



Yuma County Airport Authority, Inc.
Basic Financial Statements

Year Ended September 30, 2012

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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, 2012, 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 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 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, 2012, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2013, 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.

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 regarding 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.

Walker & Armstrong, LLP

Phoenix, Arizona
January 3, 2013

**YUMA COUNTY AIRPORT AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Year ended September 30, 2012

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, 2012. 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 \$36,841,745 (net assets).
- The Authority's cash balance at September 30, 2012 was \$771,858 representing a decrease of \$131,839 from September 30, 2011.
- The Authority had intergovernmental revenues of \$783,044, operating revenues (charges for services) of \$3,618,890 and operating expenses of the enterprise fund totaling \$4,743,309 for the year ended September 30, 2012.
- The Authority's capital outlays for the year ended September 30, 2012 totaled \$1,138,419 which includes costs of \$920,215 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, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED

Notes to the Financial Statements

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

FUND FINANCIAL ANALYSIS

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

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

1. **Widening of Taxiway Z.** Capital outlays of \$518,819 were expended on the design and construction of this project. FAA funding for this project was provided through the AIP Grant. These improvements are expected to be completed in March 2013.
2. **Fiber Optic Security System.** Capital outlays of \$102,157 were expended on this project which will result in a fiber optic back bone across the entire airfield. This system will enable the addition of multitudes of video security cameras and data points for smart technology moving into the future. This project is funded by the Passenger Facility Charge system.
3. **Sterile Area Improvements.** Capital outlays of \$5,370 were expended on the design of this project which will result 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 is funded by the Passenger Facility Charge system as well as ADOT Grant.

Capital grants and contributions of \$783,044 which are reported as intergovernmental revenue decreased by \$1,827,592 as compared to the fiscal year ended September 30, 2011.

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 \$36,841,745 at the close of the most recent fiscal year.

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

YUMA COUNTY AIRPORT AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended September 30, 2012

FUND FINANCIAL ANALYSIS – CONTINUED

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, 2012 and 2011		
	2012	2011
Assets:		
Current and other assets	\$ 1,251,796	\$ 1,393,336
Capital assets	42,421,023	43,030,406
Total assets	43,672,819	44,423,742
Liabilities:		
Current	1,934,662	2,200,518
Non-current	4,896,412	5,027,727
Total liabilities	6,831,074	7,228,245
Net assets:		
Invested in capital assets, net of related debt	37,316,654	37,643,683
Unrestricted (deficit)	(474,909)	(448,186)
Total net assets	\$ 36,841,745	\$ 37,195,497

YUMA COUNTY AIRPORT AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended September 30, 2012

FUND FINANCIAL ANALYSIS – CONTINUED

Changes in Net Assets		
Years ended September 30, 2012 and 2011		
	2012	2011
Program revenues:		
Charges for services	\$ 3,618,890	\$ 3,593,291
Intergovernmental	783,044	2,610,636
General revenues:		
Passenger facility charges	277,584	293,673
Interest income	2,788	4,403
Total revenues	4,682,306	6,502,003
Expenses:		
Airport operations	4,743,309	4,394,715
Interest expense	292,749	249,417
Total expenses	5,036,058	4,644,132
Change in net assets	(353,752)	1,857,871
Net assets, beginning of year	37,195,497	35,337,626
Net assets, end of year	\$ 36,841,745	\$ 37,195,497

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2012 the Authority's investment in capital assets was \$37,316,654 (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 Yuma Pilot Center which is a state of the art General Aviation terminal building and complete rehabilitation or replacement of all paving surfaces on the airfield. Other exciting additions include the, Rolle Field improvement which provides for the Defense Contractor Complex concept to expand to an outlying airfield.

YUMA COUNTY AIRPORT AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended September 30, 2012

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.
- Capital expenditures of \$44,220 were 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 15 and 16 of this report.

Debt

Line of Credit

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

Long-Term Debt

The Authority has three notes payable. The detail of these notes is discussed in Note 6 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, 2012

Airport	
Operations	
\$ 771,858	Cash and cash equivalents
39,584	Accounts receivable, net
188,072	Intergovernmental receivable
41,567	Prepaid items
7,524	Deposits
1,048,605	Total current assets
	Noncurrent assets:
203,191	Restricted cash
	Capital assets:
8,234,855	Capital assets, not being depreciated
34,186,168	Capital assets, being depreciated, net
42,624,214	Total noncurrent assets
43,672,819	Total assets
	Liabilities
	Current liabilities:
188,401	Accounts payable
214,936	Accrued expenses
1,238,376	Deferred revenue
84,992	Refundable deposits
207,957	Current portion of long-term liabilities
	Total current liabilities
	Noncurrent liabilities:
4,896,412	Noncurrent portion of long-term liabilities
4,896,412	Total noncurrent liabilities
6,831,074	Total liabilities
	Net Assets
37,316,654	Invested in capital assets, net of related debt
(474,909)	Unrestricted (deficit)
\$ 36,841,745	Total net assets

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, 2012

Airport	
Operations	
\$ 2,147,352	Operating revenues:
1,471,538	Aeronautical
3,618,890	Non-aeronautical
1,688,491	Total operating revenues
1,307,016	Operating expenses:
1,747,802	Personnel expenses
4,743,309	Operating expenses
(1,124,419)	Total operating expenses
	Operating loss
	Nonoperating revenues (expenses):
2,788	Interest income
783,044	Intergovernmental
277,584	Passenger facility charges
(292,749)	Interest expense
770,667	Total nonoperating revenues (expenses)
(353,752)	Changes in net assets
37,195,497	Total net assets - beginning of year
\$ 36,841,745	Total net assets - end of year

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, 2012

	Airport Operations
Cash flows from operating activities:	
Receipts from customers and users	\$ 3,349,022
Payments to suppliers	(1,116,047)
Payments to employees	(1,688,491)
	544,484
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(1,138,419)
Receipts of passenger facilities charges	277,584
Capital grants received	848,777
Increase in restricted assets	(91,950)
Acquisition of debt	72,759
Principal paid on debt	(355,113)
Interest paid on debt	(292,749)
	(679,111)
Cash flows from investing activities:	
Interest and dividends	2,788
	(131,839)
Cash and cash equivalents, beginning of year	903,697
Cash and cash equivalents, end of year	\$ 771,858
 Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (1,124,419)
Bad debt expense	69,265
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	1,747,802
Amortization of deferred revenue	(309,594)
Changes in assets and liabilities:	
Increase in accounts receivable	(24,734)
Increase in prepaid items	(8,014)
Increase in deposits	(599)
Increase in accounts payable	136,643
Increase in accrued expenses	62,939
Decrease in refundable deposits	(4,805)
	\$ 544,484

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

Yuma County Airport Authority, Inc.
Notes to the Financial Statements
September 30, 2012

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statement to the extent those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

Notes to Financial Statements – Continued

Note 1 – Summary of Significant Accounting Policies – 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

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 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.

Note 2 – Cash and Investments

At September 30, 2012, 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	771,658	203,191	974,849
Total	<u>\$ 771,858</u>	<u>\$ 203,191</u>	<u>\$ 975,049</u>

At September 30, 2012, the carrying amount of the Authority's total cash in bank was \$974,849 and the bank balance was \$998,538. Of the bank balance, \$250,000 was covered by federal depository insurance and \$748,538 was covered by collateral held by the pledging institution's trust department.

Restricted Cash

The restricted cash at September 30, 2012 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, 2012:

Accounts receivable	\$ 127,352
Less allowance for uncollectibles	<u>(87,768)</u>
Net total receivables	<u>\$ 39,584</u>

Notes to Financial Statements – Continued

Note 3 – Receivables – Continued

Intergovernmental receivables consisted of the following at September 30, 2012:

Federal Aviation Administration	\$	144,185
Arizona Department of Transportation		27,212
US Department of Homeland Security		16,675
		188,072
Total intergovernmental receivables	\$	188,072

Note 4 – Capital Assets

Capital asset activity for the year ended September 30, 2012 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets, not being depreciated:</i>				
Land and easements	\$ 6,485,651	\$ -	\$ -	\$ 6,485,651
Construction in progress	828,989	920,215	-	1,749,204
Total capital assets, not being depreciated	7,314,640	920,215	-	8,234,855
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	47,938,507	165,779	-	48,104,286
Furniture, fixtures and equipment	1,703,464	8,205	-	1,711,669
Vehicles	352,809	44,220	-	397,029
Total capital assets, being depreciated	49,994,780	218,204	-	50,212,984
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(13,303,000)	(1,568,563)	-	(14,871,563)
Furniture, fixtures and equipment	(690,426)	(162,759)	-	(853,185)
Vehicles	(285,588)	(16,480)	-	(302,068)
Total accumulated depreciation	(14,279,014)	(1,747,802)	-	(16,026,816)
Total capital assets, being depreciated, net	35,715,766	(1,529,598)	-	34,186,168
Business-type activities capital assets, net	\$ 43,030,406	\$(609,383)	\$ -	\$ 42,421,023

Notes to Financial Statements – Continued

Note 4 – Capital Assets – Continued

Depreciation expense of \$1,747,802 was charged to the airport operation enterprise fund.

Construction in Progress

At September 30, 2012, the Authority had the following projects still in progress:

<u>Project</u>	<u>Balance, Oct. 1, 2011</u>	<u>Additions</u>	<u>Completed Projects</u>	<u>Balance, Sept. 30, 2012</u>
Land Acquisition	\$ 38,750	\$ -	\$ -	\$ 38,750
Taxiway Y Phase I	255,701	-	-	255,701
Rolle Field Facility	-	6,500	-	6,500
DCC Apron Phase II	167,870	-	-	167,870
Security System	280,198	102,497	-	382,695
AIC Building	-	280,712	-	280,712
Sterile Area Remodel	13,190	5,370	-	18,560
Terminal Apron Rehabilitation	-	6,317	-	6,317
Taxiway Zulu	73,280	518,819	-	592,099
Total	<u>\$ 828,989</u>	<u>\$ 920,215</u>	<u>\$ -</u>	<u>\$ 1,749,204</u>

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, 2012, is 2.84% 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, 2012, was as follows:

	<u>Balance October 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance September 30, 2012</u>	<u>Due Within One Year</u>
Line of credit	\$ 229,549	\$ -	\$ 229,549	\$ -	\$ -

Notes to Financial Statements – Continued

Note 6 – Long-Term Debt

Long-term debt of the Authority at September 30, 2012, consists of:

Note Payable to 1st Bank Yuma, with monthly payments of \$17,642 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.

\$ 3,125,178

Note Payable to 1st Bank Yuma, with monthly payments of \$12,517 including interest. The variable interest rate is 4.25% until July 21, 2013. The interest rate is determined by prime rate published in West Coast Edition of the *Wall Street Journal* 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.

1,906,432

Note Payable to 1st 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 *Wall Street Journal* 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.

72,759

\$ 5,104,369

Debt service requirements (at current interest rates) at September 30, 2012 were as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 207,957	\$ 226,710	\$ 434,667
2014	141,394	220,514	361,908
2015	147,875	214,033	361,908
2016	154,653	207,255	361,908
2017	161,744	200,164	361,908
2018-2022	927,039	882,501	1,809,540
2023-2027	1,160,178	649,362	1,809,540
2028-2032	1,183,825	366,612	1,550,437
2033-2037	919,417	139,127	1,058,544
2038	100,287	1,352	101,639
	<u>\$ 5,104,369</u>	<u>\$ 3,107,630</u>	<u>\$ 8,211,999</u>

Notes to Financial Statements – Continued

Note 6 – Long-Term Debt - Continued

Changes in long-term debt for the year ended September 30, 2012, are as follows:

	<u>Balance October 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance September 30, 2012</u>	<u>Due Within One Year</u>
Notes payable	<u>\$ 5,157,174</u>	<u>\$ 72,759</u>	<u>\$ 125,564</u>	<u>\$ 5,104,369</u>	<u>\$ 207,957</u>

Note 7 – 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.

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 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.

Notes to Financial Statements – Continued

Note 9 – 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>	
2013	\$ 1,614,042
2014	1,054,689
2015	567,391
2016	303,882
2017	288,295
Thereafter	<u>3,330,204</u>
Total	<u>\$ 7,158,503</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>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Aircraft landing fees	\$ 144,249	\$ 156,736	\$ 158,791	\$ 127,767
Car rental and parking fees	<u>976,708</u>	<u>992,130</u>	<u>864,090</u>	<u>752,164</u>
Total	<u>\$ 1,120,957</u>	<u>\$ 1,148,866</u>	<u>\$ 1,022,881</u>	<u>\$ 879,931</u>

Note 10 – 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.

Notes to Financial Statements – Continued

Note 10 – Pension Plan – Continued

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, 2012, 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. The Authority's share of contributions to ASRS for the years ended September 2012, 2011, and 2010 were \$111,718, \$96,461, and \$72,253 respectively, which were equal to the required contributions for the year. Contributions came from employee withholdings and operating resources of the Authority.

Yuma County Airport Authority, Inc.

Single Audit Reports

Year ended September 30, 2012

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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, 2012, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 3, 2013. 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

Management of the Authority is responsible for establishing and maintaining effective 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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, 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 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 & Armstrong, LLP

Phoenix, Arizona
January 3, 2013

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

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

Compliance

We have audited Yuma County Airport Authority, Inc.'s 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 Yuma County Airport Authority, Inc.'s major federal program for the year ended September 30, 2012. 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 compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2012.

Internal Control over Compliance

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 the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Yuma County Airport Authority, Inc.'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.

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 deficiencies, 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, 2012 and have issued our report thereon dated January 3, 2013, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in 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 financial statements or to the 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.

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.

Walker & Armstrong, LLP

Phoenix, Arizona
January 3, 2013

**Yuma County Airport Authority, Inc.
 Schedule of Findings and Questioned Costs
 Year ended September 30, 2012**

Summary of Audit Results

Financial Statements

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

Federal Awards

Internal control over financial reporting:		
Material weaknesses identified?	_____	_____ X _____
Significant deficiencies identified?	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
11.300	Investments for Public Works and Economic Development Facilities

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
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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, 2012

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	\$ 209,158
<u>U.S. Department of Transportation</u>		
Airport Improvement Program	20.106	395,143
Total expenditures of federal awards		\$ 604,301

See accompanying notes to schedule.

Yuma County Airport Authority, Inc.
Notes to Schedule of Expenditures of Federal Awards
Year ended September 30, 2012

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 2012 *Catalog of Federal Domestic Assistance*.

Communication with Those Charged with Governance

January 3, 2013

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) for the year ended September 30, 2012. Professional standards require that we provide you with the information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 12, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices – Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period.

Financial Statement Disclosures – Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no sensitive disclosures affecting the Authority's financial statements.

Difficulties Encountered in Performing the Audit – We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements – There were no corrected or uncorrected misstatements.

Disagreements with Management – For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations – We have requested certain representations from management that are shown in *Exhibit 1*.

Management Consultations with Other Independent Accountants – In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues – We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements – With respect to the management discussion and analysis which is required supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the required supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the board of directors and management of Yuma County Airport Authority and is not intended to be and should not be used by anyone other than these specified parties.

Walker & Armstrong, LLP

Attachments