



**Yuma County Airport Authority, Inc.**  
**Basic Financial Statements**

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**Year Ended September 30, 2011**

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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, 2011, 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, 2011, 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 5, 2012, 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 8 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 5, 2012

**YUMA COUNTY AIRPORT AUTHORITY, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year ended September 30, 2011**

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As management of the Yuma County Airport Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities for the year ended September 30, 2011. 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 \$37,195,497 (net assets).
- The Authority's cash balance at September 30, 2011 was \$903,697 representing a decrease of \$479,842 from September 30, 2010.
- The Authority had intergovernmental revenues of \$2,610,636, operating revenues (charges for services) of \$3,593,291 and operating expenses of the enterprise fund totaling \$4,394,715 for the year ended September 30, 2011.
- The Authority's capital outlays for the year ended September 30, 2011 totaled \$4,717,054 which includes costs of \$4,513,902 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, 2011**

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**OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED**

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 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. **GA Apron Rehabilitation.** Capital outlays of \$2,172,392 were expended during the year on the rehabilitation of all General Aviation ramps on the airfield. This project was funded by an FAA AIP Grant, as well as an ADOT Grant and was completed in May of 2011 at a total cost of \$2,365,558. This project was essential to replace and rehabilitate the apron which was 30 to 40 years old in some areas. The completion of this project has left the airport with all new paving inside the perimeter fence.
2. **Rolle Field Improvements.** Capital outlays of \$638,370 were expended to resurface the existing runway at this auxiliary airfield, add an aircraft parking apron, security fencing and a hangar building. This project was funded with a combination of grants from both ADOT and the Arizona Governors' Office of Economic Recovery. The project was initiated and completed during the year.
3. **Widening of Taxiway Z.** Capital outlays of \$73,280 were expended on the design of this project which was funded with operational funds. FAA AIP Grant funding is expected during fiscal year 2012, at which time funds expended will be reimbursed.
4. **Yuma Pilot Center Remodel.** Capital outlays of \$1,273,739 were expended during the year on the design and construction of this project. This project includes the remodel of a 30 year old FBO facility and related fuel farm into a state of the art facility the community can be proud of. Funding for this project is being provided through long term debt financing and contributions toward the project cost made directly by current tenant Freeman Holdings, dba Million Air. The total cost of this remodel was \$2,292,501 with Freeman Holdings contributing a total of \$1,547,970 towards the project. The facility is owned by the Airport Authority and leased to Freeman Holdings, dba Million Air.

**YUMA COUNTY AIRPORT AUTHORITY, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year ended September 30, 2011**

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**FUND FINANCIAL ANALYSIS – CONTINUED**

5. **Fencing and Security System Improvements.** Capital outlays of \$116,679 were also expended during the year for fencing and security system improvements. This project was completed at a total cost of \$184,673 and resulted in an entire airfield perimeter fence that meets or exceeds the standards existing on the military side of the airfield. This project was vital to ensure that the Airport continues to provide state of the art security.
6. **Fiber Optic Security System.** Capital outlays of \$183,087 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.
7. **Sterile Area Improvements.** Capital outlays of \$10,740 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.

Capital grants and contributions of \$2,610,636 which are reported as intergovernmental revenue increased by \$2,170,671 as compared to the fiscal year ended September 30, 2010.

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 \$37,195,497 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 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.

**YUMA COUNTY AIRPORT AUTHORITY, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year ended September 30, 2011**

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**FUND FINANCIAL ANALYSIS – CONTINUED**

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

<b>Net Assets</b>		
<b>September 30, 2011 and 2010</b>		
	<b>2011</b>	<b>2010</b>
<b>Assets:</b>		
Current and other assets	\$ 1,393,336	\$ 1,999,901
Capital assets	43,030,406	39,901,154
<b>Total assets</b>	44,423,742	41,901,055
<b>Liabilities:</b>		
Current	2,200,518	1,392,927
Non-current	5,027,727	5,170,502
<b>Total liabilities</b>	7,228,245	6,563,429
<b>Net assets:</b>		
Invested in capital assets, net of related debt	37,643,683	34,634,873
Unrestricted (deficit)	( 448,186)	702,753
<b>Total net assets</b>	\$ 37,195,497	\$ 35,337,626



**YUMA COUNTY AIRPORT AUTHORITY, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year ended September 30, 2011**

**FUND FINANCIAL ANALYSIS – CONTINUED**

<b>Changes in Net Assets</b>		
<b>Year ended September 30, 2011 and 2010</b>		
	<b>2011</b>	<b>2010</b>
<b>Program revenues:</b>		
Charges for services	\$ 3,593,291	\$ 3,048,491
Intergovernmental	2,610,636	439,965
<b>General revenues:</b>		
Passenger facility charges	293,673	300,567
Interest income	4,403	8,628
<b>Total revenues</b>	<b>6,502,003</b>	<b>3,797,651</b>
<b>Expenses:</b>		
Airport operations	4,394,715	3,878,974
Interest expense	249,417	221,651
<b>Total expenses</b>	<b>4,644,132</b>	<b>4,100,625</b>
Change in net assets	1,857,871	(302,974)
Net assets, beginning of year	35,337,626	35,640,600
Net assets, end of year	<b>\$ 37,195,497</b>	<b>\$ 35,337,626</b>

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

As of September 30, 2011 the Authority's investment in capital assets was \$37,643,683 (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, 2011**

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**CAPITAL ASSET AND DEBT ADMINISTRATION – Continued**

**Capital Assets – Continued**

- Capital expenditures of \$93,860 were made to purchase equipment and furniture for the Authority's operations.
- Capital expenditures of \$26,000 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 16 and 17 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 17 of this report.

***Long-Term Debt***

The Authority has two notes payable. The detail of these notes is discussed in Note 6 on pages 18 and 19 of this report.

**CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, 2191 E. 32<sup>nd</sup> Street, Suite 218, Yuma, AZ 85365 or call (928) 726-5882.

**Yuma County Airport Authority**  
**Statement of Net Assets - Enterprise Funds**  
**September 30, 2011**

	<b>Airport Operations</b>
<b>Assets</b>	
<i><b>Current assets:</b></i>	
Cash and cash equivalents	\$ 903,697
Accounts receivable, net	84,115
Intergovernmental receivable	253,805
Prepaid items	33,553
Deposits	6,925
Total current assets	1,282,095
<i><b>Noncurrent assets:</b></i>	
Restricted cash	111,241
Capital assets:	
Capital assets, not being depreciated	7,314,640
Capital assets, being depreciated, net	35,715,766
Total noncurrent assets	43,141,647
Total assets	44,423,742
<b>Liabilities</b>	
<i><b>Current liabilities:</b></i>	
Accounts payable	51,758
Line of credit	229,549
Accrued expenses	151,997
Deferred revenue	1,547,970
Refundable deposits	89,797
Current portion of long-term liabilities	129,447
Total current liabilities	2,200,518
<i><b>Noncurrent liabilities:</b></i>	
Noncurrent portion of long-term liabilities	5,027,727
Total noncurrent liabilities	5,027,727
Total liabilities	7,228,245
<b>Net Assets</b>	
Invested in capital assets, net of related debt	37,643,683
Unrestricted (deficit)	(448,186)
Total net assets	\$ 37,195,497

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, 2011**

	<b>Airport Operations</b>
<b>Operating revenues:</b>	
Aeronautical	\$ 2,359,522
Non-aeronautical	1,233,769
Total operating revenues	3,593,291
<b>Operating expenses:</b>	
Personnel expenses	1,482,338
Operating expenses	1,324,575
Depreciation	1,587,802
Total operating expenses	4,394,715
Operating loss	(801,424)
<b>Nonoperating revenues (expenses):</b>	
Interest income	4,403
Intergovernmental	2,610,636
Passenger facility charges	293,673
Interest expense	(249,417)
Total nonoperating revenues (expenses)	2,659,295
Changes in net assets	1,857,871
Total net assets - beginning of year	35,337,626
Total net assets - end of year	\$ 37,195,497

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, 2011**

	<b>Airport Operations</b>
<b>Cash flows from operating activities:</b>	
Receipts from customers and users	\$ 3,522,261
Payments to suppliers	(1,513,041)
Payments to employees	(1,482,338)
	526,882
<b>Cash flows from capital and related financing activities:</b>	
Acquisition and construction of capital assets	(4,717,054)
Proceeds from vendor for construction costs	749,832
Receipts of passenger facilities charges	293,673
Capital grants received	2,604,153
Decrease in restricted assets	187,244
Acquisition of debt	492,110
Principal paid on debt	(371,668)
Interest paid on debt	(249,417)
	(1,011,127)
<b>Cash flows from investing activities:</b>	
Interest and dividends	4,403
	(479,842)
Cash and cash equivalents, beginning of year	1,383,539
Cash and cash equivalents, end of year	\$ 903,697
 <b>Reconciliation of operating loss to net cash provided by operating activities:</b>	
Operating loss	\$ (801,424)
Bad debt expense	18,003
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	1,587,802
Changes in assets and liabilities:	
Increase in accounts receivable	(79,863)
Decrease in prepaid items	7,823
Decrease in accounts payable	(227,339)
Increase in accrued expenses	31,050
Decrease in refundable deposits	(9,170)
	526,882
Net cash provided by operating activities	\$ 526,882

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

**Yuma County Airport Authority, Inc.**  
**Notes to the Financial Statements**  
**September 30, 2011**

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

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

***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

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### **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

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

#### *D. Assets, Liabilities and Net Assets - Continued*

##### **7. Reclassifications**

During 2011, certain reclassifications of revenues were made from the previous year's presentation. These reclassifications had no effect on beginning net assets or changes in net assets.

### Note 2 – Cash and Investments

At September 30, 2011, 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	903,497	111,241	1,014,738
Total	<u>\$ 903,697</u>	<u>\$ 111,241</u>	<u>\$ 1,014,938</u>

At September 30, 2011, the carrying amount of the Authority's total cash in bank was \$1,014,938 and the bank balance was \$1,122,167. Of the bank balance, \$250,000 was covered by federal depository insurance and \$872,167 was covered by collateral held by the pledging institution's trust department.

#### ***Restricted Cash***

The restricted cash at September 30, 2011 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, 2011:

Accounts receivable	\$ 102,618
Less allowance for uncollectibles	<u>( 18,503)</u>
Net total receivables	<u>\$ 84,115</u>

**Notes to Financial Statements – Continued**

**Note 3 – Receivables – Continued**

Intergovernmental receivables consisted of the following at September 30, 2011:

Arizona Department of Transportation	\$	237,500	
US Department of Homeland Security		16,305	
Total intergovernmental receivables		253,805	

**Note 4 – Capital Assets**

Capital asset activity for the year ended September 30, 2011 is as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b><i>Capital assets, not being depreciated:</i></b>				
Land and easements	\$ 6,485,651	\$ -	\$ -	\$ 6,485,651
Construction in progress	1,804,582	4,513,902	( 5,489,495)	828,989
Total capital assets, not being depreciated	8,290,233	4,513,902	( 5,489,495)	7,314,640
<b><i>Capital assets, being depreciated:</i></b>				
Buildings and improvements	42,365,720	5,572,787	-	47,938,507
Furniture, fixtures and equipment	1,609,604	93,860	-	1,703,464
Vehicles	326,809	26,000	-	352,809
Total capital assets, being depreciated	44,302,133	5,692,647	-	49,994,780
<b><i>Less accumulated depreciation for:</i></b>				
Buildings and improvements	( 11,891,823)	( 1,411,177)	-	( 13,303,000)
Furniture, fixtures and equipment	( 533,392)	( 157,034)	-	( 690,426)
Vehicles	( 265,997)	( 19,591)	-	( 285,588)
Total accumulated depreciation	( 12,691,212)	( 1,587,802)	-	( 14,279,014)
Total capital assets, being depreciated, net	31,610,921	4,104,845	-	35,715,766
Business-type activities capital assets, net	\$ 39,901,154	\$ 8,618,747	\$(5,489,495)	\$ 43,030,408

**Notes to Financial Statements – Continued**

**Note 4 – Capital Assets – Continued**

Depreciation expense of \$1,587,802 was charged to the airport operation enterprise fund.

**Construction in Progress**

At September 30, 2011, the Authority had the following projects still in progress:

<b>Project</b>	<b>Balance, Oct. 1, 2010</b>	<b>Additions</b>	<b>Completed Projects</b>	<b>Balance, Sept. 30, 2011</b>
Land Acquisition	\$ 38,750	\$ -	\$ -	\$ 38,750
Yuma Pilot Center	1,018,762	1,273,739	2,292,501	-
Quimby Re-Model	-	8,393	8,393	-
Rolle Field Facility	-	638,370	638,370	-
Taxiway Y Phase I	253,479	2,222	-	255,701
GA Apron Re-hab	193,166	2,172,392	2,365,558	-
DCC Apron Phase II	132,870	35,000	-	167,870
Security System	97,111	183,087	-	280,198
Fencing Improvement	67,994	116,679	184,673	-
Sterile Area Remodel	2,450	10,740	-	13,190
Taxiway Zulu	-	73,280	-	73,280
<b>Total</b>	<b>\$ 1,804,582</b>	<b>\$ 4,513,902</b>	<b>\$ 5,489,495</b>	<b>\$ 828,989</b>

**Note 5 - Line of Credit**

The Authority has a \$1,000,000 tax-exempt revolving line of credit with variable interest rate calculated daily at 87.5% of prime rate as published in the West Coast edition of the Wall Street Journal maturing June 21, 2038. The interest rate at September 30, 2011, 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, 2011, was as follows:

	<b>Balance October 1, 2010</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance September 30, 2011</b>	<b>Due Within One Year</b>
Line of credit	\$ -	\$ 492,110	\$ 262,561	\$ 229,549	\$ 229,549

**Notes to Financial Statements – Continued**

**Note 6 – Long-Term Debt**

Long-term debt of the Authority at September 30, 2011, consists of:

Tax Exempt Note Payable to 1<sup>st</sup> 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. \$ 3,184,444

Taxable Note Payable to 1<sup>st</sup> 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. 1,972,730  
\$ 5,157,174

Debt service requirements (at current interest rates) at September 30, 2011 were as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 129,447	\$ 232,461	\$ 361,908
2013	135,379	226,529	361,908
2014	141,584	220,324	361,908
2015	148,073	213,835	361,908
2016	154,862	207,046	361,908
2017-2021	887,578	921,961	1,809,539
2022-2026	1,110,766	698,774	1,809,540
2027-2031	1,276,824	420,832	1,697,656
2032-2036	878,504	180,040	1,058,544
2037-2038	294,157	10,736	304,893
	<u>\$ 5,157,174</u>	<u>\$ 3,332,538</u>	<u>\$ 8,489,712</u>

Changes in long-term debt for the year ended September 30, 2011, were as follows:

	<u>Balance October 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance September 30, 2011</u>	<u>Due Within One Year</u>
Notes payable	<u>\$ 5,266,281</u>	<u>\$ -</u>	<u>\$ 109,107</u>	<u>\$ 5,157,174</u>	<u>\$ 129,447</u>

## Notes to Financial Statements – Continued

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### **Note 6 – Long-Term Debt – Continued**

Subsequent to September 30, 2011, the Authority entered into a debt agreement with 1<sup>st</sup> Bank Yuma for \$2,000,000 to be used for payment of construction of new buildings at the airport. Until construction is completed the note is a non-revolving line of credit with interest payable monthly at 4.9% per annum. The outstanding principal balance matures on November 18, 2013.

### **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>	
2012	\$ 1,801,754
2013	1,622,929
2014	1,061,727
2015	570,852
2016	303,882
Thereafter	<u>4,149,626</u>
Total	<u>\$ 9,510,770</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>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Aircraft landing fees	\$ 156,736	\$ 158,791	\$ 127,767	\$ 173,564
Car rental and parking fees	<u>992,130</u>	<u>864,090</u>	<u>752,164</u>	<u>769,602</u>
Total	<u>\$ 1,148,866</u>	<u>\$ 1,022,881</u>	<u>\$ 879,931</u>	<u>\$ 943,166</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

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### **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, 2011, active ASRS members and the Authority were each required by statute to contribute at the actuarially determined rate of 11.39 percent (11.13 percent retirement and 0.26 percent long-term disability) and 10.10 percent (9.87 percent retirement and 0.23 percent long-term disability), respectively, of the members' annual covered payroll. The Authority's contributions to ASRS for the years ended September 2011, 2010, and 2009 were \$196,462, \$144,506, and \$131,359 respectively, which were equal to the required contributions for the year. Contributions came from employee withholdings and operating resources of the Authority.

**Yuma County Airport Authority, Inc.**

**Single Audit Reports**

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**Year ended September 30, 2011**



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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, 2011, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 5, 2012. 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 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 5, 2012

**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, 2011. 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, 2011.

## ***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, 2011 and have issued our report thereon dated January 5, 2012, 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 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 information 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.

Phoenix, Arizona  
January 5, 2012

*Walker + Armstrong LLP*

**Yuma County Airport Authority, Inc.  
 Schedule of Findings and Questioned Costs  
 Year ended September 30, 2011**

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**Summary of Audit Results**

***Financial Statements***

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

***Federal Awards***

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

***Identification of major programs:***

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

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

***Other Matters***

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

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

**Yuma County Airport Authority, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**Year ended September 30, 2011**

<b>Federal Grantor / Pass - Through Grantor / Program Title</b>	<b>CFDA Number</b>	<b>Expenditures</b>
<b><u>U.S. Department of Transportation</u></b>		
Airport Improvement Program	20.106	\$ 2,035,366
Small Community Air Service Development	20.930	<u>2,860</u>
<b>Total U.S. Department of Transportation</b>		<b>2,038,226</b>
<b><u>U.S. Department of Education</u></b>		
<i>Pass through State of Arizona</i>		
Government Services Fund [ARRA]	84.397	<u>280,680</u>
<b>Total expenditures of federal awards</b>		<b><u><u>\$ 2,318,906</u></u></b>

See accompanying notes to schedule.



**Yuma County Airport Authority, Inc.**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year ended September 30, 2011**

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**Note 1 – Basis of Accounting**

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

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

The program titles and CFDA numbers were obtained from the 2011 *Catalog of Federal Domestic Assistance*.