



Yuma County Airport Authority, Inc.
Basic Financial Statements

Year Ended September 30, 2009

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Independent Auditor's Report

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

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, 2009, which collectively comprise the Authority's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Yuma County Airport Authority, Inc.'s management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Yuma County Airport Authority, Inc., as of September 30, 2009, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis (MD&A) on pages 3 - 8 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2010, on our consideration of Yuma County Airport Authority, Inc.'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* and should be considered in assessing the results of our audit.

Walker & Armstrong LLP

Phoenix, Arizona
January 8, 2010

YUMA COUNTY AIRPORT AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended September 30, 2009

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, 2009. We encourage readers to consider the information presented here in conjunction with the following financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$35,823,502 (net assets).
- The Authority's cash balance at September 30, 2009 was \$953,475 representing a decrease of \$49,820 from September 30, 2008.
- The Authority had intergovernmental revenues of \$3,754,429, operating revenues (charges for services) of \$2,196,456 and operating expenses of the enterprise fund totaling \$3,268,820 for the year ended September 30, 2009.
- The Authority's capital outlays for the year ended September 30, 2009 totaled \$7,603,200 which includes costs of \$5,570,935 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, 2009

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 12 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. **Taxiway F Rehabilitation.** Capital outlays of \$989,356 were expended during the year on the rehabilitation of Taxiway F. This project was completed in December of 2008 at a total cost of \$2,755,931. This Taxiway, provides a necessary 2nd access point into the Defense Contractor Complex (DCC).
2. **Defense Contractor Complex Apron (Phase 1).** Capital outlays of \$1,993,228 were expended on the design and construction of the concrete apron at the DCC. The project was nearing completion at the end of this fiscal year. The estimated cost to design and construct total \$2,200,000. The Authority sought and received FAA AIP Grant funding for this project which will provide much needed ramp space for additional development at the DCC.
3. **Defense Contractor Hangar Building.** Capital outlays of \$1,961,994 have been expended toward this project during the year. This project was completed in October of 2009 with a total cost of approximately \$2,200,000. This 15,000 square foot building was leased to a government contractor working with NASA to design and test parachute systems for the next generation of manned space vehicles.
4. **Defense Contractor Complex Apron (Phase 2).** Capital outlays of \$122,680 were expended on the design of this pavement ramp expansion located adjacent to the 40th Street DCC Apron. The design phase of this project cost is \$132,870. Upon completion of the design, the Authority will seek grant funding for the construction of this ramp which will provide much needed space for additional development at the DCC.

YUMA COUNTY AIRPORT AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended September 30, 2009

FUND FINANCIAL ANALYSIS – CONTINUED

5. **Maintenance Building Remodel.** During the previous year, the Authority received ownership of an aircraft hangar with office space just west of the passenger terminal building. The ownership of this building came through a reversionary clause in a lease agreement that expired during the year. Capital outlays of \$19,403 were expended on the remodel of this building during the year to accommodate the initial tenant. The final cost of the remodel was capitalized at a total of \$34,766 and the tenant took occupancy. Further remodeling was undertaken on the north end of this structure to accommodate yet another tenant. The Authority expended \$71,862 on this project during the year which was completed and capitalized.

6. **Taxiway Yankee Phase I.** During the year the Authority began the design of the first phase of a parallel taxiway on the West side of the airfield. This design was funded by an FAA AIP Grant. The Authority expended \$172,332 during the year on this project. The design is expected to be completed in January of 2010 at a total cost of \$249,000.

Capital grants and contributions of \$3,754,429 which are reported as intergovernmental revenue increased by \$248,639 due to an increase in capital construction activity.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$35,823,502 at the close of the most recent fiscal year.

YUMA COUNTY AIRPORT AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended September 30, 2009

FUND FINANCIAL ANALYSIS – CONTINUED

By far the largest portion of the Authority's net assets 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 assets of the Authority are available for future use to provide services.

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

| Net Assets | | |
|--|---------------|---------------|
| September 30, 2009 and 2008 | | |
| | 2009 | 2008 |
| Assets: | | |
| Current and other assets | \$ 1,672,393 | \$ 2,285,183 |
| Capital assets | 38,988,913 | 32,597,578 |
| Total assets | 40,661,306 | 34,882,761 |
| Liabilities: | | |
| Current | 637,899 | 1,198,229 |
| Non-current | 4,199,905 | 2,401,190 |
| Total liabilities | 4,837,804 | 3,599,419 |
| Net assets: | | |
| Invested in capital assets, Net of related debt | 34,715,975 | 30,157,145 |
| Unrestricted | 1,107,527 | 1,126,197 |
| Total net assets | \$ 35,823,502 | \$ 31,283,342 |

YUMA COUNTY AIRPORT AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended September 30, 2009

FUND FINANCIAL ANALYSIS – CONTINUED

| Changes in Net Assets | | |
|--------------------------------------|---------------------|---------------------|
| September 30, 2009 and 2008 | | |
| | 2009 | 2008 |
| Program revenues: | | |
| Charges for services | \$ 2,196,456 | \$ 2,204,623 |
| Intergovernmental | 3,754,429 | 3,505,790 |
| General revenues: | | |
| Passenger facility charges | 278,153 | 279,497 |
| Structure received through reversion | 1,875,000 | 750,000 |
| Interest income | 15,422 | 23,578 |
| Total revenues | 8,119,460 | 6,763,488 |
| Expenses: | | |
| Airport operations | 3,268,820 | 2,855,297 |
| Other – Masterplan | 153,953 | 169,532 |
| Interest expense | 156,527 | 131,615 |
| Total expenses | 3,579,300 | 3,156,444 |
| Increase in net assets | 4,540,160 | 3,607,044 |
| Net assets, beginning of year | 31,283,342 | 27,676,298 |
| Net assets, end of year | \$35,823,502 | \$31,283,342 |

YUMA COUNTY AIRPORT AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended September 30, 2009

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2009 the Authority's investment in capital assets was \$34,715,975 (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 include the completion of the rehabilitation of Taxiway F, renovations to the maintenance building and the acquisition of the runway sweeper. Significant investments in projects to be completed include the rehabilitation and expansion of the Defense Contractor Complex (DCC) apron area I, the DCC hangar and the design of the DCC apron area II.

- Capital expenditures of \$262,354 were made to purchase equipment and furniture for the Authority's operations.
- There were no capital expenditures made for the purchase 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 16 and 17 of this report.

Long-Term Debt

The Authority has a single note payable. The detail of this note is discussed in Note 5 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 Assets - Enterprise Funds
September 30, 2009

| | Airport Operations |
|---|-------------------------------|
| Assets | |
| <i>Current assets:</i> | |
| Cash and cash equivalents | \$ 953,475 |
| Accounts receivable, net | 159,558 |
| Intergovernmental receivable | 303,385 |
| Prepaid items | 40,902 |
| Deposits | 6,924 |
| Total current assets | 1,464,244 |
| <i>Noncurrent assets:</i> | |
| Restricted cash | 208,149 |
| <i>Capital assets:</i> | |
| Capital assets, not being depreciated | 11,180,227 |
| Capital assets, being depreciated, net | 27,808,686 |
| Total noncurrent assets | 39,197,062 |
| Total assets | 40,661,306 |
| Liabilities | |
| <i>Current liabilities:</i> | |
| Accounts payable | 359,669 |
| Accrued expenses | 127,488 |
| Other liabilities | 108 |
| Refundable deposits | 77,601 |
| Current portion of long-term liabilities | 73,033 |
| Total current liabilities | 637,899 |
| <i>Noncurrent liabilities:</i> | |
| Noncurrent portion of long-term liabilities | 4,199,905 |
| Total noncurrent liabilities | 4,199,905 |
| Total liabilities | 4,837,804 |
| Net Assets | |
| Invested in capital assets, net of related debt | 34,715,975 |
| Unrestricted | 1,107,527 |
| Total net assets | \$ 35,823,502 |

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

Yuma County Airport Authority
Statement of Revenues, Expenses and Changes in Net Assets
Enterprise Funds
Year ended September 30, 2009

| | Airport Operations |
|--|-------------------------------|
| Operating revenues: | |
| Aeronautical | \$ 1,333,239 |
| Non-aeronautical | 863,217 |
| Total operating revenues | 2,196,456 |
| Operating expenses: | |
| Personnel expenses | 1,042,411 |
| Operating expenses | 1,014,544 |
| Depreciation | 1,211,865 |
| Total operating expenses | 3,268,820 |
| Operating loss | (1,072,364) |
| Nonoperating revenues (expenses): | |
| Interest income | 15,422 |
| Intergovernmental | 3,754,429 |
| Masterplan | (153,953) |
| Passenger facility charges | 278,153 |
| Structure received through reversion | 1,875,000 |
| Interest expense | (156,527) |
| Total nonoperating revenues (expenses) | 5,612,524 |
| Changes in net assets | 4,540,160 |
| Total net assets - beginning of year | 31,283,342 |
| Total net assets - end of year | \$ 35,823,502 |

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, 2009

| | Airport Operations |
|--|-------------------------------|
| Cash flows from operating activities: | |
| Receipts from customers and users | \$ 2,170,729 |
| Payments to suppliers | (1,664,860) |
| Payments to employees | (1,042,411) |
| | (536,542) |
| Cash flows from capital and related financing activities: | |
| Acquisition and construction of capital assets | (5,728,200) |
| Receipts of passenger facilities charges | 278,153 |
| Capital grants received | 4,276,418 |
| Increase in restricted assets | (31,049) |
| Acquisition of long-term debt | 1,884,510 |
| Principal paid on long-term debt | (52,005) |
| Interest paid on long-term debt | (156,527) |
| | 471,300 |
| Cash flows from investing activities: | |
| Interest and dividends | 15,422 |
| | (49,820) |
| Cash and cash equivalents, beginning of year | 1,003,295 |
| Cash and cash equivalents, end of year | \$ 953,475 |
| Reconciliation of operating loss to net cash used for operating activities: | |
| Operating loss | \$ (1,072,364) |
| Adjustments to reconcile operating loss to net cash provided by operating activities: | |
| Depreciation and amortization | 1,211,865 |
| Changes in assets and liabilities: | |
| Increase in accounts receivable | (71,881) |
| Increase in prepaid items | (10,043) |
| Decrease in accounts payable | (669,329) |
| Increase in accrued expenses | 29,056 |
| Increase in refundable deposits | 46,154 |
| | (536,542) |
| Net cash used for operating activities | \$ (536,542) |
| Supplemental non-cash investing and financing information: | |
| Buildings received through lease reversion | \$ 1,875,000 |

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

Yuma County Airport Authority, Inc.
Notes to the Financial Statements
September 30, 2009

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).

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.

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 assets available to finance the program. The Authority applies grant resources to such programs before using general revenues.

The Authority follows FASB Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. The Authority has chosen the option not to follow FASB statements and interpretations issued after November 30, 1989.

Notes to Financial Statements – Continued

Note 1 – Summary of Significant Accounting Policies – Continued

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

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 Assets

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.

3. Prepaid Items

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

Notes to Financial Statements – Continued

Note 1 – Summary of Significant Accounting Policies – Continued

D. Assets, Liabilities and Net Assets - Continued

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. 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 and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Notes to Financial Statements – Continued

Note 2 – Cash and Investments

At September 30, 2009, the Authority’s cash consisted of the following:

| | Unrestricted | Restricted | Total |
|--------------|--------------|------------|--------------|
| Cash on hand | \$ 200 | \$ - | \$ 200 |
| Cash in bank | 953,275 | 208,149 | 1,161,624 |
| Total | \$ 953,475 | \$ 208,149 | \$ 1,164,824 |

At September 30, 2009, the carrying amount of the Authority’s total cash in bank was \$1,161,824 and the bank balance was \$1,195,710. Of the bank balance, \$250,000 was covered by federal depository insurance and \$945,710 was covered by collateral held by the pledging institution’s trust department.

Restricted Cash

The restricted cash at September 30, 2009 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, 2009:

| | |
|-----------------------------------|------------|
| Accounts receivable | \$ 160,058 |
| Less allowance for uncollectibles | (500) |
| Net total receivables | \$ 159,558 |

Intergovernmental receivables consisted of the following at September 30, 2009:

| | |
|--------------------------------------|------------|
| Federal Aviation Administration | \$ 137,192 |
| Arizona Department of Transportation | 100,989 |
| US Department of Homeland Security | 38,583 |
| US Department of Transportation | 26,621 |
| Total intergovernmental receivables | \$ 303,385 |

Notes to Financial Statements – Continued

Note 4 – Capital Assets

Capital asset activity for the year ended September 30, 2009 is as follows:

| | <u>Beginning Balance</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 | 2,189,732 | 5,570,935 | (3,066,091) | 4,694,576 |
| Total capital assets, not being depreciated | 8,675,383 | 5,570,935 | (3,066,091) | 11,180,227 |
| <i>Capital assets, being depreciated:</i> | | | | |
| Buildings and improvements | 32,610,290 | 4,836,002 | - | 37,446,292 |
| Furniture, fixtures and equipment | 1,012,413 | 262,354 | - | 1,274,767 |
| Vehicles | 276,909 | - | - | 276,909 |
| Total capital assets, being depreciated | 33,899,612 | 5,098,356 | - | 38,997,968 |
| <i>Less accumulated depreciation for:</i> | | | | |
| Buildings and improvements | (9,470,235) | (1,078,734) | - | (10,548,969) |
| Furniture, fixtures and equipment | (290,502) | (103,021) | - | (393,523) |
| Vehicles | (216,680) | (30,110) | - | (246,790) |
| Total accumulated depreciation | (9,977,417) | (1,211,865) | - | (11,189,282) |
| Total capital assets, being depreciated, net | 23,922,195 | 3,886,491 | - | 27,808,686 |
| Business-type activities capital assets, net | <u>\$ 32,597,578</u> | <u>\$ 9,457,426</u> | <u>\$(3,066,091)</u> | <u>\$ 38,988,913</u> |

Depreciation expense of \$1,211,865 was charged to the airport operation enterprise fund.

Notes to Financial Statements – Continued

Note 4 – Capital Assets – Continued

Construction in Progress

At September 30, 2009, the Authority had the following projects still in progress:

| <u>Project</u> | <u>Balance, Oct. 1, 2008</u> | <u>Additions</u> | <u>Completed Projects</u> | <u>Balance, Sept. 30, 2009</u> |
|--|----------------------------------|---------------------|-------------------------------|--|
| Land Acquisition | \$ 38,700 | \$ 50 | \$ - | \$ 38,750 |
| Taxiway F | 1,766,575 | 989,356 | 2,755,931 | - |
| DCC Apron Phase I | 111,226 | 1,993,228 | - | 2,104,454 |
| DCC Hangar | 244,418 | 1,961,994 | - | 2,206,412 |
| DCC Apron Phase II | 10,190 | 122,680 | - | 132,870 |
| Runway Sweeper Maintenance Building | 3,260 | 200,272 | 203,532 | - |
| Remodel | 15,363 | 19,403 | 34,766 | - |
| Quimby Building Remodel | - | 71,862 | 71,862 | - |
| Taxiway Y Phase I | - | 172,332 | - | 172,332 |
| Security System | - | 39,758 | - | 39,758 |
| Total | <u>\$ 2,189,732</u> | <u>\$ 5,570,935</u> | <u>\$ 3,066,091</u> | <u>\$ 4,694,576</u> |

Note 5 – Long-Term Debt

Long-term debt of the Authority at September 30, 2009, consists of:

Tax Exempt Note Payable (unsecured) to 1st Bank Yuma, with monthly payments of \$22,868 including interest. The variable interest rate is 4.75% until July 21, 2013. The interest rate is determined by prime rate published in the West Coast edition of *The Wall Street Journal* 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.

\$ 4,272,938

Notes to Financial Statements – Continued

Note 5 – Long-Term Debt – Continued

Debt service requirements (at current interest rates) at September 30, 2009 were as follows:

| <u>Year Ending September 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------------|---------------------|---------------------|---------------------|
| 2010 | \$ 73,033 | \$ 201,388 | \$ 274,421 |
| 2011 | 76,578 | 197,843 | 274,421 |
| 2012 | 80,296 | 194,125 | 274,421 |
| 2013 | 84,194 | 190,227 | 274,421 |
| 2014 | 88,282 | 186,139 | 274,421 |
| 2015-2019 | 510,012 | 862,092 | 1,372,104 |
| 2020-2024 | 646,431 | 725,673 | 1,372,104 |
| 2025-2029 | 819,338 | 552,766 | 1,372,104 |
| 2030-2034 | 1,038,495 | 333,609 | 1,372,104 |
| 2035-2038 | 856,279 | 71,274 | 927,553 |
| | <u>\$ 4,272,938</u> | <u>\$ 3,515,136</u> | <u>\$ 7,788,074</u> |

Changes in long-term debt for the year ended September 30, 2009, were as follows:

| | <u>Balance October 1, 2008</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance September 30, 2009</u> | <u>Due Within One Year</u> |
|---------------|--|------------------|--------------------|---|------------------------------------|
| Notes payable | \$ 2,440,433 | \$ 1,884,510 | \$ 52,005 | \$ 4,272,938 | \$ 73,033 |

Note 6 – 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 6 – 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.

Note 7 – 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> | |
|----------------------------------|---------------------|
| 2010 | \$ 1,423,785 |
| 2011 | 1,416,952 |
| 2012 | 1,339,051 |
| 2013 | 1,119,359 |
| 2014 | 499,676 |
| Thereafter | <u>246,520</u> |
| Total | <u>\$ 6,045,343</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.

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

| | <u>Year Ended September 30,</u> | | | |
|-----------------------------|---------------------------------|-------------------|-------------------|-------------------|
| | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
| Aircraft landing fees | \$ 127,767 | \$ 173,564 | \$ 197,203 | \$ 117,400 |
| Car rental and parking fees | <u>752,164</u> | <u>769,602</u> | <u>767,644</u> | <u>600,260</u> |
| Total | <u>\$ 879,931</u> | <u>\$ 943,166</u> | <u>\$ 964,847</u> | <u>\$ 717,660</u> |

Notes to Financial Statements – Continued

Note 8 – Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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 9 – 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 premium; and a cost-sharing, multiple-employer defined benefits long-term disability 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, 2009, active ASRS members and the Authority were each required by statute to contribute at the actuarially determined rate of 9.40 percent (8.9 percent retirement and 0.5 percent long-term disability) of the members' annual covered payroll. The Authority's contributions to ASRS for the years ended September 2009, 2008, and 2007 were \$131,359, \$126,153, and \$145,867 respectively, which were equal to the required contributions for the year. Contributions came from equal amounts of employee withholdings and operating resources of the Authority.

Notes to Financial Statements – Continued

Note 10 – Subsequent Event

On October 23, 2009, the Authority terminated four lease agreements which were in effect as of September 30, 2009. These four agreements were related to a single fixed base operator's activities within the airport that had become delinquent in their lease payments. While this lease termination had a significant effect on the Minimum Future Rental Revenue as disclosed in Note 7, the overall effect on continued revenue generation from this activity will not be substantially harmed. The amount of lease revenue loss as a result of this termination is approximately \$20,000 per month or \$240,000 annually. In order to recover this lost revenue stream, the Authority increased the fuel flowage rate to the remaining fixed based operators.

As of September 30, 2009, \$45,000 of delinquent rent from the terminated lease agreements has not been included in the allowance for doubtful accounts because the Authority has sequestered numerous items of real property, in accordance with Arizona's landlord lien statutes. This property includes equipment and furnishings which when sold at auction will generate revenues sufficient to cover the amount of delinquent rent.

On January 6, 2010, the Authority received noticed of a claim of wrongful termination from legal counsel representing the lessees of the terminated leases. Management deems the claim to be without merit and intends to vigorously defend its position. An estimate of potential loss from the claim cannot be made until management can thoroughly review details of the claim.

Yuma County Airport Authority, Inc.

Single Audit Reports

Year ended September 30, 2009

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**Report on Internal Control over Financial Reporting and on Compliance
and on 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 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, 2009, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 8, 2010. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Yuma County Airport Authority, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with general accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that result in a more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's basic financial statements are free of 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*.

This report is intended solely for the information and use of the board of directors, management, others within the entity, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Walker & Rinsburg LLP

Phoenix, Arizona
January 8, 2010

Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control
over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of Yuma County Airport Authority, Inc. with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2009. Yuma County Airport Authority, Inc.'s major federal program is identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Yuma County Airport Authority, Inc.'s management. Our responsibility is to express an opinion on Yuma County Airport Authority, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Yuma County Airport Authority, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Yuma County Airport Authority, Inc.'s compliance with those requirements.

In our opinion, Yuma County Airport Authority, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2009.

Internal Control over Compliance

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

A *control deficiency* in the entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

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, 2009 and issued our report thereon dated January 8, 2010. Our audit was performed for the purpose of forming our opinion on the financial statements that collectively comprise the Yuma County Airport Authority, Inc.'s 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statement taken as a whole.

This report is intended solely for the information and use of the board of directors, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Phoenix, Arizona
January 8, 2010

Walker & Armstrong LLP

**Yuma County Airport Authority, Inc.
 Schedule of Findings and Questioned Costs
 Year ended September 30, 2009**

Summary of Audit Results

Financial Statements

| | | | |
|--|--|------------|-----------|
| Type of auditor's report issued: | Unqualified | | |
| | <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: center; border-bottom: 1px solid black;">Yes</td> <td style="width: 50%; text-align: center; border-bottom: 1px solid black;">No</td> </tr> </table> | Yes | No |
| Yes | No | | |
| Material weakness(es) identified in internal control over financial reporting? | X | | |
| Significant deficiencies identified not considered to be material weaknesses? | None Reported | | |
| Noncompliance material to the financial statements noted? | X | | |

Federal Awards

| | |
|--|----------------------|
| Material weaknesses identified in internal control over major programs? | X |
| Significant deficiencies identified not considered to be material weaknesses? | None Reported |
| Type of auditor's report issued on compliance for major programs: | Unqualified |
| Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])? | X |

Identification of major programs:

| CFDA No. | Name of Federal Program |
|-----------------|--------------------------------|
| 20.106 | Airport Improvement Program |

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

Other Matters

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

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, 2009

| Federal Grantor / Pass - Through Grantor / Program Title | CFDA Number | Expenditures |
|---|------------------------|----------------------------|
| <u>U.S. Department of Transportation</u> | | |
| Airport Improvement Program | 20.106 | \$ 3,232,099 |
| Small Community Air Service Development | 20.930 | <u>127,885</u> |
| Total U.S. Department of Transportation | | <u>\$ 3,359,984</u> |

See accompanying notes to schedule.

Yuma County Airport Authority, Inc.
Notes to Schedule of Expenditures of Federal Awards
Year ended September 30, 2009

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 2009 *Catalog of Federal Domestic Assistance*.