

**SOUTH CENTRAL REGIONAL AIRPORT AGENCY**

Meeting of the Board

**June 20, 2018 - 6:00 p.m.**

Oskaloosa City Hall, Council Chambers

220 South Market Street

**Agenda**

1. Call to Order.
2. Approval of Minutes from February 27, 2018.
3. Call to the public (limited to 3 minutes per person)
4. Motion to receive and file the South Central Regional Airport Agency's audited financial statements for the fiscal year ended June 30, 2017.
5. Staff reports
6. Discussion of next meeting date/time.
7. Adjourn.

ITEM NO: 2

SUBJECT: Approval of the February 27, 2018 Minutes

DATE: June 20, 2018

BACKGROUND: Staff has prepared meeting minutes to reflect the general discussion and action items associated with the specific meeting referenced.

ATTACHMENTS: Minutes

REPORT PREPARED BY: Staff

RECOMMENDED ACTION: Approve the minutes

South Central Regional Airport Agency  
Meeting Minutes  
Tuesday, February 27, 2018

Committee Members Present: Pamela Blomgren, James Hansen, David Barnes, and Sid Pinney.

Committee Members Absent: Joe Warrick and Randy Borgerding.

SCRAA Staff Present: Mike Nardini, Pella City Administrator, Michael Schrock Jr., Oskaloosa City Manager.

SCRAA Staff Absent: David Shanahan, Mahaska County Engineer.

Meeting called to order by Chairman Hansen at 6:00 p.m. in the Pella Public Safety Complex, 614 Main Street, Pella, IA.

It was moved by Barnes, seconded by Blomgren to approve the December 13, 2017 minutes. Motion carried 4-0.

Chairman Hansen opened the call to the public. Comments were received by Mr. Daniel Nugteren and Mr. John Bandstra. Mr. Bandstra also requested to submit his written comments into the meeting minutes. A motion was made by Pinney, seconded by Blomgren to accept the comments into the meeting minutes. Pinney, Blomgren, and Hansen voted to accept the written comments while Barnes voted to deny placing the written comments into the meeting minutes. The motion passed on a 3-1 vote.

It was moved by Blomgren, seconded by Barnes to approve the resolution entitled, "ELECTING OFFICER POSITIONS". Motion carried 4-0. Listed below are the approved officers for the SCRAA:

Jim Hansen, Chair (representing the City of Oskaloosa).

Joe Warrick, Vice Chair (representing Mahaska County).

David Barnes, Secretary/Treasurer (representing the City of Pella).

The term for the officers will begin on February 27, 2018 and extend through the date of the 2019 annual meeting. In addition, this resolution also authorized Sid Pinney to fill the role of Vice Chair in the event of the absence of the Mahaska County representative.

It was moved by Barnes, seconded by Blomgren to approve the resolution entitled, "RESOLUTION APPROVING FISCAL YEAR 2018-19 BUDGET AND AUTHORIZING SUBMITTAL TO THE CITY OF OSKALOOSA AND THE CITY OF PELLA". Motion carried 4-0.

Annually, the South Central Regional Airport Agency (SCRAA) is required to submit a proposed operating and capital budget for consideration to the City of Oskaloosa and the City of Pella. This resolution adopts the proposed budget and authorizes submittal to the respective cities. Listed below is the Fiscal Year 2018-19 Budget:

**Fiscal Year 2018-19 Budget**

***Operating Expenditures***

Insurance	\$	5,000
Audit		4,800
Legal		7,000
Training/Conferences		1,600
Travel		4,000
Website Maintenance		<u>750</u>
<b>Total Operating Expenditures</b>	<b>\$</b>	<b><u>23,150</u></b>

***Capital Expenditures***

Anticipated expenditures for HDR Engineering for FY 18-19 is \$27,000 for work associated with the federal release of the Oskaloosa Municipal Airport.

Jerry Searle provided an update on the upcoming information meeting with potentially impacted property owners. This meeting is required under Iowa law and is currently scheduled to be held on April 5, 2018 from 3:00 to 5:00 p.m. at the Pella Public Safety Complex. Jerry also provided an overview of the work his firm is performing to secure a federal release for the Oskaloosa Municipal Airport.

The time and date for the next meeting is yet to be determined.

A motion to adjourn was moved by Pinney and seconded by Barnes. Motion carried 4-0.

The meeting adjourned at 6:19 p.m.

Minutes prepared by Mike Nardini

I'm John Bandstra of Mahaska County. I request these written comments be included in the minutes for this meeting. I would like to take a moment to ask Jim Hansen if he wishes to comment on his written comments to me.

Jim Hansen states in an email dated February 08, 2018 that the action by the Supervisors was illegal. May I remind Jim and the Board this is only Jim's opinion. It is the duty of the court to decide if the action taken by the Supervisors was legal or illegal.

Item 4. On tonight's agenda is Resolution No. 23 entitled, "Electing Officer Positions". In this Resolution the SCRAA Executive Committee is recommending Joe Warrick to be Vice Chair representing Mahaska County. Mahaska County released Joe Warrick for being their representative months ago. How can you state he represents Mahaska County when he has been released from that position? Does the Board consider this legal?

May I remind the Board the 28E Agreement Article III Section 5 a. states Regular meetings shall be held at least quarterly at the place, day and hour set forth in a schedule of regular meetings for the following year that is approved by the Board. The annual meeting shall be the first regular meeting held in February of each year. This being the February meeting, this is the meeting to schedule the regular meeting for the rest of the year.

There has been a significant change in land prices, costs of construction along with the scope of the project. When will an updated Financial Plan outlining the costs to build the airport be published?

John Bandstra

Subject:RE: RE: SCRAA questions

From:jhansen@scraalowa.com  
To:John Bandstra  
Cc:mnardini@cityofpella.com

Date:Thursday, February 08, 2018 08:37:54 AM

John,

The action taken by the Supervisors was illegal and has put the SCRAA Board in a position of having to openly and appropriately cover the responsibilities of the Secretary. In accordance with the Agreement establishing the SCRAA, these duties are being performed by or with the assistance of staff. This assistance, in fact, mitigates the damages caused by the actions of the Board of Supervisors in that it allows the SCRAA Board to proceed with its stated duties. Approval of expenditures lies with the Board, not the Secretary.

Thanks, Jim

From: John Bandstra  
Sent: Monday, February 05, 2018 10:53 PM  
To: Jim Hansen  
Cc: 'Mike Nardini'  
Subject: Re: RE: SCRAA questions

Jim & Mike,

I am not sure why you would consider questions dealing with the two resolutions presented at the last SCRAA meeting as being repetitive. Can you explain why you consider that a repetitive question?

Please also answer the questions I sent to Mike on January 3rd. With the elections scheduled for the for this month's meeting, The questions are important questions. If the questions seem repetitive it is because they have not been answered. If you notice, my questions are asking for the specific documentation reference to substantiate your answers.

John Bandstra

John Bandstra  
To:mnardini@cityofpella.com

Jan 03 at 2:37 PM

Mike Nardini ,

Article III Section 2.a of the 28E Agreement states:

Each representative of the board shall be a member of its governing body, or other person appointed by the mayor or chair of the governing body and approved by such governing body.

Mahaska County is on public record releasing Joe Warrick of his duties on the SCRAA board. This creates a vacancy for the position of the Treasurer. In the previous meeting the following comment was made:

Article 3, Section 40, last sentence states the 'secretarial duties may be performed by staff' not the fiscal (Treasurer) duties. That's the responsibility of the 'not represented' Treasurer, party representing Mahaska County.

How does the Board legally spend money (ie establish contracts) without the 28E designated responsible officer? Article 7, Section 5 does not apply since the responsible Board Officer (Treasurer) is not physically on the Board? Staff can do the 'staffing or ground

work' but the Treasurer is the designated responsible individual. The coordinating agency per Article 4, Section 2A is responsible to the Executive Committee/Treasurer for proper fiscal actions.

The 28E Agreement between Mahaska County, the City of Oskaloosa, and the City of Pella was approved by each entity in 2012. To-date, there have been no amendments or changes to the agreement.

Mike, your response was as follows:

The Agreement provides that:

e. The officers of the Board shall be elected annually by and from the representatives of the Parties present at the annual meeting of the Board.

f. Each officer shall hold office until his or her successor has been duly elected. Alternates shall not be eligible to serve as officers. A vacancy in the office of Chair, Vice-Chair or Secretary/Treasurer shall be filled by the Board for the unexpired portion of the term.

The current Board has the authorization to fill the position of the Treasurer.

Article III, Section 2., b. states Each representative of the Board shall be a member of its governing body, or other person appointed by the mayor or chair of the governing body and approved by such governing body. With Mahaska County releasing their representative, by what authority can Joe Warrick be Secretary/Treasurer? Please reference the section of the 28E that would allow him to currently be in that position.

At the December 13, 2017 SCRAA meeting, Resolution No. 21 and Resolution No. 22 listed Joe Warrick as Secretary/Treasurer. How is this possible as these documents were created after Mahaska County has released Joe Warrick from his duties from the SCRAA board?

Article III, Section 4, a. states The officers of the Board shall be the Chair, the Vice Chair, and the Secretary/Treasurer each of whom shall be elected by vote of the Board. Each Party shall be represented by one officer. How will the officers of the board be filled with Mahaska County not having a representative on the board? Again, please reference the section of the 28E which authorizes the action the board will take.

John Bandstra

On Monday, February 05, 2018 03:41:35 PM, Jim Hansen <jhansen@scaalowa.com> wrote:

John, it was our thinking that the questions you asked were repetitive of previous questions. If you like, please resend and we'll review.

Jim Hansen

-----Original Message-----

From: John Bandstra  
Sent: Wednesday, January 17, 2018 8:53 AM  
To: Jim Hansen  
Subject: SCRAA questions

Jim,

At the SCRAA meetings you indicate SCRAA will answer questions if addressed to Mike Nardin. What would you consider a reasonable amount of time to receive a reply to questions?

John Bandstra

ITEM NO: 4

SUBJECT: Motion to receive and file the South Central Regional Airport Agency's audited financial statements for the fiscal year ended June 30, 2017.

DATE: June 20, 2018

BACKGROUND: Certified public accountants, Van Maanen, Sietstra, Meyer & Nikkel, PC have been retained to complete an audit of the financial statements of the SCRAA for the year ended June 30, 2017. The Auditor's Report is included with this agenda item for presentation and discussion. No instances of non-compliance, or internal control deficiencies are noted.

ATTACHMENTS: Audited financial statements for the fiscal year ended June 30, 2017.

REPORT PREPARED BY: Staff

RECOMMENDED ACTION: Receive and file the South Central Regional Airport Agency's audited financial statements for the fiscal year ended June 30, 2017.

**SOUTH CENTRAL REGIONAL AIRPORT AGENCY**

**INDEPENDENT AUDITOR'S REPORT  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
June 30, 2017**

**South Central Regional Airport Agency**  
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**June 30, 2017**

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**South Central Regional Airport Agency  
 Officials  
 Year Ending June 30, 2017**

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<u>Name</u>	<u>Title</u>	<u>Appointed By</u>	<u>Term Expires</u>
<b>(Before April1, 2017)</b>			
Jim Hansen	Chairman	Oskaloosa	April 1, 2017
David Barnes	Vice Chairman	Pella	April 1, 2018
Joe Warrick	Secretary	Mahaska County	December 31, 2019
Pamela Blomgren	Board Member	Oskaloosa	March 31, 2018
Donna Smith	Board Member	Pella	April 1, 2017
Randy Borgerding	Board Member	Pella	April 1, 2020
<b>(After April1, 2017)</b>			
Jim Hansen	Chairman	Oskaloosa	March 31, 2022
David Barnes	Vice Chairman	Pella	April 1, 2018
Joe Warrick	Secretary	Mahaska County	December 31, 2019
Pamela Blomgren	Board Member	Oskaloosa	March 31, 2018
Randy Borgerding	Board Member	Pella	April 1, 2020
Sid Pinney	Board Member	Pella	April 1, 2021
<u>Supporting Staff:</u>			
Mike Nardini	City of Pella Administrator		Indefinite
David Shanahan	Mahaska County Engineer		Indefinite
Mike Schrock	City of Oskaloosa Manager		Indefinite
Faegre, Baker, Daniels Kim Walker, Attorney	Attorney		Indefinite
Brick, Gentry, Bower, Swartz & Lewis, PC Amy Beattie, Attorney	Attorney		Indefinite



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**Van Maanen, Sietstra, Meyer & Nikkel, PC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**Independent Auditor's Report**

To the Members of the South Central Regional Airport Agency:

Report on the Financial Statements

We have audited the accompanying financial statements of the business type activities of South Central Regional Airport Agency as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the Agency's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities of South Central Regional Airport Agency, as of June 30, 2017, and the respective changes in financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

*Required Supplementary Information*

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 5 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, which 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 U.S. generally accepted auditing standards, which consisted of inquiries of management

about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Central Regional Airport Agency's basic financial statements. The budgetary comparison schedule is presented for purposes of additional analysis and is not required part of the basic financial statements.

The budgetary comparison schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedure applied in the audit of the basic financial statements and certain additional procedure applied in the audit of the information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated February 28, 2018 on our consideration of the South Central Regional Airport Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the South Central Regional Airport Agency's internal control over financial reporting and compliance.

*Van Maanen, Sietstra, Meyer & Nikkel PC*

Van Maanen, Sietstra, Meyer & Nikkel, PC  
Certified Public Accountants

February 28, 2018

**South Central Regional Airport Agency  
Management's Discussion and Analysis  
June 30, 2017**

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The South Central Regional Airport Agency was formed pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Agency is for the joint acquisition, construction, equipping, use and operation of a proposed regional airport for the citizens of Mahaska County, the City of Oskaloosa, and the City of Pella.

This Management's Discussion and Analysis is for the year ended June 30, 2017. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

**2017 FINANCIAL HIGHLIGHTS**

- For fiscal year ending June 30, 2017, the Agency's operating expenditures were \$17,896, of which the largest expenditures were liability insurance and legal expense.
- For the fiscal year ending June 30, 2017, \$26,091 were expended for the aviation planning studies, of which \$23,481 were reimbursed through grants by the Federal Aviation Administration.

**USING THIS REPORT**

The South Central Regional Airport Agency is a 28E organization and presents its financial statements using the economic resources measurement focus and accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This Discussion and Analysis is intended to serve as an introduction to the South Central Regional Airport Agency's basic financial statements. The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Agency's financial activities.

The Statement of Net Position presents information on the Agency's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position is the basic statement of activities for the proprietary funds. This statement presents information on the Agency's operating revenues and expenses, non-operating revenues and expenses and whether the Agency's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Agency's cash and cash equivalents during the year. This information can assist readers of the report in determining how the Agency financed its activities and how it met its cash requirements.

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

**FINANCIAL ANALYSIS OF THE AGENCY**

*Statement of Net Position*

As noted earlier, net positions may serve over time as a useful indicator of the Agency's financial position. The Agency's net position at the end of fiscal year 2017 totaled \$513,690 and was comprised solely of the engineering and development work for the aviation planning studies. A summary of the Agency's net position is presented below.

**South Central Regional Airport Agency  
Management's Discussion and Analysis  
June 30, 2017**

	<b>Net Position</b>	
	<b>Business Type Activities</b>	
	<b>June 30,</b>	<b>June 30,</b>
	<b>2017</b>	<b>2016</b>
Current and other assets	\$ 52,092	59,678
Capital assets	513,690	487,599
Total assets	<u>565,782</u>	<u>547,277</u>
Current Liabilities	52,092	59,678
Total Liabilities	<u>52,092</u>	<u>59,678</u>
Net position:		
Net investment in capital assets	513,690	487,599
Total net position	<u>\$ 513,690</u>	<u>487,599</u>

It is important to note, the Agency continues to meet its operational and non-operational financial requirements in accordance with the 28E agreement which provides for assistance from supporting organizations.

*Statement of Revenues, Expenses and Changes in Net Position*

Operating revenues are reimbursed 60% by the City of Pella and 40% by the City of Oskaloosa. Operating expenses are expenses paid to meet the day-to-day obligations necessary to facilitate the development of the regional airport. Non-operating expenses are expenditures associated with the aviation planning studies for the proposed regional airport. Non-operational expenditures are reimbursed 90% by the Federal Aviation Agency, 5% by the City of Oskaloosa and 5% by the City of Pella. A summary of revenues, expenses and changes in net position for the year ending June 30, 2017 are below.

	<b>CHANGES IN NET POSITION</b>	
	<b>Business Type Activities</b>	
	<b>June 30,</b>	<b>June 30,</b>
	<b>2017</b>	<b>2016</b>
Operating Revenues		
Member government operating assessments:		
City of Pella	\$ 10,738	\$ 7,486
City of Oskaloosa	7,158	4,991
Total revenues	<u>17,896</u>	<u>12,477</u>
Operating Expenses		
Training and Conferences	1,501	-
Professional fees	11,293	8,784
Insurance expense	5,000	3,693
Other expenses	102	
Total expenditures	<u>17,896</u>	<u>12,477</u>
Operating income (loss)	-	-
Non Operating revenues (expenses)		
Member government capital assessments:		
City of Pella	1,305	9,206
City of Oskaloosa	1,305	9,206
Grant Reimbursement	23,481	165,715
Total other financing sources (uses)	<u>26,091</u>	<u>184,127</u>
Change in net position	26,091	184,127
Net position beginning of year	<u>487,599</u>	<u>303,472</u>
Net position end of year	<u>513,690</u>	<u>487,599</u>

The Statement of Revenues, Expenses and Changes in Net Position reflects a positive year with an increase in net position at the end of the fiscal year.

In fiscal year 2017, operating expenses of \$17,896 were offset by member cities operational revenue contributions as specified in the Agency's 28E agreement. Minimal changes in operational revenue and expenditures are expected prior to the proposed airport becoming fully operational.

#### *Statement of Cash Flows*

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities included operational revenue contributions by member cities. Cash used as capital included payments related to the development and engineering of the proposed regional airport.

#### **CAPITAL ASSETS**

At June 30, 2017, the Agency had \$513,690 invested in capital assets. The current capital assets of the Agency are comprised of the development and engineering of the airport currently in progress. More detailed information about the Agency's capital assets is presented in the financial statements.

#### **LONG TERM DEBT**

At June 30, 2017, the Agency had not incurred any long term debt.

#### **ECONOMIC FACTORS**

On November 13, 2017 the South Central Regional Airport Agency approved a master agreement with HDR Engineering, Inc. for next phase of the project which is land acquisition, engineering design and construction observation services. The timing of the individual task orders associated with this agreement are contingent upon funding and will be determined as the project proceeds. The Agency currently does not anticipate any material changes in its financial status in the next year.

#### **CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact South Central Regional Airport Agency, 825 Broadway, PO Box 88, Pella, Iowa 50219.

## **Basic Financial Statements**

**South Central Regional Airport Agency  
Statement of Net Position  
June 30, 2017**

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**Assets**

Current Assets:

Cash, cash equivalents and pooled investments	\$	-
Due from other governments:		
Federal Aviation Agency		47,628
City of Pella		-
City of Oskaloosa		4,464
Total Due from other governments		<u>52,092</u>
Total current assets		<u>52,092</u>

Noncurrent assets:

Capital assets, not being depreciated		<u>513,690</u>
Total non-current assets		<u>513,690</u>
<b>Total assets</b>		<u><u>565,782</u></u>

**Liabilities**

Current Liabilities:

Accounts payable and accrued liabilities	\$	11,427
Due to other governments:		
Advance from the City of Pella		40,665
Total current liabilities		<u>52,092</u>
<b>Total liabilities</b>		<u>52,092</u>

**Net Position**

Net investment in capital assets		513,690
Restricted for:		
Expendable:		
Other		-
Unrestricted		<u>-</u>
<b>Total net position</b>	<b>\$</b>	<u><u>513,690</u></u>

See notes to financial statements.

Exhibit B

**South Central Regional Airport Agency**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Year ended June 30, 2017**

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Operating revenues:

Member government operating assessments:

City of Pella	\$	10,738
City of Oskaloosa		7,158
Total revenues		<u>17,896</u>

Operating expenses:

Training and Conferences	1,501
Professional fees	11,293
Insurance expense	5,000
Other expenses	102
Total expenditures	<u>17,896</u>

Operating income (loss)

-

Non-operating revenues (expenses)

Member government capital assessments:

City of Pella	1,305
City of Oskaloosa	1,305
Grant reimbursements	23,481
Total other financing sources (uses)	<u>26,091</u>

Change in net position

26,091

Net position beginning of year

487,599

Net position end of year

\$ 513,690

See notes to financial statements.

## Exhibit C

**South Central Regional Airport Agency**  
**Statement of Cash Flows**  
**Year ended June 30, 2017**

Cash flows from operating activities:	
Cash received from member governments	\$ 17,018
Advance(use of advances) from member government	211
Cash paid to suppliers	(17,229)
Net cash provided (used) by operating activities	<u>-</u>
Cash flows from non-capital financing activities:	
Miscellaneous receipts	-
Net cash provided (used) by non-capital financing activities	<u>-</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(28,393)
Cash received from member governments and the FAA	34,555
Advance(use of advances) from member government	(6,162)
Net cash provided (used) by capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	-
Net cash provided (used) by investing activities	<u>-</u>
Net increase (decrease) in cash and cash equivalents	-
Cash and cash equivalents at beginning of year	<u>-</u>
Cash and cash equivalents at end of year	<u>\$ -</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	<u>\$ -</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation/Amortization	-
Change in assets and liabilities:	
(Increase) decrease in due from other governments	7,586
Increase (decrease) in accounts payable	(1,635)
Increase (decrease) in due to other governments	(5,951)
Total adjustments	<u>-</u>
Net cash provided (used) by operating activities	<u>\$ -</u>

See notes to financial statements.

(1) **Summary of Significant Accounting Policies**

The South Central Regional Airport Agency (the Agency) was formed in 2012 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Agency is for the joint acquisition, construction, equipping, use and operation of an airport facility for the citizens of the City of Oskaloosa, Iowa, the City of Pella, Iowa and the County of Mahaska County, Iowa.

The Agency is governed by a six-member Board of Directors who represents the parties listed in the preceding paragraph. Each member of the Agency is a member of its governing body, or other person appointed by the mayor or chair of the governing body and approved by such governing body. Mahaska County shall be entitled to one representative on the Agency's Board. The City of Oskaloosa shall be entitled to two representatives on the Agency's Board. The City of Pella shall be entitled to three representatives on the Agency's Board.

Capital expenditures are to be reimbursed 90% by the Federal Aviation Agency, 5% by the City of Oskaloosa and 5% by the City of Pella. Operating expenses are to be reimbursed 60% by the City of Pella and 40% by the City of Oskaloosa. Since the airport is still in the initial set up no fees for usage have been established.

A. Reporting Entity

For financial reporting purposes, the South Central Regional Airport Agency has included all funds, organizations, agencies, boards, commissions and authorities. The Agency has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Agency. The South Central Regional Airport Agency has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the South Central Regional Airport Agency are organized as an Enterprise Fund. Enterprise Funds are used to account for operations in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges and member contributions or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

C. Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and 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.

The Agency distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Agency's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When an expenditure is incurred which can be paid using either restricted or unrestricted resources, the Agency's policy is generally to first apply the expenditure towards restricted fund balance and then less-restrictive classifications.

(1) **Summary of Significant Accounting Policies (continued from previous page)**

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Due from other governments – The airport is currently in its development stages so all funds are supplied by the FAA or its sponsoring governments of the City of Pella or City of Oskaloosa.

Capital Assets – Capital assets are accounted for at the historical cost. Expenses related to construction are capitalized as construction in progress. These costs are capitalized and depreciated when the asset is placed in service. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reportable capital assets are defined by the Agency as assets with initial, individual costs in excess of \$1,000 and estimated useful lives in excess of five years.

Capital assets of the Agency are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings and improvements	5-50
Equipment and vehicles	5-10

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There were no qualifying assets acquired during the year ended June 30, 2017.

Due to other governments – The City of Pella is performing the accounting services for the South Central Regional Airport and has advanced funds as necessary to pay its ongoing expenses. Those expenses are then reimbursed as agreed to according to their founding agreement. See the Summary of significant accounting policies for details.

(2) **Cash and Cash Equivalents**

The Agency’s receipts and disbursements are administered by The City of Pella. The Agency does not have its own cash account.

The Agency had no investments meeting the disclosure requirements of Governmental Accounting Standards Board No. 72.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2017 was as follows:

<b>Business type activities:</b>	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Airport Fund:</b>				
Capital assets not being depreciated:				
Land	\$ -	-	-	-
Construction in progress:				
Development/Engineering costs	487,599	26,091	-	513,690
<b>Total capital assets not being depreciated</b>	<b>487,599</b>	<b>26,091</b>	<b>-</b>	<b>513,690</b>
Capital assets being depreciated:				
Buildings and improvements	-	-	-	-
Machinery and equipment	-	-	-	-
<b>Total capital assets being depreciated</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Less accumulated depreciation for:				
Buildings and improvements	-	-	-	-
Machinery and equipment	-	-	-	-
<b>Total accumulated depreciation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total capital assets being depreciated net</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Airport - capital assets, net</b>	<b>\$ 487,599</b>	<b>26,091</b>	<b>-</b>	<b>513,690</b>

<b>Summary Schedule</b>	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Business type activities:</b>				
Capital assets not being depreciated/amortized:				
Land	\$ -	-	-	-
Construction in progress	487,599	26,091	-	513,690
<b>Total capital assets not being depreciated/amortized</b>	<b>487,599</b>	<b>26,091</b>	<b>-</b>	<b>513,690</b>
Capital assets being depreciated/amortized:				
Total capital assets being depreciated/amortized	-	-	-	-
Total accumulated depreciation/amortization	-	-	-	-
<b>Total capital assets being depreciated/amortized (net)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Business type activities capital assets, net</b>	<b>\$ 487,599</b>	<b>26,091</b>	<b>-</b>	<b>513,690</b>

**(4) Short Term Debt**

The City of Pella has received payment of \$5,951 in prior year advances from the Agency during the year ended June 30, 2017.

The following is a summary of changes in short-term debt for the years ended June 30, 2017.

Balance, July 1, 2016	\$ 46,616
Increases	-
Decreases	(5,951)
Balance, June 30, 2017	<u>\$ 40,665</u>

**(5) Risk Management**

The Agency is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, environmental issues and natural disasters. These risks are covered by commercial coverage from an independent third party. The Agency assumes liability for any deductibles and claims in excess of coverage limitations. There have been no settlement claims to date.

**(6) Contingencies and Commitments**

The Agency has received financial assistance from federal, state and local governmental agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and the Single Audit Act, and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Cities, however, such disallowed claims, if any, are not expected to have any materially adverse effect on the Agency's financial position as June 30, 2017.

The Agency had no uncompleted contracts at June 30, 2017.

There is pending litigation, claims or assessments involving the City of Pella, Iowa, and the City of Oskaloosa, Iowa v. Mahaska County, Iowa related to this Agency. The outcome of the litigation is uncertain at this time.

## Other Information

**South Central Regional Airport Agency**  
**Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances**  
**Budget and Actual (Cash Basis) - Proprietary Funds**  
**Required Supplementary Information**  
**Year ended June 30, 2017**

	Budgeted Amounts			
	Proprietary Funds-Actual	Total Actual	Original and Final	Final to Actual Variance
Revenues:				
Operating member assessments	\$ 17,896	17,896	-	17,896
Non-operating member assessments	2,610	2,610	-	2,610
Grant reimbursements	23,481	23,481	-	23,481
	-	-	-	-
	-	-	-	-
Total revenues	<u>43,987</u>	<u>43,987</u>	<u>-</u>	<u>43,987</u>
Business type expenditures:				
Insurance	5,000	5,000	5,500	500
Professional fees	11,293	11,293	7,200	(4,093)
Other expenses	102	102	750	648
Training/Conferences	1,501	1,501	1,650	149
Capital projects	26,091	26,091	75,000	48,909
	-	-	-	-
	-	-	-	-
Total business type expenditures	<u>43,987</u>	<u>43,987</u>	<u>90,100</u>	<u>46,113</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	(90,100)	90,100
Other financing sources (uses):				
Capital projects	-	-	-	-
Debt Proceeds	-	-	-	-
Proceeds from sale of assets	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	-	-	(90,100)	90,100
Balance beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance end of year	<u>\$ -</u>	<u>-</u>	<u>(90,100)</u>	<u>90,100</u>

See accompanying independent auditor's report.

**South Central Regional Airport Agency**  
**Budgetary Comparison Schedule**  
**Proprietary-GAAP to Modified Accrual Reconciliation**  
**Required Supplementary Information**  
**Year ended June 30, 2017**

	Proprietary Funds		
	GAAP	Accrual Adjustments	Modified Accrual Basis
Total revenues	\$ 43,987	-	43,987
Expenses:			
Business type activities	17,896	26,091	43,987
Excess (deficiency) of revenues under expenses	26,091	(26,091)	-
Other financing sources (uses):			
Sale of fixed assets	-	-	-
Debt proceeds	-	-	-
Total other financing sources (uses)	-	-	-
Increase in net position	26,091	(26,091)	-
Beginning net position	487,599	(487,599)	-
Ending net position	\$ 513,690	(513,690)	-

The Agency budgets on the modified accrual basis. It includes proprietary expenditures outlays for capital assets expenditures which need to be added to costs recognized in GAAP accounting.

See accompanying independent auditor's report.



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**Van Maanen, Sietstra, Meyer & Nikkel, PC**  
CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the Members of the South Central Regional Airport Agency:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business type activities of the South Central Regional Airport Agency, as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated February 28, 2018.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2017 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the South Central Regional Airport Agency during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Van Maanen, Sietstra, Meyer & Nikkel PC*

Van Maanen, Sietstra, Meyer & Nikkel, PC  
Certified Public Accountants

February 28, 2018

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

No matters were noted.

**Part II: Other Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – In total, business type activities did not exceed the amounts budgeted for the year ended June 30, 2017. For internal budgeting the Agency breaks their business type activity expenses into more detail and of those details professional fees was exceeded.
- (2) Questionable Disbursements – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense - No expenditures of Agency money for travel expenses of spouses of Agency officials or employees were noted.
- (4) Agency Minutes – No transactions were found that we believe should have been approved in the Agency minutes but were not.
- (5) Business Transactions – No transactions between the Agency and Agency officials and employees were noted.
- (6) Bond Coverage – Surety bond coverage of Agency officials is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations. The Agency does not have employees.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa were noted.