>
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Federal Award and Financial Statement Findings:

There was not any prior year or current year financial statement or federal award findings.

Yuma County Airport Authority, Inc.
Schedule of Expenditures of Federal Awards
Year ended September 30, 2013

Federal Grantor / Pass - Through Grantor / Program Title	CFDA Number	Expenditures
<u>U.S. Department of Commerce</u>		
Investments for Public Works and Economic Development Facilities	11.300	\$ 3,590,446
<u>U.S. Department of Transportation</u>		
Airport Improvement Program	20.106	<u>1,695,522</u>
Total expenditures of federal awards		<u><u>\$ 5,285,968</u></u>

See accompanying notes to schedule.

Yuma County Airport Authority, Inc.
Notes to Schedule of Expenditures of Federal Awards
Year ended September 30, 2013

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 2013 *Catalog of Federal Domestic Assistance*.