<u>Des Moines Airport Authority Financial Audit RFP Questions and Answers</u>

July 15, 2024

1. The cover page has a proposal due date of July 25, while page 4 has it as July 26. Which one is correct?

   The proposal is due on **July 25, 2024, Thursday at 4PM, Central Time**. Apologize for the typo.

2. Will the Authority accept the proposal via email?

   Email submission will <u>ONLY be accepted</u> on **July 25, 2024, 1PM – 4PM, Central Time** at: **MSBenson@dsmairport.com**

   Hard copies will be accepted at the address stated in the RFP.

3. We would like to request a copy of the most recently audited financial statements, single audit, and Passenger Facility Charges report (if issued separately).

   Please see attached as Exhibit 1.

4. What is the typical timing of the audit (prelim and final), for how many days, and how many auditors?

   The Authority typically closes the previous year's book in February and the auditors' field work is scheduled in March (after Spring Break). The audit report is complete at the end of May, and the presentation to the Authority's board is the 2nd Tuesday of June. The auditors normally would not present the audit report to the board in the public meeting, however, two board members as part of the audit committee meet the auditors prior to the board meeting.

   The auditors scheduled one week of field work for 3 auditors, with some additional time of an audit manager.

5. Do you have a preference for in-person, remote, or a hybrid fieldwork?

   The fieldwork has been in-person in the past. We don't have a preference over the format.

6. When are the supporting schedules and financial statements typically provided to the auditor?

   In a typical year, we strive to provide the draft of the supporting schedules and financial statements when the field work is scheduled.

7. The RFP states the auditor will produce the final report, and the summary of support schedules indicates the Authority staff will provide a draft of the basic financial statements, MD&A, and majority of footnotes. The RFP also asks us to include any costs associated with graphic design. We want to be sure we fully understand the expectations of the auditor. Is the production of the final report by the auditor more of an administrative task to format, print, and bind the report? Or is the auditor expected to assist with some of the preparation and disclosures, meaning more than simply administrative time is necessary?

   The Authority provides the draft financial statements and schedules in Excel format, and the draft notes, MD&A and Letter of Transmittal in Word format. In the past, the audit firm has then produced the final report with these files.

8. Why is the Authority seeking proposals for auditing services?

   The Des Moines Airport Authority is completing the RFP process as it has been 7 years since the last RFP was completed. The prior contract with Plante Moran, PLLC has expired.

9. Is the incumbent audit firm allowed to propose?

   Yes.

10. Are you aware whether your current auditors will be submitting a proposal?

    We expect Plante Moran, PLLC to submit a proposal.

11. Have there been any disagreements between management and your independent auditor during the prior three engagements? Did you encounter any challenges with your most recent audits?

    No. No.

12. Did the incumbent auditors meet the pre-determined deadlines?

    Yes.

13. Were there any major audit or accounting issues identified for 2023? Any anticipated ones for 2024?

    No. No.

14. Is there anything you would like to see done differently by your audit team for your next audit, such as timing, approach, staffing levels, areas of emphasis, etc? What part of the audit process would the Authority like to improve over the past audits?

    Nothing significant to note, however, we are always open to recommendations.

15. Were there audit entries for the 2024 audit, and if so, can a copy be provided to proposers? If not, can the Authority provide some feedback about the general condition of their records upon commencement of their audit?

    There was one audit finding on the FYE 2023 report regarding presentation of a receivable. This can be reviewed on page 48 and 49 of the audit report.

16. Do you typically have adjusting journal entries by the auditors? If so, how many do you typically have?

    The Authority has historically had very few AJE proposed by the auditors, and three findings in the past six years.

17. What were the fees for the 2023, 2022 and 2021 audits and single audit? Did the Authority incur any additional non-audit fees (bookkeeping, consulting, other) from its auditors within the last year? Do you anticipate any for the 2025 audit?

    We view the single audit as part of the financial audit every year considering the amount of federal grants we apply for and receive. We do not expect the bookkeeping services from the auditors; however, we expect some consulting services related to the regulations such as GASBs as well as the graphic design and printing for the audit report.

    Please list your fees separately if you offer multiple services (audit, consulting, graphic design and printing). Here is the breakdown of the fees that the Authority paid in the last 3 audit years:

		Audit	Consulting	
Audit Year	Total	Financials/Single/Grants	(GASBs)	Graphic Print
2023	$ 64,380	54,300	2,080	8,000
2022	61,618	50,300	4,068	7,250
2021	55,450	47,000	1,950	$ 6,500

18. Have you had recent turnover in your accounting department?

    Yes, we replaced an A/P staff and added an Accounting Analyst position in the last 6 months. The A/P staff hasn't been a direct contact with the auditors in the past and the Accounting Analyst is hired after the most recent audit is complete.

19. Have there been any significant changes in key staff in the past year that would affect the 2024 audit?

    No.

20. Is the Authority a component unit of the City of Des Moines?

    The Authority is a public instrumentality and public body corporate, established on November 1, 2011, pursuant to Section 330A of the Iowa Code. The Authority's financial information is included in the City of Des Moines Annual Comprehensive Financial Report (ACFR) as a discretely presented component unit.

21. Do you anticipate any assistance with preparation of any items for the audit such as GASB 75, GASB 87, and cash flow? If so, should that be included in the not to exceed fee for the audit?

    Yes. Some assistance will be requested with GASBs 68 for IPERS, 75 and 87 and should be included in the audit fee. The draft of the Cash Flow Statement is completed in-house and is expected to be reviewed by the auditors as part of the financial audit.

22. Does the Authority prepare the audited financial statements in their own template or is this a nonattest service provided by the auditor?

    Authority provides draft financials in its own Excel template. We expect a review of the format and presentation of amounts to be confirmed by the audit team for compliance with accounting principles generally accepted in the United States.

23. Was there, or do you anticipate, any new debt issued during 2025?

    Yes.

24. Is there an estimated timeline for when the remaining $230 million of bonds will be loaned to the Authority?

    We plan to issue debt in 2025. If the interest rate is favorable at the time, we may issue the remaining debt needed for New Terminal Phase 1A, otherwise, we would split the issuance between 2025 and 2026.

25. Besides the issuance of debt and the construction of the new terminal, are there any other significant new transactions or agreements?

    It is possible that additional grant programs will be in place for future audits. The Authority continues to seek grant funding for additional phases of the terminal project. We also expect to have an Other Transaction Agreement with the TSA of approximately $13 million on the baggage system signed in late 2024 that would be likely be reimbursed in 2025 or 2026.

26. Who administers the significant airport capital projects, the Authority or the State of Iowa?

    The Authority.

27. Could we obtain a copy of the questions and answers submitted by other firms as well?

    Yes. This post includes questions from all proposers.

28. What is the Authority's historical experience in exchanging information for the audit? Do you utilize a secure website for document exchange, a software solution, shared the Authority drives with the auditor, or another solution?

    The auditors provide a secure website and the Authority staff submit files via that website. We also communicate via emails.

29. What is the Authority using as a software solution for the tracking of applicable agreements in accordance with GASB 87?

    We use SharePoint.com for agreement or lease management. However, for GASB 87 reporting purposes, we use an Excel Toolkit created by the current auditors and number each of the eligible GASB 87 lease for tracking and references.

30. It appears the Authority either didn't have any SBITAs or they were deemed immaterial in accordance with GASB 96. Do you anticipate them rising to material in the future?

    Correct, Both GASB 94 and 96 were immaterial in audit year 2023. We do not expect significant changes in these areas under the current regulations.

31. Does the Authority expect the auditor to assist with the calculation and reporting of any full accrual liabilities such as pensions and OPEB?

    Yes, we expect assistance with the calculation and reporting of pensions and OPEB. Please refer to Audit Footnotes 7 and 8 of the financial statements for further information. The Authority receives annual actuarial services from Nyhart related to the OPEB valuation.

32. What is the Authority's process for implementing significant new standards? Does the Authority have a preferred timing for the completion of the interim and year-end procedures?

    We seek conferences and webinars from the ACI network and welcome the information from the auditors. A meeting is setup between the Authority and auditors in the fall of the audit year to go over accounting and regulation changes for the upcoming audit and plan accordingly.

33. Does the Authority provide the auditor read-only access to the Sage 100 software?

    This has not been done in the past. We normally provide the Trial Balance and associated reports. If read-only access to the SAGE 100 is needed and allowed by the SAGE software, we are open to it. We can also send a file generated by SAGE to the auditors if that can be done. We are open to exploring the options.

34. Is there any anticipation of significant technological changes in the next few years?

    No.

35. Outside of the audit process, what does the Authority find/define value from its auditors?

    We consider auditors to be technical resources and knowledgeable educators who are capable of identifying potential opportunities and /or issues and communicate with the Authority in a timely manner.

36. What transition issues would the Authority be concerned about if the audit is awarded to new auditors?

    We understand it takes time for the new auditors to be familiar with the business in DSM Airport, if the planning between the Authority and the auditors is well designed, no major concerns in transitioning. Scheduling the audit to meet the timeline in Question #4 would be the primary concern.

37. Are there any significant changes in federal funding anticipated for 2024?

    No.

38. Assuming each bidder's proposed fees are equal, what is the next most important thing to the Authority?

    The knowledge of the staff in the airport space and the number of returning staff assigned to this audit.

39. Can the Professional Services Contract mentioned in the RFP be provided? If so, would the Authority like responding firms to note any exceptions to it within the proposal or will there be a negotiation period following the award? Will the Authority be willing to sign an annual engagement letter on commercially reasonable terms to be negotiated?

    The 2016 contract is attached as Exhibit 2 to this document. Any exceptions taken to the agreement should be provided within the audit proposal.

40. What are the three biggest challenges affecting the Authority?

    a) Available grants and funding for the new Terminal.
    b) Wages increasing to keep up with inflation.
    c) Maintain a reasonable Airline Cost Per Enplanement while working through the overall increasing operations and maintenance cost.

41. What are the most important factors you will be considering when making your decision related to the RFP?

    Fees and experiences in the airport space.

42. Are there any significant changes in the Authority (or pending changes) that will have an impact on the audit process moving forward?

    No.

43. Have there been any significant changes in the Authority's federal grant programs or passenger facility charge program that could impact the scope of future audits?

    Not in the foreseeable future that we are aware of.

EXHIBIT 1

DES MOINES AIRPORT AUTHORITY

A DISCRETELY PRESENTED COMPONENT UNIT
OF THE CITY OF DES MOINES, IOWA

DES MOINES
International Airport

Basic Financial Statements, Required Supplementary Information and OMB Uniform Guidance Reports

December 31, 2023


Departures/Gates

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THE Ss ARE SILENT.
Our city is

Groundbreaking

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INTRODUCTORY SECTION

To the Board of Directors:

The Basic Financial Statements, Required Supplementary Information, Office of Management and Budget Uniform Guidance Reports, and the Report on Passenger Facility Charge Program included in this report contain data that fully disclose all material financial operations of the Des Moines Airport Authority (Authority). The information contained in the statements, footnotes and reports are the representations of Authority management, which bears the responsibility for accuracy, completeness, and fairness. A narrative of financial activities occurring during the year ending December 31, 2023, is presented in the Management's Discussion and Analysis (MD&A) of the Financial Section of this report.

REPORTING ENTITY

The Authority is a public instrumentality and public body corporate, established on November 1, 2011, pursuant to Section 330A of the Iowa Code. The five-member board governs the Authority, which is responsible for the operation of the Des Moines International Airport (DSM). In addition to this report, the Authority's financial information is included in the City of Des Moines Annual Comprehensive Financial Report (ACFR) as a discretely presented component unit.

The financial statements contained in this report include all departments and operations for which the Authority is financially accountable. Financial accountability is further defined in Note 1 to the financial statements. No governmental organizations other than the Authority itself are included in the financial reporting entity.

ECONOMIC CONDITIONS AND OUTLOOK

The Authority has reached a historic record, 3 million passengers in 2023, an increase of 10% from 2022. Despite the high inflation and high interest rate market condition, the labor market held strong, and therefore, consumer spending was strong. However, consumers shifted their spending patterns from major goods to services, such as air travel and restaurants, and the Authority has benefited from that shift. Major airlines have experienced passenger increases as compared to 2022, Southwest and American passenger totals were up 22% and 18%, respectively. During the same period, other airlines' passenger counts changed by the following: United (12%), Allegiant (6%), Delta (3%), Frontier (-43%).

Concession also saw an increase, revenue from Food and Beverage and Parking increased by 25% and 20% respectively from 2022.

INITIATIVE AND DEVELOPMENT

Several major projects took place in 2023. Construction on a new parking garage, which will add 1,100 parking stalls, started in July of 2023. The runway intersection project which was carefully programed over seven years was completed in 34 days during October of 2023.

On October 4, 2023, the new terminal Groundbreaking ceremony kicked off and symbolized the milestone and new era of the Authority. By the end of the year the new terminal design was 30% complete and three Guaranteed Maximum Price (GMP) packages were approved by the Board of Directors.

On November 7, 2023, Polk County, Iowa voters approved a referendum allowing Polk County to issue bonds for up to $350 million and loan the proceeds to the Authority. Support from the community was overwhelmingly positive with an 80% passing rate. Funding for the new terminal and related infrastructure continued to be a focus for Authority leadership throughout the year. The Authority received Federal grants awards worth $50 million and $1.2 million from the State of Iowa during 2023.

INTERNAL CONTROL FRAMEWORK

In developing and evaluating the Authority's accounting system, consideration is given to the adequacy of the internal control framework. Internal control framework is designed to provide reasonable assurance regarding: (1) safeguarding of assets against loss from unauthorized use or disposition; (2) execution of transactions in accordance with management's authorization; (3) reliability of financial records used in preparing financial statements and maintaining accountability for assets; (4) effectiveness and efficiency of operations; and (5) compliance with applicable laws and regulations. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived from it, and that the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above structure. We believe that the Authority's internal control framework adequately safeguards assets and provides reasonable assurance of proper recording of financial transactions. Management also believes that the data in this report, as presented, is accurate in all material respects, that it presents fairly the financial position, results of operations and cash flows of the Authority, and that all disclosures necessary to enable the reader to gain the maximum understanding of the Authority's financial affairs have been included.

BUDGETARY CONTROLS AND POLICIES

The Authority's financial policies are prepared in accordance with state laws. The annual operating and capital budgets are proposed by the Authority's management and adopted by the Board of Directors in a public meeting before the beginning of each fiscal year. Management control of the budget is maintained at the department level and overseen by the Director of Finance & Administration. It is the responsibility of each department to administer its operations in such a manner as to ensure the use of funds is consistent with the goals and programs authorized by the Board of Directors.

INDEPENDENT AUDIT

The Authority's independent auditing firm, Plante & Moran, PLLC, has rendered an unmodified opinion that the Authority's financial statements for December 31, 2023, present fairly, in all material respects, the results of the Authority's financial position, operations and cash flows.

The Authority participates in the federal single audit program, which consists of a single audit of all federally funded programs administered by the Authority. Participation in the single audit program is mandatory as a condition for continued funding eligibility. The single audit performed by Plante & Moran, PLLC, met the requirements set forth by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the "Uniform Guidance"). The independent auditor's reports issued based upon work performed in accordance with those requirements noted no instances of noncompliance by the Authority with any applicable federal laws or regulations or other matters that are required to be reported for the fiscal year ended December 31, 2023. A copy of the report can be found in the Compliance Section of this report.

Respectfully submitted,

Kevin J. Foley
Executive Director

Ni Wagner, CPA, MAcc, MBA
Director of Finance & Administration

BOARD OF DIRECTORS

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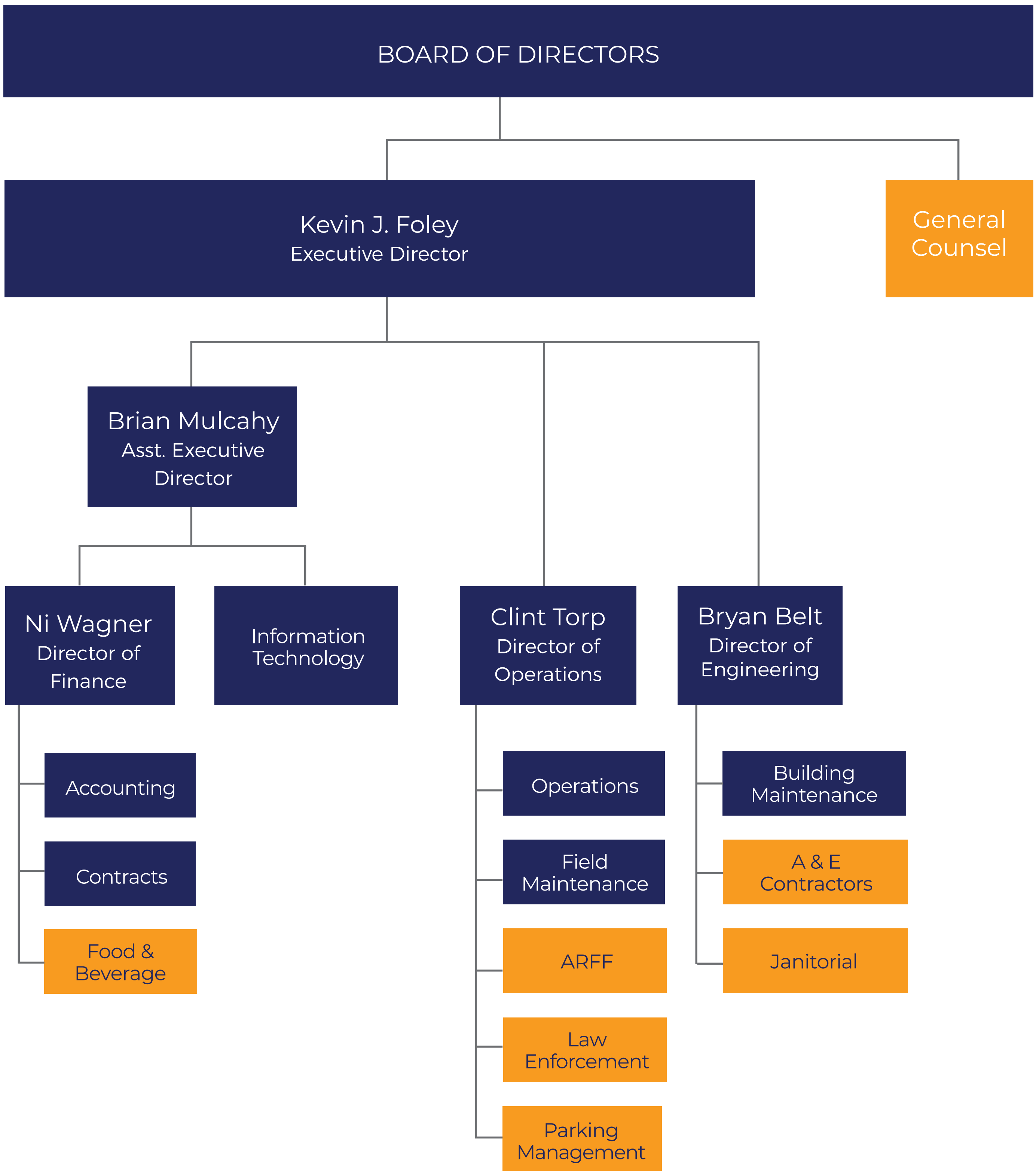
ORGANIZATION CHART



FINANCIAL SECTION

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Independent Auditor's Report

To the Board of Directors
Des Moines Airport Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Des Moines Airport Authority (the "Authority"), a component unit of the City of Des Moines, Iowa, as of and for the year ended December 31, 2023 and the related notes to the financial statements, which collectively comprise the Des Moines Airport Authority's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Des Moines Airport Authority as of December 31, 2023 and the respective changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Directors
Des Moines Airport Authority

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Des Moines Airport Authority's basic financial statements. The schedule of expenditures of passenger facility charges, as required by the *Passenger Facility Charge Audit Guide for Public Agencies*, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"), are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, the schedule of expenditures of passenger facility charges, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

To the Board of Directors
Des Moines Airport Authority

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2024 on our consideration of the Des Moines Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of the Des Moines Airport Authority's 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 Des Moines Airport Authority's internal control over financial reporting and compliance.

Plante & Moran, PLLC

June 3, 2024

The following unaudited Management's Discussion and Analysis (MD&A) of the Des Moines Airport Authority (the Authority) introduces the basic financial statements for the years ended December 31, 2023. The information presented should be considered in conjunction with the information contained in the Authority's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority's financial statements are prepared on the accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). See Note 1 to the financial statements for a summary of the Authority's significant accounting policies.

Following this MD&A are the basic financial statements of the Authority together with the notes, which are essential to a full understanding of the data contained in the financial statements. The Authority's basic financial statements are designed to provide readers with a broad overview of the Authority's finances.

The **Statements of Net Position** present information on all the Authority's assets and deferred outflows of resources; liabilities and deferred inflows of resources; 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 the Authority's financial position.

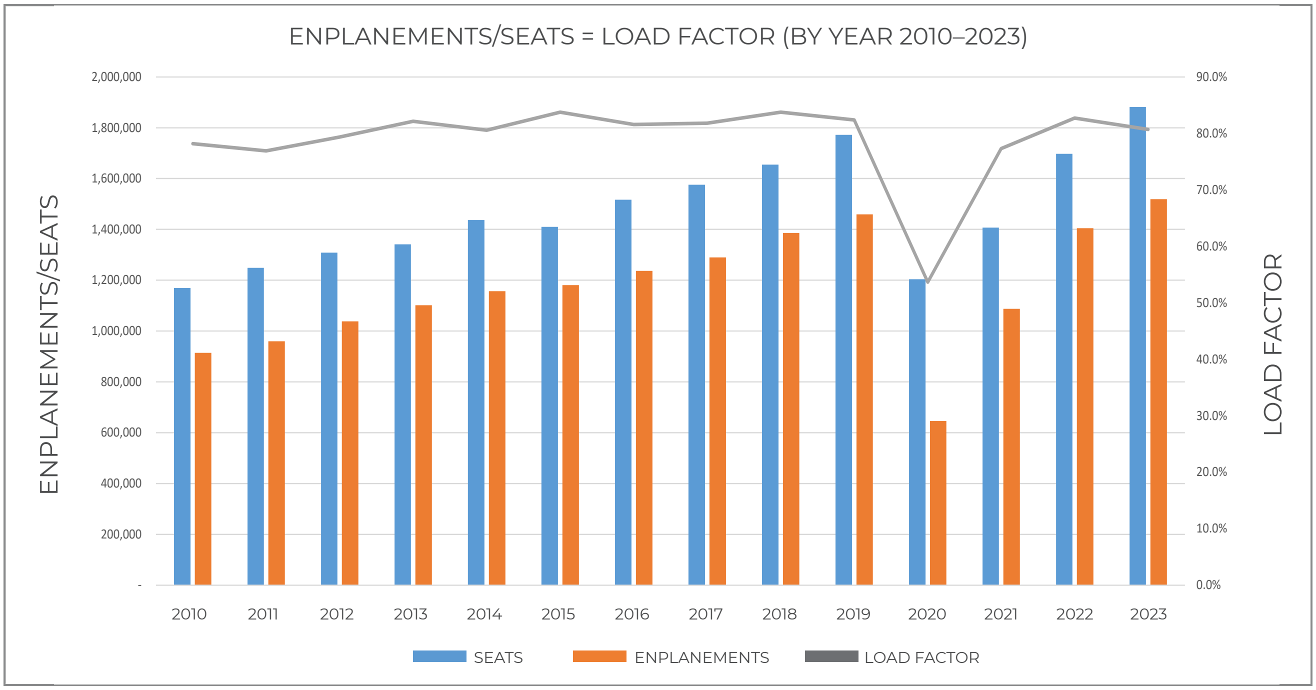
The **Statement of Revenues, Expenses, and Changes in Net Position** presents information showing how the Authority's net position changed during the most recent years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will result in cash flows in future periods.

The **Statement of Cash Flows** demonstrates the flows of cash and cash equivalents. Only transactions that affect the Authority's cash accounts are recorded in these statements. A reconciliation is provided at the bottom of the Statement of Cash Flows to assist in the understanding of the difference between cash flows from operating activities and operating income or loss.

The Authority, responsible for the operation of the Des Moines International Airport (DSM), was established on November 1, 2011 pursuant to Section 330A of the Iowa Code. A five-member board, appointed by the Des Moines City Council, governs the Authority. The Authority's financial information is included in the City of Des Moines Annual Comprehensive Financial Report (ACFR) as a discretely presented component unit.

OPERATING HIGHLIGHTS

DSM ended 2023 with 1,518,745 enplanements, which was an 8% increase from 2022 and a 4% increase from pre-pandemic levels in 2019. The chart on the next page displays enplanements, seats, and load factors from 2010 through 2023, indicating the recovery of the DSM market. Parking revenue has also been very strong throughout 2023 as well. The increase of public parking revenue has resulted from a combination of minor rate increases over time and increasing percentage of passengers parking at the airport. Management believes the increasing percentage of passengers parking at the airport has resulted from the lack of confidence in Transportation Network Company and taxi driver availability when needed.



The airline market share also continued to adjust throughout 2023. Allegiant's passenger market share continued to grow ending at 18% for 2023. This was an increase of 10.5% from 2019, and enough gain to make the airline the third largest in terms of market share. American Airlines retained the highest market share at 29%, with United in second place at 22%.

In September 2023, the Polk County (the "County") Board of Supervisors unanimously voted to place a referendum on the November ballot, allowing voters to weigh in on whether the County should bond on behalf of the Authority and loan the proceeds to the Authority to help fund a new airport terminal. On November 7, 2023, Polk County voters approved a $350 million bond referendum, passing by approximately 80%. Polk County, Iowa, will issue a series of bonds in a two-to-three-year period, depending on the needs of the Authority and market conditions. The first tranche of approximately $120 million is expected to occur in May of 2024.

The vertical construction of the terminal will start in the Fall of 2024. Airport management anticipates the completion of the Phase 1A project in December 2026.

FINANCIAL POSITION SUMMARY

The following represents a summary of the Authority's Statement of Net Position for the years ended December 31:

	2023	2022
Assets:		
Current	$ 97,510,759	$ 83,170,633
Capital assets	375,005,947	303,446,731
Other noncurrent assets	40,802,201	46,351,091
Total assets	513,318,907	432,968,455
Deferred outflow of resources:		
Pension-related deferred outflows	896,825	347,848
OPEB-related deferred outflows	185,691	228,641
Liabilities:		
Current	22,642,601	7,883,025
Noncurrent	4,480,431	3,838,744
Total liabilities	27,123,032	11,721,769
Deferred inflows of resources:		
Pension-related inflows of resources	89,832	369,517
OPEB-related deferred inflows	164,986	169,816
Leases-related deferred inflows	27,576,009	27,567,670
Net position:		
Net investment in capital assets	372,744,367	303,446,730
Restricted net position	15,187,705	20,786,454
Unrestricted net position	71,515,491	69,482,988
Total net position	$ 459,447,563	393,716,172

An analysis of significant changes in assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position for the year 2023 is as follows:

The significant change in Capital assets (increased by approximately $72 million) and current liabilities (increased by approximately $15 million) are both related to capital improvements as well as design and enabling projects made during the year for the preparation of building the new terminal.

FINANCIAL OPERATIONS HIGHLIGHTS

The **Statement of Revenues, Expenses, and Changes in Net Position** provides a breakdown of Authority revenue and expense. Primary revenue sources for the Authority include the airline rates and charges and the income derived from terminal area operations such as public parking and concessions. Primary expense drivers for the Authority are personnel costs, contracted services, and supplies.

	YEARS ENDED	
	December 31, 2023	December 31, 2022
Total Revenues	$ 115,094,177	$ 107,718,214
Total Expenses	49,630,188	46,620,231

An analysis of significant changes in expense and revenues for the year 2023 is as follows:

- The majority of the increase in Total Revenues between years resulted from the increase in parking revenue and interest income.
- The grants received by the Authority are capital related in 2023 vs. partially nonoperating in 2022.
- The total grants received during 2023 decreased by approximately $5 million.
- The increase in expenses are moderate mainly driven by the inflation.

	2023	2022
Operating Revenues:		
Landing fees	$ 6,956,976	$ 5,680,084
Facility rentals	7,870,320	7,590,567
Vehicle parking fees	20,150,224	16,871,534
Car rental concessions	4,300,388	3,835,079
Restaurant revenue	8,088,077	6,994,921
Security fees	2,133,493	1,721,095
Apron fees	2,504,636	1,885,660
Other concessions	1,919,454	821,768
Other airfield-related revenue	1,718,334	1,720,045
Other	640,279	690,276
Total operating revenues	56,282,181	47,811,030
Operating expenses:		
Contractual services	20,803,441	18,725,206
Personnel services	7,680,836	6,517,972
Supplies	4,576,451	4,572,158
Depreciation	16,302,058	16,162,957
Total operating expenses	49,362,786	45,978,293
	6,919,395	1,832,737
Nonoperating revenues (expenses):		
Interest and investment income	5,533,650	2,783,933
Interest expense	-	8,213
Gain (Loss) on disposal of assets	2,293	(650,150)
Nonoperating grants	-	20,633,948
Passenger facility charges	6,246,097	5,760,704
Customer facility charges	3,186,436	2,531,345
Total nonoperating revenues	14,968,476	31,067,993
Net increase in net assets, exclusive of capital grant contributed revenues	21,887,871	32,900,730
Capital grant and contributed revenues	43,843,520	28,197,254
Net increase in net position	65,731,391	61,097,984
Net position - beginning of the year	393,716,172	332,618,188
Net position - end of the year	$ 459,447,563	$ 393,716,172

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2023, the Authority's investment in capital assets (land improvements, buildings, building improvements, machinery & equipment, computer systems, and construction in process) has increased by $72 million to $375 million. These assets are necessary to carry out the day-to-day operations of the Authority. See Note 3 for additional details.

AIRLINES RATES AND CHARGES

The scheduled air carriers operate at DSM under an Airline Use Agreement, known as a Signatory Agreement. The existing agreement began on January 1, 2014 and contains no revenue sharing or reconciliation provisions. This, in part, has allowed the Authority to build the cash reserve that will be necessary for future capital programs.

The table below includes the fees charged to airlines for their operations in Des Moines. The Authority has vigorously controlled operating expenses since being established in 2011, and thus the airlines average cost per enplanement has remained very consistent during this time. This rate methodology was continued to 2023.

	YEARS ENDED	
	December 31, 2023	December 31, 2022
Landing Fee per 1,000 pounds	$ 3.44	$ 3.13
Apron Fee per 1,000 pounds	0.78	0.64
Security Fee	1.38	1.23
Terminal Building Rent per square foot	67.69	62.73

On December 31, 2023, there were six signatory passenger airlines and two signatory cargo airlines operating at DSM, including American Airlines, United Airlines, Delta Air Lines, Southwest, Frontier, Allegiant, United Parcel Service, and Federal Express.

CONTACT INFORMATION

Questions concerning any of the information provided in this financial report can be directed to: Des Moines Airport Authority, Attn: Ni Wagner, Director of Finance, 5800 Fleur Drive, Des Moines, Iowa 50321.

STATEMENT OF NET POSITION

As of December 31, 2023

		2023
ASSETS		
Current Assets — Unrestricted:		
Cash and cash equivalents	$	21,271,268
Investments (Note 2)		52,765,000
Interest Receivable		1,255,388
Receivables		
Accounts receivable — net		19,008,352
Leases receivable (Note 6)		3,102,010
Inventories		94,618
Prepaid Expenses		14,123
Total Current Assets - Unrestricted		**97,510,759**
Noncurrent Assets — Unrestricted:		
Notes Receivable		79,028
Land Improvements — NonDepr		93,451
Depreciable Capital Assets — Net of Accumulated Depreciation (Note 3)		254,427,932
Construction In Progress (Note 3)		120,484,564
Leases receivable (Note 6)		25,535,468
Total Noncurrent Assets - Unrestricted		**400,620,443**
Noncurrent Assets — Restricted:		
Cash and cash equivalents		14,364,935
Accounts receivable		822,770
Total Noncurrent Assets — Restricted		15,187,705
Total Noncurrent Assets		**415,808,148**
Total Assets		**513,318,907**
DEFERRED OUTFLOWS OF RESOURCES:		
Pension-related deferred outflows (Note 7)		896,825
OPEB-related deferred outflows (Note 8)		185,691
Total deferred outflows of resources	$	**1,082,516**

See accompanying notes to financial statements.

STATEMENT OF NET POSITION (CONTINUED)

As of December 31, 2023

		2023
LIABILITIES:		
Current liabilities — payable from unrestricted assets		
Accounts payable	$	13,631,291
Construction-related accounts payable		2,261,580
Accrued expenses		208,286
Unearned revenue		6,098,519
Accrued employee benefits		93,650
Deposit payments held by Airport		349,276
Total current liabilities		**22,642,601**
NONCURRENT LIABILITIES:		
Accrued employee benefits (Note 4b)		1,217,447
Net OPEB liability (Note 8)		561,150
Net pension liability (Note 7)		2,701,834
Total Noncurrent liabilities		**4,480,431**
Total liabilities		**27,123,032**
DEFERRED INFLOWS OF RESOURCES:		
Pension-related deferred inflows (Note 7)		89,832
OPEB-related deferred inflows (Note 8)		164,986
Leases-related deferred inflows (Note 6)		27,576,009
Total deferred inflows of resources		**27,830,827**
NET POSITION:		
Net investment in capital assets (Notes 3 and 4)		372,744,367
Restricted for passenger facility charges		15,187,705
Unrestricted net position		71,515,491
Total net position	**$**	**459,447,563**

STATEMENT OF REVENUES, EXPENSES, & CHANGES IN NET POSITION

For year ending December 31, 2023

	2023
OPERATING REVENUES:	
Landing fees	$ 6,956,976
Facility rentals	7,870,320
Vehicle parking fees	20,150,224
Car rental concessions	4,300,388
Restaurant revenue	8,088,077
Security fees	2,133,493
Apron fees	2,504,636
Other concessions	1,919,454
Other airfield-related revenue	1,718,334
Other	640,279
Total operating revenues	**56,282,181**
OPERATING EXPENSES:	
Contractual services	20,803,441
Personnel services	7,680,836
Supplies	4,576,451
Depreciation	16,302,058
Total operating expenses	49,362,786
Operating income	**6,919,395**
NONOPERATING REVENUES:	
Interest and investment income	5,533,650
Gain on disposal of equipment	2,293
Passenger facility charges	6,246,097
Customer facility charges	3,186,436
Total nonoperating revenues	**14,968,476**
Net increase in net position, exclusive of capital grant, and contributed revenues	21,887,871
Capital grant and contributed revenues	43,843,520
Net increase in net position	65,731,391
NET POSITION, BEGINNING OF YEAR	**393,716,172**
NET POSITION, END OF YEAR	**$ 459,447,563**

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS

For year ending December 31, 2023

	2023
CASH FLOWS FROM OPERATING ACTIVITIES:	
Proceeds received by providing services	$ 48,670,065
Payments to suppliers	(16,667,251)
Payments to employees	(7,821,906)
Net cash provided by operating activities	**24,180,908**
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:	
Proceeds from intergovernmental capital grants and contributions	49,942,038
Passenger facility charges received	6,183,729
Customer facility charges received	3,186,436
Interest income - Leases	1,530,754
Net purchases of capital assets	(87,858,981)
Net cash used by capital financing activities	**(27,016,024)**
CASH FLOWS FROM INVESTING ACTIVITIES:	
Net (purchases) of investments	(3,877,621)
Interest received on investments	3,384,528
Net cash used by investing activities	**(493,093)**
Net decrease in cash and cash equivalents	**(3,328,209)**
Cash and cash equivalents, beginning of year	**38,964,412**
Cash and cash equivalents, end of year	**$ 35,636,203**
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	$ 6,919,395
Depreciation	16,302,058
(Increases) decreases in assets:	
Accounts receivable	(7,612,116)
Prepaid expenses	(7,293)
Inventories	66,662
Increases (decreases) in liabilities:	
Deposit payments held by Airport	31,125
Accounts payable	8,528,489
Accrued liabilities and employee benefits	**(47,412)**
Net cash provided by operating activities	**$ 24,180,908**

See accompanying notes to financial statements.

NOTE 1 | NATURE OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Reporting Entity

The Des Moines Airport Authority (Authority) provides an airline terminal, runways, and other aeronautical facilities in Des Moines, Iowa, for use by passenger, cargo, military, and private aircraft. In addition, the Authority provides parking services and facilities for various tenant concessionaires to conduct business. A five-member board governs the Authority and is appointed by the City of Des Moines City Council. Upon dissolution of the Authority, all assets, deferred outflows of resources, liabilities and deferred inflows of resources would revert back to the City. The Authority is included in the City of Des Moines' financial statements as a discretely presented component unit, in accordance with the provisions of GASB Statement No. 61, *The Financial Reporting Entity, Omnibus*.

Accounting principles generally accepted in the United States of America require the reporting entity include: (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Authority has the statutory authority to issue bonded debt without the approval of another government. It has the right to sue and be sued and has the right to buy, sell, lease, or mortgage property in its own name. Based on these criteria, the Authority is considered a primary government, and there are no other organizations or agencies whose financial statements should be combined and presented with these basic financial statements.

Summary of Significant Accounting Policies

General

The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. The economic measurement focus and the accrual basis of accounting are used by the Authority. Under the accrual basis of accounting, revenue is recognized when earned and expenses are recognized when the liability has been incurred. Under this basis of accounting, all assets and all liabilities associated with the operation of the Authority are included in the statement of net position.

Cash and Cash Equivalents

The Authority considers all highly liquid investments with original maturities of less than 90 days when purchased to be cash equivalents.

Investments

Investments consist of obligations of the United States government, its agencies and instrumentalities; and commercial paper that matures within 270 days and is rated within the two highest classifications. Investments are stated at fair value.

Accounts Receivable

Accounts receivable are reported net of an allowance for doubtful accounts. When continued collection activity results in the receipt of amounts previously written off as uncollectible, revenue is recognized for the amount collected.

Inventories

Inventories are stated at cost and consist of consumable supplies. The cost of these supplies is recorded as an expense at the time the supplies are relieved from inventory for use. Inventories are priced on the first-in, first-out basis.

Restricted Assets

Restricted assets consist of monies and other resources that are restricted legally as follows:

Capital Funds

These assets represent capital debt proceeds that are restricted to designated capital projects and cannot be expended for any other item. There are no capital funds in the current year restricted assets.

Passenger Facility Charge (PFC) Funds

These assets represent PFC charge collections based on an approved Federal Aviation Administration (FAA) application to impose such charges on enplaned passengers at Des Moines International Airport. These funds are restricted for designated capital projects and any debt incurred to finance the construction of these projects. The Authority recognizes and reports as nonoperating revenue those PFCs that have been collected when all conditions have been met that entitles the Authority to retain the PFCs.

Capital Assets

Capital assets consist of buildings and structures, parking, roadways, runways, taxiways, ramps, and other airfield improvements, land improvements, fencing, lighting, signage, equipment, furniture, and fixtures at the Authority and are stated at cost. Costs associated with ongoing construction of projects by the Authority are included in construction in process.

Maintenance and repairs are expensed as incurred. The following capitalization thresholds and estimated useful lives of the depreciable property and equipment are used to calculate straight line depreciation:

Capital Asset	Useful Life	Dollar Threshold
Land improvements	30	$100,000
Buildings and building improvements	30 years	$100,000
Machinery and equipment	5 or 10 years	$10,000
Computer systems	5 years	$10,000
Intangibles	20 or 30 years	$10,000

Leases

The Authority is a lessor for noncancellable leases of airport space and other property to airlines, concessionaires, and other third parties. The Authority recognizes a lease receivable and a deferred inflow of resources in the financial statements in accordance with the provisions of GASB Statement No. 87, *Leases*.

At the commencement of a lease, the Authority measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as operating revenue over the life of the lease term.

Key estimates and judgments include how the Authority determines the discount rate it uses to discount the expected lease receipts to present value, lease term, and lease receipts.

The Authority uses its estimated incremental borrowing rate at lease inception as the discount rate for its leases.

The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Compensated Absences

Vacation and sick leave vest over time and may be carried forward for subsequent use or payment upon termination, retirement, or death. Sick leave that is paid upon death or retirement is paid at the employee's final base salary rate. These compensated absences are accrued based on management estimates. See Note 4b.

Deferred Outflows/Inflows of Resources

Refer to Notes 6, 7, and 8 for details on outflows and inflows related to leases, pension and Other Post- Employment Benefits.

Revenue Recognition

The various types of Authority revenue are recognized as follows:

Fees from Rates & Charges

Fees from rates and charges are principally generated from scheduled passenger and cargo carriers, as well as nonscheduled commercial aviation, and are based on the use of airport facilities. Fees include landing fees, terminal rents, apron fees, and security fees. The estimated fee structure is determined annually pursuant to an agreement between the Authority and each of the signatory airlines based on the operating budget of the Authority. Fees from rates and charges are recognized as revenue when the related facilities are utilized.

Terminal Rents and Concessions

Rental and concession fees are generated from airlines, parking facilities, rental car agencies, advertisers, and other commercial tenants. Leases are for terms from one to ten years and generally require rents based on the volume of business; specific minimum annual rental payments are required for some of the leases. Rental revenue is recognized over the life of the respective leases for regulated leases as defined in Note 6, and concession revenue is recognized based on reported concessionaire revenue.

Nonoperating Grants

Due the COVID-19 pandemic, federal legislation provided grants to airports which are intended to assist public entities with response efforts. The legislation passed provides for resources which are subsidies and are reported as nonoperating revenue by the Authority.

Customer Facility Charge (CFC) Funds

On September 1, 2008, the airport began imposing, upon approval of the Board of Directors and pursuant to Section 4.08 of the Concession Agreements with rental car companies, a CFC on each car rented at the airport. The CFC is $4.75 per day, per transaction. The Authority is authorized to collect this fee pursuant to Iowa Code and for the purpose specified by the Authority board. The Authority's CFC revenue was $3,186,436 for the year ended December 31, 2023. CFC revenue is recognized when the underlying exchange occurs.

Passenger Facility Charges

In 1993, the FAA issued a Record of Decision authorizing the airport to collect and expend PFC revenue. The Authority's PFC accounts represent fees imposed on enplaning passengers for the purpose of generating resources for airport projects that increase capacity, increase safety, or mitigate noise impact. The airport initially received PFC approval at a level of $3.00 per passenger for specific projects, but since that time have received approval for numerous other projects and in 2001 the collection level was raised to $4.50 per passenger. As approved projects are completed, corresponding portions of the PFC program are closed. PFC receipts are recognized when the underlying exchange occurred. The Authority's PFC revenue was $6,246,097 during the year ended December 31, 2023. Charges collected and receivable are recorded as restricted assets.

The balances totaled $14,364,935 and $822,770 within restricted cash and cash equivalents and restricted accounts receivable, respectively, at December 31, 2023.

Other

All other types of revenue are recognized when earned.

Use of 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 certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results may differ from estimates and assumptions used in preparing the financial statements.

Operating and Nonoperating Revenues and Expenses

Operating revenues result from exchange transactions of Authority activities. Nonoperating revenues result from nonexchange transactions such as investment earnings and customer and passenger facility charges. Expenses associated with operating the Authority facilities are considered operating expenses.

Net Position

Net position represents the difference between assets and deferred outflow of resources, and liabilities and deferred inflow of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation; reduced by any outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets; and adjusted for deferred loss on refunding of debt. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the Authority first applies restricted resources.

Tax-Exempt Status

The Authority, a corporate municipality authorized by state statute and activated as a result of passage of a City resolution, is not subject to federal, state, or local income, sales, or property taxes.

Pensions

For purposes of measuring the net pension liability deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 7.

Other Postemployment Benefits

For purposes of measuring the total other postemployment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense has been determined using the economic resources measurement focus and the full accrual basis of accounting. For this purpose, the Authority recognizes benefit payments when due and payable in accordance with the benefit terms. The OPEB plan is not administered through a qualifying trust. See Note 8.

NOTE 2 | **CASH AND INVESTMENTS**

Authorized Investments

The Authority is authorized by statute to invest public funds in obligations of the U.S. government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved pursuant to Chapter 12C, Code of Iowa; prime eligible bankers acceptances; certain high-rated U.S. government obligations; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. However, the Authority's investment policy additionally limits investments in U.S. government obligations to obligations at the time of purchase rated within the two highest ratings, issued by nationally recognized statistical rating organizations with a maturity less than 270 days, provided that at the time of purchase no more than 10% of the investment portfolio be invested in U.S. government obligations and no more than 5% of the investment portfolio shall be invested in securities of a single issuer. The Authority also limits investments in prime bankers' acceptances to those that mature within 270 days and that are eligible for purchase by a federal reserve bank, provided that at the time of purchase no more than 5% of the investment portfolio shall be invested in the securities of a single issuer. As of December 31, 2023, the Authority held the following investments:

Type of Investment		Fair Value	Weighted Average Days to Maturity	Valuation Input
U.S. Treasury Bills	2023	$ 7,765,000	98	Level 1
Bank Certificate of Deposit	2023	$ 45,000,000	200	Level 1

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The fair value of the Authority's U.S. government obligations at December 31, 2023, was determined primarily based on level 1 inputs. The Authority estimates the fair value of U.S. Treasury Bills based on quoted prices from active markets as reported on the Authority's year-end brokerage statements.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. In accordance with the Authority's investment policy, the Authority minimizes the market value risk of investments in the portfolio by structuring its investment portfolio so that securities mature to meet cash requirements for operations, thereby avoiding the need to sell securities in the open market prior to maturity.

Concentration of Credit Risk

The Authority seeks diversification to reduce overall portfolio risk while attaining benchmark average rates of return to meet all anticipated cash requirements. The Authority will invest in securities with varying maturities. Certificates of deposit will be limited in accordance with Chapter 12C of the Code of Iowa.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Chapter 12c of the Code of Iowa requires all funds be deposited into an approved depository and be either insured or collateralized. At December 31, 2023, the Authority's cash deposits and CDs were held in a bank within the state of Iowa and covered by the state sinking fund per Section 12C.25 of the Code of Iowa.

Investment Credit Rating

Iowa law provides for limited investment of public funds. The Authority's investments at December 31, 2023, included only U.S. government obligations, which is limited to no more than 10% of the portfolio for issues that are rated in the top two ratings issued by nationally recognized statistical rating organizations. The Authority's investment policy does not further limit its investment choices.

NOTE 3 | **CAPITAL ASSETS**

A summary of the Authority's capital asset activity for the year ended December 31, 2023, is as follows:

Fixed assets	12/31/22 Balance	Additions	Deletions	12/31/23 Balance
Land	$ -	$ -	$ -	$ -
Land improvements — NonDepr	93,451	-	-	93,451
Land improvements — Depr	255,148,211	16,231,601	-	271,379,812
Building	108,512,843	4,681,055	-	113,193,898
Building improvements	160,254,298	176,474	-	160,430,772
Machinery & equipment	16,178,477	804,774	-	16,983,251
Computer systems	10,881,810	782,930	-	11,664,740
Intangibles	3,143,870	-	-	3,143,870
	554,212,960	22,676,834	-	576,889,794
C.I.P.	55,300,124	79,765,896	(14,581,456)	120,484,565
Totals	**$ 609,513,084**	**$ 102,442,730**	**$ (14,581,456)**	**$ 697,374,358**

Accumulated depreciation	12/31/22 Balance	Additions	Deletions	12/31/23 Balance
Land	$ -	$ -	$ -	$ -
Land improvements — NonDepr	-	-	-	-
Land improvements — Depr	110,701,319	6,847,249	-	117,548,568
Building	42,863,800	2,624,610	-	45,488,410
Building improvements	127,881,687	5,125,073	-	133,006,759
Machinery & equipment	12,430,741	959,463	-	13,390,205
Computer systems	9,044,937	745,663	-	9,790,599
Intangibles	3,143,870	-	-	3,143,870
Totals	**306,066,353**	**16,302,058**	**-**	**322,368,411**

The land underlying the Authority operations is under lease by the Authority from the City of Des Moines. Refer to Note 6 for further details.

The Authority has additional commitments for signed construction contracts of $139,007,178 at December 31, 2023. These commitments will be funded by various sources, including federal and state grants, operating revenues, and PFC funds.

NOTE 4 | **ACCRUED EMPLOYEE BENEFITS**

In conformity with GASB Statement No. 16, *Accounting for Compensated Absences*, the Authority accrues vacation and sick pay benefits as earned by employees using the days paid method.

A summary of the changes in compensated absences for the years ended December 31, 2022, are summarized as follows:

	Beginning Balance	Additions	Payments	Ending Balance	Current Portion
Compensated Absences	$ 1,202,115	$ 577,040	$ (468,058)	$ 1,311,097	$ 93,650

NOTE 5 | **INTERGOVERNMENTAL ACTIVITY**

The City of Des Moines imposes payments in lieu of taxes (PILOT) charges on the Authority for police and fire services. PILOT charges imposed for the year ended December 31, 2023, totaled $744,067. These charges are classified as operating expenses.

IIn addition, the Authority pays the City of Des Moines under a services agreement related to the Des Moines Police Department staff stationed at the Des Moines International Airport. These expenses amounted to $2,643,363 for the year ended December 31, 2023. These charges are classified as operating expenses.

NOTE 6 | **LEASES**

The Authority, as a lessor, leases certain assets to various third parties. The assets leased include land, wall space for advertising, office space, terminal space for concessions, building facilities, and other. Payments for almost all leases are received monthly, and the revenue varies based on the nature of the lease. Most of the leases, which include land leases and advertising leases, are a fixed monthly fee and often contain annual or periodic escalation clauses. For some leases for which the business conducts sales, the monthly fee is a percentage of gross revenue and varies each month. For sales-based leases, there are often minimum annual guarantees (MAGs) contained in the lease that provide a certain amount of revenue regardless of the operational success. The length of most leases is less than 5 years; however, there are a few leases over 20 years.

During the year ended December 31, 2023, the Authority recognized the following related to its lessor agreements:

Lease revenue	$ 3,807,634
Interest income related to its leases	1,530,754
Revenue from variable payments not previously included in the measurement of the lease receivable	1,401,615

Most leases do not contain any early termination provisions, and the few that do can only be terminated by either the lessor or lessee, but not both.

Future principal and interest payment requirements related to the Authority's lease receivable at December 31, 2023 are as follows:

Year Ending		Principal		Interest		Total
2024	$	3,102,010	$	1,373,684	$	4,475,694
2025		2,623,479		1,229,717		3,853,196
2026		2,151,738		1,100,256		3,251,994
2027		1,735,192		1,009,651		2,744,843
2028		1,244,859		930,345		2,175,204
2029-2033		4,199,706		3,996,985		8,196,691
2034-2038		5,298,214		2,812,868		8,111,082
2039-2043		3,660,629		1,561,420		5,222,048
2044-2048		2,696,709		851,969		3,548,678
2049-2053		1,924,942		163,659		2,088,601
Total	**$**	**28,637,478**	**$**	**15,030,555**	**$**	**43,668,032**

Real Estate Lease

The City of Des Moines owns the land underlying the Authority operations. The Authority has entered into a 99-year lease with the City to use the land for any purposes the Authority deems to be consistent with the best interests of operating the airport for an annual payment of $1. At the end of the 99-year term, the lease shall renew for successive 25-year terms unless either party gives proper notice of termination.

Regulated Leases

The Authority is party to certain regulated leases, as defined by GASB 87. The leased assets include land that the lessee uses for hangar construction and use, fixed-based operations, an airline fueling consortium, terminal space, aircraft maintenance facilities, cargo facilities, hangars, and other building facilities.

In accordance with GASB 87, the Authority does not recognize a lease receivable and a deferred inflow of resources for regulated leases. Regulated leases are certain leases that are subject to external laws, regulations, or legal rulings, e.g., the U.S. Department of Transportation and the FAA, regulated aviation leases between airports and air carriers and other aeronautical users, and local regulations for fire and other.

The Authority has certain airline leases that are regulated by the FAA. However, they are not included within the disclosures, as these leases have been extended for one year and are considered short term based on the qualifications of GASB 87.

NOTE 7 | **RETIREMENT SYSTEM**

Plan Description

IPERS membership is mandatory for employees of the Authority. Employees of the Authority are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Since July 1, 2018, employee contribution to the plan is 6.29% of covered salary with the Authority contributing 9.44%. State Statute establishes contribution requirements. The Authority's contributions to IPERS for the year ended December 31, 2023, were $496,244. For the period, the actual contributions were equal to the required contributions.

Pension Benefits

A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits

A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions

Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2023, the Authority reported a liability of $2,701,834 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2023, the Authority's collective proportion was .058554%, which was a decrease from .053931%, its proportion measured as of June 30, 2022.

For the year ended December 31, 2023, the Authority recognized pension expense of $228,841. The Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	$ 222,558	$ (10,751)
Changes of assumptions	-	(39)
Net differences between projected and actual earnings on pension plan investments	257,623	-
Changes in proportion and difference between Authority contributions and proportionate share of contributions	197,361	(79,042)
Authority contributions subsequent to the measurement date	219,283	-
Total	**$ 896,825**	**$ (89,832)**

Deferred outflow of resources of $219,283 related to pensions resulting from the Authority contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

As of December 31, 2022 Year Ended June 30	Amount
2023	$ (82,857)
2024	(206,783)
2025	540,306
2026	323,209
2027	13,837
Thereafter	-
	$ 587,712

There were no nonemployer contributing entities at IPERS.

Actuarial Assumptions

The total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (Effective June 30, 2017)	2.60 percent per annum
Wage Growth Assumption (Effective June 30, 2017)	3.25 to 16.25 percent per annum
Rate of Investment Return (Effective June 30, 2017)	7.00 percent, compounded annually, net of expenses

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the Pub-G-2010 Employee and Healthy Annuitant Tables, using MP-2021 generational adjustments.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class for December 31, 2023 are summarized in the following table:

Asset class	Asset allocation	Long-term expected real rate of return
Core plus fixed income	23%	2.69%
Domestic equity	21	4.56
International equity	16.5	6.22
Global smart beta equity	5	5.22
Private equity	17	10.44
Public credit	3	4.38
Private real assets	9	3.88
Private credit	4.5	4.6
Cash	1	1.59
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Authority will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate for fiscal year ending December 31, 2023.

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Authority's proportionate share of the net pension liability:	$ 5,744,665	$ 2,701,834	$ 151,860

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan

At December 31, 2023, the Authority reported payables to the defined benefit pension plan of $61,087 for legally required employer contributions and $40,698 for legally required employee contributions, which had been withheld from employee wages but not yet remitted to IPERS.

NOTE 8 | **POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)**

Plan Description

For the year ending December 31, 2023, the Authority participated in the City of Des Moines' single-employer healthcare plan. The benefits are provided through a self-insured plan with Wellmark of Iowa (Blue Cross/Blue Shield) and dental benefits through a self-insured plan with Delta Dental of Iowa. The same plans are available for active employees and retirees up to age 65. Coverage must be selected at retirement and be continuous to maintain eligibility for the plan. Retirees and dependents remain eligible until reaching Medicare eligibility.

No OPEB assets are accumulated in a trust that meets the criteria of paragraph 4 of Statement 75.

Benefits Provided

The plan provides medical, prescription drug, and dental benefits to all active and retired employees and their eligible dependents. Employees must have attained age 55 and retired from active employment to be eligible for retiree benefits. Eligible retirees and their dependents may receive dental benefits only if medical and prescription coverage is also purchased.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

Date of member count	12/31/2023
Active employees currently receiving benefits	64
Active retirees	5
Total plan members	69

Total OPEB Liability

The Authority's total OPEB liability of $561,150 was measured as of December 31, 2023, and was determined by an actuarial valuation as of that date.

Changes in the total OPEB liability during the measurement year were as follows:

Changes in Total OPEB Liability		Total OPEB Liability 2023
Balance at January 1	**$**	581,920
Changes for the year:		
Service cost		49,959
Interest		25,875
Changes in benefits		-
Changes in assumptions		10,589
Differences between expected and actual experience		(43,459)
Benefit payments, including refunds		(63,734)
Administrative expenses		-
Miscellaneous other charges		-
Net changes		**(20,770)**
Balance at December 31	**$**	**561,150**

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2023, the Authority recognized OPEB expense of $17,350.

At December 31, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

		Deferred Outflows of Resources		Deferred Inflows of Resources
Difference between expected and actual experience	$	132,644	$	(98,863)
Changes in assumptions		53,047		(66,123)
Total	**$**	**185,691**	**$**	**(164,986)**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

As of December 31, 2023 Years Ending		Net Deferred Outflows / (Inflows) of Resources
2024	$	5,252
2025		7,591
2026		7,588
2027		11,270
2028		(6,298)
Thereafter		**(4,698)**

Actuarial Assumptions

The total OPEB liability in the December 31, 2023 actuarial valuation was determined using an inflation assumption of 2.6%; assumed salary increases (including inflation) of 3.25%; a healthcare cost trend rate of 7% for 2024, decreasing .5% per year to an ultimate rate of 4.5% for 2029 and later years.

Changes in actuarial assumptions and methods:

December 2023 valuation incorporated the following changes in assumptions:

- Decreased the discount rate from 4.31% to 4%.
- The plan does not have sufficient data to have credible experience. Therefore, mortality assumptions are set to reflect general population trends based upon Pub-2010 Mortality tables and the most recent generational projection scale MP-2021 released by the Society of Actuaries (SOA) for future mortality improvements.

Discount Rate

The discount rate used to measure the total OPEB liability was 4.00% for December 31, 2023. The discount rate was based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale).

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Authority as of December 31, 2023, calculated using the discount rate of 4%, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

		1% Decrease (3%)		Current Discount Rate (4%)		1% Increase (5%)
Total OPEB liability of the OPEB plan	$	596,160	$	561,150	$	527,497

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the Total OPEB Liability as of December 31, 2023, using the health care trend rates assumed and what it would be using 1 percentage point higher and 1 percentage point lower health care trend rates.

- The current health care trend rate starts at an initial rate of 7%, decreasing to an ultimate rate of 4.50%.
- The 1% decrease in health care trend rates would assume an initial rate of 6%, decreasing to an ultimate rate of 3.50%.
- The 1% increase in health care trend rates would assume an initial rate of 8%, decreasing to an ultimate rate of 5.50%.

	1% Decrease (6%)	Current Healthcare cost trend rate (7%)	1% Increase (8%)
Total OPEB liability of the OPEB plan	$ 502,925	$ 561,150	$ 628,121

Contributions

Retiree healthcare costs are generally paid by the Authority on a "pay-as-you-go" basis, and no funds are accumulated in the Trust for the payment of future benefits. The Authority is under no obligation to make contributions to the Trust in advance of when costs are incurred. For the fiscal year ended December 31, 2023, the Authority has paid postemployment healthcare benefits of $32,754.

NOTE 9 | **DEFERRED COMPENSATION**

The Authority offers deferred compensation plans to its employees. The plans have been created in accordance with *Internal Revenue Code*, Section 401(a) and 457. Both plans are available to all full-time employees. Each of the plans permits an employee to defer a portion of his or her compensation until future years. This deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Both plans include immediate vesting for the employee, so there are no forfeitures. The Authority has the right to amend the plan in the future but has no plan to do so at this time.

In accordance with Federal legislation (the Small Business and Wage Protection Act of 1996), the Authority has established trust arrangements for all of the assets in the plans with Mission Square to ensure those assets are protected and used exclusively for plan participants and beneficiaries. As a result of these arrangements, the deferred compensation plan assets are not reported in the Authority's basic financial statements.

The 401A plan requires a 4.0% contribution by employees and a 4.5% contribution by the Authority. For the 457 plan, the Authority matches contributions up to 4.5% for those employees who do not participate in the 401A. During 2023, the Authority contributed $160,690 to employee 401A accounts and $66,172 to employee 457 accounts.

NOTE 10 | **COMMITMENTS AND CONTINGENCIES**

The Authority has received several federal grants for specific purposes, which are subject to various grant assurances and to review and audit by the grantor agencies. Such audits could lead to a request for reimbursement to grantor agencies for expenses disallowed under grant terms. Authority management believes any such disallowance would be immaterial to the basic financial statements.

NOTE 11 | **RISK MANAGEMENT**

The Authority implemented a partial self-funding model for employee health insurance as of July 1, 2023. Under this model, the Authority purchases a high deductible plan through Wellmark Blue Cross and Blue Shield with deductible amounts of $3,000 for single and $6,000 for family coverage. The Authority employees are responsible for deductibles of $500 for single, and $1,000 for family coverage, and then the Authority is responsible additional claims up to the policy deductible. Claims paid by the Authority for the period of July 1, 2023 to December 31, 2023 amounted to $36,438.

NOTE 12 | **PENDING PRONOUNCEMENTS**

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the Authority's financial statements for the year ending December 31, 2024.

In December 2023, the Government Accounting Standards Board issued Statement No. 102, *Certain Risk Disclosures*, which requires governments to assess whether a concentration or constraint makes the primary government or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. It also requires governments to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date of the financial statements are issued. If certain criteria are met for a concentration or constraint, disclosures are required in the notes to the financial statements. The provisions of this statement are effective for the Authority's financial statements for the year ending December 31, 2025.

NOTE 13 | **SUBSEQUENT EVENTS**

Polk County, Iowa plans to issue approximately $120 million, 20-year term, General Obligation (GO) Alternative Minimum Tax bonds in May of 2024 and thereafter loan the proceeds to the Authority to fund construction of a new passenger terminal. The Authority is responsible for all principal and interest on the entire bond issuance, allowing Polk County to abate property taxes that would otherwise be levied for debt service. The Authority anticipates a second tranche of GO bonds will be issued in mid-2025. The total bonds authorized by referendum will not exceed $350 million.

SCHEDULE OF CHANGES IN THE AUTHORITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS

Total OPEB liability	2023	2022	2021	2020	2019	2018
Service cost	$ 49,959	$ 50,873	$ 53,839	$ 33,943	$ 31,389	23,567
Interest	25,875	13,595	13,576	13,527	18,104	15,527
Changes in benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	(43,459)	77,724	(49,885)	154,251	(46,032)	(110,922)
Changes in assumptions	10,589	(88,963)	(4,510)	48,503	16,573	94,543
Benefit payments, including refunds	(63,734)	(49,075)	(43,373)	(45,848)	(50,286)	(32,754)
Net change in total OPEB liability	(20,770)	4,154	(30,353)	204,376	(30,252)	(10,039)
Total OPEB liability - beginning of year	$ 581,920	$ 577,766	$ 608,119	$ 403,743	433,995	444,034
Total OPEB liability - end of year	$ 561,150	$ 581,920	$ 577,766	$ 608,119	403,743	433,995
Covered employee payroll	$ 5,499,773	$ 4,821,271	$ 4,420,577	$ 4,028,860	3,969,058	3,844,124
Authority's total OPEB liability as a % of covered employee payroll	10%	**12%**	**13%**	**15%**	**10%**	**11%**

Note: GASB 75 was implemented in 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

See accompanying independent auditors' report.

SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Iowa Public Employees' Retirement System

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Authority's proportionate share of the net pension liability	0.058554%	0.053931%	0.059490%	0.056570%	0.056752%	0.0576190%	0.0573905%	0.060038%	0.062768%	0.066262%
Authority's proportionate share of the net pension liability	$ 2,701,834	2,140,574	75,631	3,946,156	3,308,416	3,645,124	3,788,747	3,744,096	3,120,478	2,681,674
Authority's covered payroll	$ 5,696,429	4,638,749	4,420,577	4,506,091	4,348,093	4,329,242	4,188,701	4,274,262	4,322,592	4,422,060
Authority's proportionate share of the collective net pension liability as a percentage of the Authority's covered payroll	47.43%	46.15%	1.71%	87.57%	76.09%	84.20%	90.45%	87.60%	72.19%	60.64%
Plan fiduciary net position as a percentage of the total pension liability	89.18%	91.40%	99.65%	82.90%	85.45%	86.62%	82.21%	81.82%	85.19%	85.19%

See accompanying independent auditors' report.

SCHEDULE OF AUTHORITY'S CONTRIBUTIONS

Iowa Public Employees' Retirement System

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contributions	$ 496,244	$ 430,761	$ 413,338	$ 420,852	$ 410,460	$ 386,601	$ 374,051	$ 381,262	$ 384,113	384,113
Contributions in relation to the contractually required contributions	496,244	430,761	413,338	420,852	410,460	386,601	374,051	381,262	384,113	384,113
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Authority's covered payroll	$ 5,696,429	$ 4,638,749	$ 4,420,577	$ 4,506,091	$ 4,491,022	$ 4,539,406	$ 4,188,701	$ 4,274,262	$ 4,322,592	4,322,592
Contributions as a percentage of covered payroll	8.71%	9.29%	9.35%	9.34%	9.14%	8.52%	8.93%	8.92%	8.89%	8.89%

See accompanying independent auditors' report.

CHANGES OF BENEFIT AND FUNDING TERMS

The following changes to the plan provisions were made by the Iowa Legislature and reflected in the valuation performed as of the June 30 listed below:

2010

The 2010 Legislature passed House File 2518, which increased the contribution rate for Regular members and also changed the benefit structure for Regular members. These changes were:

- The combined contribution rate was increased to 13.45%, effective July 1, 2011.
- The System was given authority to set the Required Contribution Rate on an actuarial basis for fiscal years after 2012, but the contribution rate cannot vary by more than 1.0% per year.
- The benefit structure was modified by amending the definition of final average salary to the highest five years of covered wages, increasing the years of service to be vested from four to seven, and increasing the early retirement reduction from 3% per year measured from the member's first unreduced retirement age to a 6% reduction measured from age 65.

The legislature eliminated the 0.50% annual cap on the change in the contribution rate for Sheriffs and Deputies and the Protection Occupation groups, which was to be effective for FY2012. It also added a cancer and infectious disease presumption for in-service disability benefits, effective July 1, 2011.

2008

Legislation passed in 2008 transferred four groups — (1) Emergency Medical Service (EMS) providers, (2) County Jailers, (3) County Attorney Investigators, and (4) National Guard Installation Security Officers — from Regular membership to the Protection Occupation group for future service only.

Legislation passed in 2008 gave IPERS the authority to implement actuarially determined contribution rates for the Regular membership group after fiscal year 2011. However, the contribution rate was not permitted to change by more than 0.50% in any single year.

CHANGES IN ACTUARIAL ASSUMPTIONS AND METHODS

Iowa Public Employees' Retirement System

June 30, 2022 valuation:

- Mortality assumption was changed to the family of PubG-2010 Mortality Tables for all groups, with age setbacks and set forwards, as well as other adjustments. Future mortality improvements are modeled using Scale MP-2021.
- Retirement rates were adjusted to partially reflect observed experience for Regular members only.
- Disability rates were lowered for Regular members only.
- Termination rates were adjusted to partially reflect observed experience for all groups.

June 30, 2018 valuation:

- Mortality assumption was changed to the family of RP-2014 Mortality Tables for all groups, with mortality improvements modeled using Scale MP-2017.
- Retirement rates for Regular members were lowered to better reflect actual experience. For the Sheriffs and Deputies, the retirement assumption was modified to reflect lower retirement rates at the younger ages. For the Protection Occupation group, the retirement rates were modified both higher and lower across the age ranges.
- Disability rates were lowered for all groups to better reflect the actual experience.
- Termination rates for Regular members were adjusted to better reflect actual experience. Separate termination assumptions were adopted for the two Special Service groups and the assumptions were changed to be service-based rather than age-based.

- The probability of a vested member electing to receive a deferred benefit was adjusted for Regular members to better reflect actual experience.

The merit component of the salary increase assumption was adjusted to better reflect actual salary increases.

June 2017 valuation:

Contribution rates effective July 1, 2018, incorporated the following refinements after an economic assumption study:

- Decreased the inflation assumption from 3.00 percent to 2.60 percent per year.
- Decreased the assumed rate of interest on member accounts from 3.75 percent to 3.50 percent per year.
- Decreased the investment return assumption from 7.50 percent to 7.00 percent.
- Decreased the wage growth assumption from 4.00 percent to 3.25 percent.
- Decreased the payroll growth assumption from 4.00 percent to 3.25 percent.

June 30, 2014 valuation:

- The inflation assumption decreased from 3.25% to 3.00% per year.
- The assumed rate of interest on member accounts was decreased from 4.00% to 3.75% per year.
- Male mortality rates for Regular members were adjusted:
  - State males were changed to the RP-2000 Healthy Annuitant Table using generational mortality projections with no age adjustment.
  - School males were changed to the RP-2000 Healthy Annuitant Table using generational mortality projections with a one-year age setback and rates decreased by 5% below age 75.
  - Other males were changed to the RP-2000 Healthy Annuitant Table using generational mortality projections with no age adjustment.
- Retirement rates were reduced for Sheriffs and Deputies between the ages of 55 and 64.
- Beginning June 30, 2014, the Amortization Method amortizes the June 30, 2014 UAL as a level percentage of payroll over a closed 30-year period. Each year thereafter, changes in the UAL will result in the establishment of new amortization bases. The future bases arising from plan experience will be amortized over a closed 20-year period beginning on the date the base is established. The amortization period for changes in the UAL due to plan amendments and assumption changes will be determined by the Investment Board at the time they occur.

June 30, 2011 valuation:

- Mortality rates for Regular members were changed, implementing some refinements to the rates recommended in the 2010 experience study.

June 30, 2010 valuation:

- Some adjustments were made to the retiree mortality assumption to better fit the observed experience, generally lowering mortality rates.
- Retirement rates were modified to reflect the observed patterns of retirement, generally reflecting fewer retirements.
- Disability rates were lowered at most ages.
- Termination of employment rates were lowered, reflecting increased employee retention.
- The probability of terminating members leaving their contributions with IPERS and receiving a deferred retirement benefit were generally increased to reflect actual experience.
- Salary increase assumptions were modified to better reflect the observed experience. There were both increases and decreases in the rates at various durations.

COMPLIANCE SECTION

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management and the Board of Directors
Des Moines Airport Authority

We have audited, 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, the financial statements of Des Moines Airport Authority (the "Authority") as of and for the year ended December 31, 2023 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 3, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2023-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

The Authority's Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

Purpose of this Report

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

Plante & Moran, PLLC

June 3, 2024

PRAXITY™
Empowering Business Globally

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Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance; Report on Compliance for the Passenger Facility Charge Program, as Required by the Guide

Independent Auditor's Report

To the Board of Directors
Des Moines Airport Authority

Report on Compliance for Each Major Federal Program and the Passenger Facility Charge Program

Opinion on Each Major Federal Program and the Passenger Facility Charge Program

We have audited Des Moines Airport Authority's (the "Authority") compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2023. In addition, we audited compliance with the applicable requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, and the requirements in 14 CFR 158.63 (collectively, the "Guide") for the year ended December 31, 2023. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. The passenger facility charge program is identified in the schedule of expenditures of passenger facility charges.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of the major federal programs and the passenger facility charge program for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program and the Passenger Facility Charge Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"); and the applicable requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration; and the requirements in 14 CFR 158.63. Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program and the passenger facility charge program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal programs and the passenger facility charge program.

To the Board of Directors
Des Moines Airport Authority

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program and the passenger facility charge program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, and the Guide, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

To the Board of Directors
Des Moines Airport Authority

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and hte Guide. Accordingly, this report is not suitable for any other purpose.

Plante & Moran, PLLC

June 3, 2024

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended December 31, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal ALN Number	Total Amount Provided to Subrecipients	Federal Expenditures
U.S. Department of Transportation			
Direct Award: Airport Improvement Program, Reconstruct Runway 5/23 Phase 5 Construction | [Reconstruct Runway 5/23 at 1,750' x 150' north of Runway 13/31 – Reconstruct | Taxiway B (550' x 75') between Parallel Taxiways P and R – Reconstruct and realign | Taxiway B (220' x 75') between Taxiway P and the Terminal Apron – Reconstruct | Taxiway P (1,750' x 75') north of Taxiway D – Reconstruct Taxiway P1 (290' x 75') – Reconstruct portion of Taxiway R1 (90' x 75') inside the Runway 5/23 Safety Area – Reconstruct Taxiway G (295' x 75') – Reconstruct northwest corner of the Terminal | Apron (9,000 sq. yds.), and – Pave Perimeter Road around Runway 23 End (2,170' x 15') with 9" concrete and AIP participation limited to 7" concrete] AIP Number 3-19-0027-077-2020	20.106		1,563,850
Direct Award: Update PCI Study Grant Number 3-19-0027-086-2022	20.106		48,174
Direct Award: Reconstruct Runway Intersection and Replace HIRL within Runway Safety Areas - Reconstruct Runway 5/23 (530' by 150') and Runway 13/31 (615' by 150') Grant Number 3-19-0027-087-2022	20.106		7,009,998
Direct Award: Reconstruct Runway 5/23 Phase 6 Reimbursable Agreement for On-site Resident Engineer Support for Runway 23 REIL, Runway 23 PAPI, and Runway 5 Localizer Impacts due to Reconstruct Runway 5/23 Phase 5 Construction Grant Number 3-19-0027-088-2022	20.106		12,952
Direct Award: Construct Terminal Building Ph1 - Site Preparation (Demolish Hangar 7 Foundation, Relocate Hangar 9, Demolish Hangar 10, Remove Apron Pavement and Utilities, and Place Embankment/Overburden) Grant Number 3-19-0027-089-2023	20.106		4,638,744
Direct Award: Construct Terminal Building (Phase 2 - Design) - 12.50% of Total Eligible Design Grant Number 3-19-0027-090-2023	20.106		689,622
Direct Award: Construct Aircraft Deicing Apron (Bid Package 1: Install Storm Water System, Install Glycol Detention System, and Relocate Airfield Electrical and Communication Systems Components) - 77.52% of Total Project Grant Number 3-19-0027-091-2023	20.106		2,003,796
Direct Award: Construct Aircraft Deicing Apron (Bid Package 1: Install Storm Water System, Install Glycol Detention System, and Relocate Airfield Electrical and Communication Systems Components) - 22.48% of Total Project Grant Number 3-19-0027-092-2023	20.106		224,397
Direct Award: Reconstruct Runway 5/23 and 13/31 Intersection (Phase 3 - Reimbursable Agreement for On-site Resident Engineer Support for Temporary Removal and Reinstallation of Runway 5 MALSR) Grant Number 3-19-0027-093-2023	20.106		73,144
Direct Award: Construct Terminal Building (Phase 3 - Design) - 87.50% of Total Eligible Design Grant Number 3-19-0027-094-2023	20.106		4,613,656
Direct Award: Construct Terminal Building Phase 6 - 49.63% of the Construction of GMP No. 1 Early Bid Packages (Earthwork 2024, Utilities 2023 and 2024, Deep Foundations, Concrete, and Steel) and Construction Inspection Fees Grant Number 3-19-0027-095-2023	20.106		2,491,180
Direct Award: Construct Terminal Building Phase 7 - 50.37% of the Construction of GMP No. 1 Early Bid Packages (Earthwork 2024, Utilities 2023 and 2024, Deep Foundations, Concrete, and Steel) and Construction Inspection Fees Grant Number 3-19-0027-096-2023	20.106		2,018,521
Total U.S. Department of Transportation		-	$ 25,388,034
U.S. Treasury		-	
Pass-Through Award from State of Iowa: COVID-19 Coronavirus State and Local Fiscal Recovery Funds Federal Award Number SLFRP4374 Pass-Through Identifying Entity Number RYDDMCDJBYM	21.027		$ 16,476,298
Total U.S. Treasury			$ 16,476,298
Total Federal Expenditures		-	$ 41,864,332

See Notes to Schedule of Expenditures of Federal Awards.

NOTE 1 | GENERAL

The accompanying schedule of expenditures of federal awards (the "Schedule") summarizes the expenditures of the Des Moines Airport Authority (the "Authority") under programs of the federal government and is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the "Uniform Guidance"). The Authority's reporting entity is defined in the notes to the Authority's basic financial statements.

For the purposes of the Schedule, federal awards include all grants, contracts, and similar agreements entered into between the Authority and agencies and departments of the federal government and all sub-awards to the Authority by nonfederal organizations pursuant to federal grants, contracts, and similar agreements.

Federal awards are reported in the Authority's statement of revenues, expenses, and changes in net position included with federal and state grants as well as capital contributions. The Schedule presents only a selected portion of the operations of the Authority. It is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

NOTE 2 | SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule is presented on the accrual basis of accounting. Expenditures are recorded, accordingly, when incurred rather than when paid. Expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. The Authority has elected not to use the 10-percent de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES

12-month period ended December 31, 2023

		December 31, 2022 Program Total		Quarter 1 January - March		Quarter 2 April - June		Quarter 3 July - September		Quarter 4 October - December		December 31, 2023 Program Total
Revenue												
Collections	$	80,159,038	$	1,379,028	$	1,586,496	$	1,633,854	$	1,584,352	$	86,342,766
Interest		2,512,483		166,017		165,937		151,785		170,643		3,166,865
Total Revenue		82,671,521		1,545,045		1,752,433		1,785,639		1,754,995		89,509,631
Financing Adjustment to Cumulative Revenue												
Revenue Adjustment for Closed Applications**		(76,373)		-		-		-		-		(76,373)
Disbursements				-		-		-		-		
Application 03-06:												
Glycol Tank Storage Area		611,860		-		-		-		-		611,860
Passenger Loading Bridges		1,925,485		-		-		-		-		1,925,485
Passenger Terminal Fire Suppression System		317,438		-		-		-		-		317,438
Passenger Terminal Stem Expansion		4,661,164		-		-		-		-		4,661,164
Passenger Terminal Paging System		1,032,977		-		-		-		-		1,032,977
		8,548,924										8,548,924
Application 04-07:												
Replace Snow Removal Equipment		1,496,078		-		-		-		-		1,496,078
Acquire Snow Removal Equipment		576,530		-		-		-		-		576,530
ARFF-Aircraft Rescue Fire Fighting Vehicle		579,889		-		-		-		-		579,889
		2,652,497										2,652,497
Application 05-08:												
Outbound Baggage Make-Up Belts		-		-		-		-		-		-
Full-Depth Replacement of Signature Aprons		1,192,462		-		-		-		-		1,192,462
Americans with Disabilities Act Transition		-		-		-		-		-		-
Project		137,833		-		-		-		-		137,833
Automated Access Control System Upgrade		399,860										399,860
		1,730,155										1,730,155
Application 05-09:				-		-		-		-		
Airport Access Control System		34,626		-		-		-		-		34,626
Runway 31 Category II Centerline Lights		605,486		-		-		-		-		605,486
Construct Runway 5/23 Extension		3,397,609		-		-		-		-		3,397,609
Extend Taxiway "P"		515,008		-		-		-		-		515,008
Noise Compatibility Program		945,178		-		-		-		-		945,178
Runway/Taxiway Signage		47,324		-		-		-		-		47,324
Terminal Apron Reconstruction		878,606		-		-		-		-		878,606
South Cargo Ramp Extension		1,674,952		-		-		-		-		1,674,952
Southeast Service Road Relocation		65,197		-		-		-		-		65,197
Rehabilitation of Runway 13L/31R		606,039		-		-		-		-		606,039
Security Gate Upgrade		7,500		-		-		-		-		7,500
Land Acquisition – Runway 13R/31L		921,266										921,266
		9,698,791										9,698,791
Application 07-10:				-		-		-		-		
Terminal Modifications for EDS Deployment		1,618,274		-		-		-		-		1,618,274
Full-Depth Replacement – N Elliott Apron		2,052,774		-		-		-		-		2,052,774
Security Gate Expansion		165,000		-		-		-		-		165,000
Master Plan Update/Part 150 Update		35,559		-		-		-		-		35,559
Terminal Enhancements		1,900,000		-		-		-		-		1,900,000
Airport Common-Use Terminal System		1,990,000										1,990,000
		7,761,607										7,761,607
Application 08-11				-		-		-		-		
Concourse A&C Enhancements (AIR165)		3,751,999		-		-		-		-		3,751,999
E Cargo Pavement Reconstruction (AIR172)		34,552		-		-		-		-		34,552
Taxiway P Reconstruction (AIR161)		162,782		-		-		-		-		162,782
Snowblower Head Replacement		153,988										153,988
		4,103,321										4,103,321
Application 09-12:				-		-		-		-		
Runway 13R/31L Construction (AIR151)		23,973										23,973
		23,973										23,973
Application 12-13:				-		-		-		-		
Taxiway D Reconstruction (0176 & 0201)		3,058,761										3,058,761
		3,058,761										3,058,761

SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES (CONTINUED)

12-month period ended December 31, 2023

	December 31, 2022 Program Total	Quarter 1 January - March	Quarter 2 April - June	Quarter 3 July - September	Quarter 4 October - December	December 31, 2023 Program Total
Application 15-14:						
PCA Units affixed to Boarding Bridges	890,089	-	-	-	-	890,089
Terminal Area Concept Plan	836,443	-	-	-	-	836,443
Terminal Capacity Improvement Project	2,284,380	-	-	-	-	2,284,380
Aircraft Rescue and Fire Fighting Vehicle (ARFF)	1,040,000	-	-	-	-	1,040,000
ARFF Building Communication Upgrade	101,599	-	-	-	-	101,599
ARFF Road Construction	39,169	-	-	-	-	39,169
Runway 13/31 Reconstruction Phase 1	1,563,343	-	-	-	-	1,563,343
	6,755,023	-	-	-	-	6,755,023
Application 16-15:						
Runway 13/31 Reconstruction Phase 2 and 3	1,471,695	-	-	-	-	1,471,695
Safety Management System Implementation	461,986	-	-	-	-	461,986
Identification Badge Management System (IDMS)	200,000	-	-	-	-	200,000
Snow Removal Equipment	3,348,567	-	-	-	-	3,348,567
Master Plan/Programming Study	464,356	-	-	-	-	464,356
Airfield Lighting Vault	3,083,599	-	-	-	-	3,083,599
Environmental Assessment	500,000	-	-	-	-	500,000
	9,530,202	-	-	-	-	9,530,202
Application 18-16:						
Runway 13/31 Reconstruction Phase 6	723,612	-	-	-	-	723,612
Reconstruction of Rwy 5.23 and Terminal Apron	84,130	-	-	-	-	84,130
Update Miscellaneous Study	239,722	-	-	-	-	239,722
Master Plan/Programming Study - Phase 2	2,360,377	-	-	-	-	2,360,377
	3,407,841	-	-	-	-	3,407,841
Application 20-17:						
Runway 5/23 Extension & Intersection	1,664,751	-	-	3,726,332	675,846	6,066,929
Snow Removal Equipment	1,119,894	-	-	-	-	1,119,894
N. Glycol Collection Tank	-	-	-	-	-	-
Passenger Boarding Bridge Replacement	2,651,433	-	-	-	-	2,651,433
	5,436,078	-	-	3,726,332	675,846	9,838,256
Application 20-18:						
Cowles Drive Reconstruction	6,380,307	-	-	2,254,515	1,257,848	9,892,669
	6,380,307	-	-	2,254,515	1,257,848	9,892,669
Total Disbursements	**69,087,481**	**-**	**-**	**5,980,847**	**1,933,694**	**77,002,021**
Net PFC Revenue (Rev – Disb)	$ 13,507,667	1,545,045	1,752,433	(4,195,208)	(178,699)	12,431,237

Note 1: **Amounts may differ by an immaterial amount due to rounding.**

Note 2: *Amounts may differ by an immaterial amount due to rounding.

Note 3: **PFC Applications 93-01, 97-02, 99-04, and 00-05 were closed during FY2008. Application 98-03 was closed during FY2009. Cumulative revenue adjustments for financed projects were $24,985 for Application 97-02, $205 for Application 99-04, and $51,183 for Application 98-03.

See accompanying independent auditors' report on compliance with requirements that could have a direct and material effect to the passenger facility charge program and on internal control over compliance.

SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' results:	**Unmodified**			
Internal control over financial reporting:				
• Material weakness(es) identified?	✓	Yes		No
• Significant deficiency(ies) identified?		Yes	✓	No
• Noncompliance material to the financial statements noted?		Yes	✓	No

Federal Awards

Internal control over major programs:	**Unmodified**			
• Material weakness(es) identified?		Yes	✓	No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?		Yes	✓	No
Type of auditors' report issued on compliance for major programs:	**Unmodifed**			
• Any audit findings that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance		Yes	✓	No

Identification of Major Program

ALN Number	Name of Federal Program of Cluster
20.106	Airport Improvement Program
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between type A and type B programs:	$1,255,930			
Auditee qualified as low-risk auditee under Section 200.520 of the Uniform Guidance?		Yes	✓	No

Passenger Facility Charge Program

Internal control over major programs:				
• Material weakness(es) identified?		Yes	✓	No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?		Yes	✓	No
Type of auditors' report issued on compliance for major programs:	**Unmodified**			
• Any audit findings that are required to be reported in accordance with AU-C 935		Yes	✓	No

FINDINGS RELATED TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED *GOVERNMENT AUDITING STANDARDS*

2023-001 **Finding Type** — Material weakness

Criteria — Voluntary nonexchange transactions frequently establish eligibility requirements. Eligibility requirements are conditions established by enabling legislation or the provider that are required to be met before a transaction can occur. Until those requirements are met, the recipient does not have a receivable, and the recognition of expenses or revenues for resources transmitted in advance should be deferred.

Condition — The Authority recorded a receivable for voluntary nonexhange transactions prior to the eligibility requirements being met.

Context — The Authority obtained agreements from 18 local communities either in the form of board resolutions or signed agreements for the funding of the new terminal project totaling approximately $27,500,000. Each of these agreements had unique eligibility requirements.

Cause — The new terminal project is a large and unique undertaking for the Authority. The funding from the local communities as a contribution to assist with the funding of the terminal is a new arrangement for the Authority. The agreements from the various communities were not reviewed for eligibility requirements. Additionally, the Authority wanted a method to track remaining outstanding receivables from the local communities so a receivable was recorded without further review of potential eligibility requirements.

Effect — The agreed upon contributions for the local communities was recorded as a receivable as of December 31, 2023. The receivable should not have been recorded until all eligibility criteria was met.

Recommendation — Implementation of a process to review all new agreements for the proper financial reporting impact will ensure financial statements are materially accurate.

Views of Responsible Officials and Planned Corrective Actions — Management recognizes that the terminal contribution commitments from 18 local community municipalities were not eligible to be recorded as receivables. The entries to track the pledges will remain in the Authority accounting system to account for funds received and track amounts due. In future years, management will make appropriate entries at year-end to ensure total assets are correctly stated.

FINDINGS AND QUESTIONED COSTS FOR PASSENGER FACILITY CHARGE PROGRAM

None reported

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None reported

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A BAR


P
DES MOINES
Grey Lot


31-13
P
D
5-23

DES MOINES
International Airport

EXHIBIT 2

CONTRACT BETWEEN DES MOINES AIRPORT AUTHORITY AND PLANTE MORAN

THIS CONTRACT made and entered into this 3 day of August, 2016 by and between the Des Moines Airport Authority (the "Authority") and Plante & Moran, PLLC ("Auditor").

1. Auditor Duties

Auditor shall:

A. Provide qualified auditors of various classifications to provide the services as outlined and in the format specified in the Request for Proposal for Annual Audit of Financial Statements dated June 8, 2016 ("RFP"). The terms of the RFP and Auditor's July 1, 2016 response to the RFP are hereby incorporated by reference and the Form of Auditor's Annual Engagement Letter, attached as Exhibit A to this Contract.

B. It is anticipated that Auditor shall begin work on the audit no later than December 31 of each year and deliver the completed audit report no later than **April 30** of each year.

C. Perform all work in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, Government Auditing Standards, applicable stated federal requirements, and as stated in the RFP.

D. Immediately inform the Authority if the audit discloses any irregularity in the collection or disbursement of public funds of which Auditor becomes aware.

2. Payment

A. The Authority shall pay the total firm price, by year, as follows:

Fiscal Year Ending December 31:

2016	$ 34,600
2017	$ 35,600
2018	$ 36,700
2019	$ 37,800
2020	$ 38,900

B. Auditor may invoice the Authority monthly for hours worked during the previous month. The Authority shall pay Auditor within 30 days after the Authority receives an accurate invoice documenting the services performed.

3. Contract Administration

The Authority's Director of Finance or his designee will be the liaison between the Auditor and the Authority for the purpose of administering the work to be performed under this Contract.

4. Termination of Contract

A. The Authority may terminate the Contract by giving Auditor written notice of the termination not less than sixty (60) days prior to the effective date of termination.

B. Auditor shall be paid for all work satisfactorily performed to the date of termination.

5. Regulatory Compliance

Auditor shall comply with all federal and state laws, rules, and regulations and all Authority policies, rules, and regulations at all times. Auditor shall comply with regulations to insure that no employee or applicant for employment with the firm is discriminated against because of race, religion, color, sex, national origin, age, or disability.

6. Audit or Examination of Records

1. Auditor shall agree that any authorized auditor or any representative of the United States Government, shall have access to and the right to examine, audit, excerpt and transcribe any directly pertinent books, documents, papers and records of the firm relation to orders, invoices, or payments of this contract.
2. All records relating to this engagement shall be retained for such period of time as required by law.

7. Gratuities

Chapter 722 of the Code of Iowa provides that it is a felony to offer, promise or give anything of value or benefit to a person serving in a public capacity with the intent to influence that employee's acts, opinion, judgment or exercise of discretion with respect to the employee's duties.

8. Sensitive Security Information

Auditor, with respect to Sensitive Security Information (SSI), as defined in 49 CFR § 1520, that it has received or receives during the performance of services, shall:

A. Safeguard those documents, and the information contained in them, from disclosure by keeping the documents under the control of authorized persons only and storing the documents in a secure container, such as a locked desk, file cabinet or locked room when not in use;

B. Not release those documents, or the information contained in them, to any party, company, person, organization or entity for any reason that does not directly serve the Auditor 's obligations to the Authority under this Contract as determined by Auditor's employee with appropriate supervisory and decision-making authority;

C. Not release those documents, or the information contained in them, in response to a request under the Iowa Open Records Act or the Federal Freedom of Information Act without affording the Authority the opportunity under those laws to protect those documents from disclosure;

D. Timely notify the Authority if a request is made for those documents or the information contained in them;

E. Return, or destroy, at the option of the Authority, those documents immediately following the completion of the agreed upon services;

F. Comply with federal regulations in handling SSI;

G. Within 20 days of the completion of contract performance, provide the Airport with a listing of all SSI material received, returned and destroyed.

Auditor acknowledges that the Authority has the right to seek all appropriate legal remedies for any violation of the foregoing.

9. Non-Discrimination

Auditor shall not discriminate or permit discrimination in its operations or employment practices against any person or group of persons on the grounds of age, race, creed, color, sex, sexual orientation, gender identity, national origin, religion, or disability and shall furnish evidence of compliance with this provision when so requested by the Authority.

10. Independent Contractor

Auditor will be an independent contractor and not an employee of the Authority. Auditor is responsible for all withholding taxes, social security, unemployment, worker's compensation and other taxes and shall hold the Authority harmless for any claim for the same.

11. Auditor Personnel

The Authority reserves the right to require replacement of any Auditor personnel believed unable to carry out responsibilities, or those who exhibit unsuitability for work.

12. Compliance with Professional Standards

Auditor shall perform all services required by this Contract in accordance with the applicable professional standards. Except as otherwise explicitly noted in this Contract, nothing herein contained, however, shall be construed to protect Auditor against any liability to the Authority by reason of Auditor's failure to comply with federal or state law, rule, or regulation or any misfeasance, bad faith or negligence in the performance of its obligations and duties under this Contract, nor shall anything herein contained constitute a waiver or limitation on any rights which the Authority may have. In no event will Auditor be liable for the negligent acts or omissions of the Authority, its employees, contractors or vendors.

13. Governing Law

A. This contract shall be construed and enforced in accordance with, and governed by, the laws of the State of Iowa. Any dispute arising out of this Contract, including, but not limited to, any issues relating to the existence, validity, formation, interpretation or breach of this Contract, shall be brought and litigated exclusively in a state or federal court located in Des Moines, Iowa.; and the Parties consent to the exclusive jurisdiction thereof.

B. **WAIVER OF JURY TRIAL. EACH OF THE PARTIES HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS CONTRACT.**

14. Successors and Assigns Bound

All the terms, covenants, and agreements in this Contract are binding upon and will inure to the benefit of successors, assigns, and legal representatives of the parties.

15. Nonwaiver of Rights

No waiver of default by either party of any of the terms, covenants, and conditions of this Contract will be construed as, or operate as, a waiver of any subsequent default of any of the terms, covenants, or conditions of this Contract.

16. Severability

If any provision of this Contract shall be held invalid under any applicable statute or regulation or decision of a court of competent jurisdiction, such invalidity shall not affect any other provision of this Contract that can be given effect without the invalid provision, and, to this end, the provisions hereof are severable.

17. Paragraph Headings

The paragraph headings contained in this Contract are for convenience in reference and are not intended to define or limit the scope of any provision.

18. Entire Contract

This Contract, the RFP, and Auditor's response to the RFP, and the Form of Auditor's Annual Engagement Letter attached to this Contract as Exhibit A, constitute the entire agreement between the parties hereto with respect to the subject matter hereof. This Contract amends and supersedes all prior agreements between the parties and shall supersede the terms of any contradictory terms of any Engagement Letter proposed by the Auditor.

19. Enforcement and Waiver

Each party has the right at all times to enforce the provisions of this Contract in strict accordance with their terms, notwithstanding any conduct or custom on the part of such party in refraining from so doing at any time or times. The failure of a party hereto at any time or times to enforce its rights under such provisions, strictly in accordance with the same, shall not be construed as having created a custom in any way or manner contrary to specific provisions of this Contract or as having in any way or manner modified or waived the same. All rights and remedies of the respective parties hereto are cumulative and concurrent and the exercise of one right or remedy shall not be deemed a waiver or release of any other right or remedy.

20. No Third Party Beneficiaries. This Contract is for the benefit of the Authority and the Auditor only. It is not the intention of the parties by entering into this Contract to create any rights in any person not a party to this Contract.

21. Representations of Parties

The Authority and Auditor represent that each has the full power and proper authority to make and execute this Contract, to exercise its rights, powers and privileges as described, and to perform the agreements and covenants contained in this contract. Auditor further warrants that it has the authority to enter into and be bound by the terms of this Contract and no order of any bankruptcy or other court, and no agreement with others, prohibits or limits such authority.

22. Authorization

This Contract has been duly authorized, executed and delivered by the parties hereto and constitutes a legal, valid and binding obligation of such parties, enforceable in accordance with the terms. Each individual signatory hereto represents and warrants that such person is duly authorized to execute this Contract on behalf of their respective principal.

23. Counterparts

This Contract may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute but one and the same instrument.
IN WITNESS WHEREOF, the parties hereto have caused this Contract to be executed by their authorized representatives as of the date set forth in the first paragraph of this Contract.

24. Notices, Payments and Invoices

All notices that the parties are authorized or required to give one another pursuant to this Contract, and all reports, payments and invoices, must be in writing and may be personally delivered or sent by ordinary mail to the addresses provided below. Mailed notices, reports, payments or invoices will be presumed to be received by the party to whom directed three days after they are postmarked. Such notices, reports, payments and invoices must be delivered or mailed to the following persons at the addresses listed:

Authority:

Director of Finance
Des Moines Airport Authority
5800 Fleur Drive, Suite 207
Des Moines, IA 50321
Office: 515-256-5389
Email: bcmulcahy@dsmairport.com

Auditor:

Blake Roe, Partner
Plante & Moran, PLLC
Email: blake.roe@plantemoran.com
Office: 513-744-4749

Cell: 248-421-1265

The parties are executing this Contract by their duly authorized representatives.

DES MOINES AIRPORT AUTHORITY	PLANTE & MORAN, PLLC
Signature	Signature
Edgar Hansell	Blake Roe
Name	Name

01260665-1\22804-000

plante moran

Plante & Moran, PLLC
1098 Woodward Avenue
Detroit, MI 48226-1906
Tel: 313.496.7200
Fax: 313.496.7201
plantemoran.com

August 9, 2016

Brian Mulcahy
Des Moines Airport Authority
5800 Fleur Drive, Room 207
Des Moines, IA 50321

Dear Brian:

Thank you for your selection of Plante & Moran, PLLC to assist you. We are sending this letter and the accompanying Professional Services Agreement, which is hereby incorporated as part of this engagement letter, to confirm our understanding of the nature, limitations, and terms of the services we will provide to Des Moines Airport Authority (the "Authority").

Scope of Services

We will audit Des Moines Airport Authority's basic financial statements, federal awards, and passenger facility charges (PFC) as of and for the year ended December 31, 2016.

If you require any additional services, including accounting, consulting, or tax assistance, those services will be detailed in a separate engagement letter.

Timing of Services

We expect to begin fieldwork for this engagement at your offices in March, 2017. We anticipate that our on-site audit work will end by March 31, 2017 and that our report will be issued by April 30, 2017.

Fees and Payment Terms

Our fee for this engagement will be based on the actual time that Plante Moran staff expends at our current hourly rates, which, subject to the terms and conditions of the accompanying Professional Services Agreement and the Contract between the Authority and Plante & Moran, PLLC, will not exceed $34,600.

Invoices for audit services will be rendered as services are provided and are due within 30 days after the Authority receives an accurate invoice documenting the services performed. In the event an invoice is not paid timely, a late charge in the amount of 1.25 percent per month will be added, beginning 30 days after the date of the invoice.

If you are in agreement with our understanding of this engagement, as set forth in this engagement letter and the accompanying Professional Services Agreement, please sign the enclosed copy of this letter and return it to us with the accompanying Professional Services Agreement.

Thank you for the opportunity to serve you.

Very truly yours,

Plante & Moran, PLLC

Blake Roe

Blake Roe

Agreed and Accepted

We accept this engagement letter and the accompanying Professional Services Agreement, which as modified by the Contract Between Des Moines Airport Authority and Plante & Moran, PLLC, set forth the entire agreement between Des Moines Airport Authority and Plante & Moran, PLLC with respect to the services specified in the Scope of Services section of this engagement letter.

Des Moines Airport Authority

Brian Mulcahy

8/9/16
Date

Director of Finance
Title

Professional Services Agreement – Audit Services
Addendum to Plante & Moran, PLLC Engagement Letter

This Professional Services Agreement is part of the engagement letter for audit services dated August 9, 2016 between Plante & Moran, PLLC (referred to herein as "PM") and Des Moines Airport Authority (referred to herein as "the Authority").

1. **Financial Statements** – The financial statements of the Authority being audited by PM are to be presented in accordance with accounting principles generally accepted in the United States of America (GAAP).

2. **Management Responsibilities** – The Authority management is responsible for the preparation and fair presentation of these financial statements, the schedule of federal awards, and the data collection form in accordance with the applicable financial reporting framework, including compliance with the requirements of accounting principles generally accepted in the United States of America when required and the completeness and accuracy of the information presented and disclosed therein. Management is also responsible for the capability and integrity of the Authority personnel responsible for the Authority's underlying accounting and financial records.

   The Authority personnel will provide PM, in a timely and orderly manner, with access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, the schedule of federal awards, and the data collection form, such as records, documentation, and other matters and additional information that the auditor may request from management for the purpose of the audit. This includes providing assistance and information PM requests during the course of its audit, including retrieval of records and preparation of schedules, analyses of accounts, and confirmations. A written request for information to be provided will be submitted under separate cover and supplemented by additional written and oral requests as necessary during the course of PM's audit. In addition, the Authority will provide PM with all information in its possession that has a material impact on any material transaction and that information will be complete, truthful, and accurate. The Authority will allow PM unrestricted access to personnel within the Authority from whom PM determines it necessary to obtain audit evidence.

   Management is responsible for making all management decisions and performing all management functions relating to the financial statements, supplementary financial information, related notes, schedule of federal awards, and the data collection form. Management accepts full responsibility for such decisions, even if PM provides advice as to the application of accounting principles or assists in drafting the financial statements, supplementary financial information, related notes, schedule of federal awards, or data collection form. Management is also ultimately responsible for the submission of the data collection form to the Federal Audit Clearinghouse. The Authority has designated Brian Mulcahy to oversee financial statement and federal awards reporting related services PM provides. Management will be required to acknowledge in the management representation letter that it has reviewed and approved the financial statements, supplementary financial information, and related notes prior to their issuance and have accepted responsibility for the adequacy of the financial statements.

   Management is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing PM about all known or suspected fraud affecting the Authority involving (a) management, (b) employees who have significant roles in internal control, and (c) others where the fraud could have a material effect on the financial statements. Management's responsibilities include informing PM of its knowledge of any allegations of fraud or suspected fraud affecting the Authority received in communications from employees, former employees, regulators, or others. In addition, management is responsible for identifying and ensuring that the entity complies with applicable laws and regulations.

3. **Objective of an Audit of Financial Statements** – The objective of PM's audit is the expression of an opinion on the Authority financial statements specified in the accompanying engagement letter. PM offers no guarantee, express or implied, that its opinion will be unmodified or that it will be able to form an opinion about these financial statements in the event that the Authority's internal controls or accounting and financial records prove to be unreliable or otherwise not auditable. If PM's opinion is to be modified, PM will discuss the reasons with the Authority management in advance of the issuance of its audit report. If, for any reason, PM is prevented from completing its audit or is unable to form an opinion on these financial statements, PM may terminate the engagement and decline to issue a report.

4. **Supplementary Information** – In any document that contains supplementary information to the basic financial statements that indicates that the auditor has reported on such supplementary information, management agrees to include the auditor's report on that supplementary information. In addition, management agrees to present the supplementary information with the audited financial statements or to make the audited financial statements readily available no later than the date of issuance by the Authority of the supplementary information and the auditor's report thereon.

5. **Internal Controls** – The Authority is responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including controls established for the purpose of preventing or detecting errors in financial reporting, preventing fraud or misappropriation of assets, and identifying and complying with applicable laws and regulations, including those applicable to federal awards, and with the provisions of contracts and grant agreements. PM, in making its risk assessments, will consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. PM's audit will not be designed to provide assurance on the design or operating effectiveness of the Authority's internal controls or to identify all conditions that represent significant deficiencies in those internal controls. PM will communicate all significant deficiencies and material weaknesses in internal controls relevant to the audit of the financial statements, instances of fraud, or misappropriation of assets that come to PM's attention.

6. **Audit Procedures and Limitations** – PM's audit of the financial statements will be conducted in accordance with auditing standards generally accepted in the United States of America (GAAS) and *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include examination, on a test basis, of evidence supporting the amounts and disclosures in the Authority financial statements specified in this engagement letter. 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. An audit in accordance with GAAS involves judgment about the number of transactions to be tested and the overall approach to testing in each area. As a result, PM's audit can only be designed to provide reasonable rather than absolute assurance that these financial statements are free from material misstatement. In addition, an audit in accordance with GAAS is not designed to detect errors or fraud that are immaterial to the financial statements. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected always exists, even in an audit properly planned and performed in accordance with GAAS. In recognition of these limitations, the Authority acknowledges that PM's audit cannot guarantee that all instances of error or fraud will be identified.

7. **Government Auditing Standards** – Under *Government Auditing Standards*, PM will make some assessments of the Authority's compliance with laws, regulations, and contract provisions. While those assessments will not be sufficient to identify all noncompliance with applicable laws, regulations, and contract provisions, PM will communicate all noncompliance conditions that come to PM's attention.

   PM's audit of the Authority's federal awards will be made in accordance with auditing standards generally accepted in the United States of America; the standards applicable for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*.

   Management is responsible for corrective action on all audit findings, including preparation of a schedule of prior audit findings and corrective action plans, if necessary.

   In accordance with *Government Auditing Standards*, a copy of PM's most recent peer review report is included as an attachment to this agreement.

8. **Auditor Communications** – PM is obligated to communicate certain matters related to the audit to those responsible for governance of the Authority, including instances of error or fraud and significant deficiencies and material weaknesses in internal control that PM identifies during its audit. PM will communicate these matters to the members of the Authority's governing board, and the Authority acknowledges and agrees that communication in this manner is sufficient for the Authority's purposes.

   Communication to Group Auditor – In instances where PM has been engaged as a component auditor for the purposes of a Group Audit, the terms of the engagement may include communication of certain matters related to the audit to the Group Auditor. The Authority permits such communication. PM will discuss matters being communicated with those responsible for governance of the Authority.

   Under *Government Auditing Standards* PM is obligated to communicate instances of fraud, noncompliance or abuse that is material to the financial statements to those responsible for governance of the Authority. In certain situations, *Government Auditing Standards* require disclosure of instances of known or likely fraud, noncompliance, or abuse directly to applicable governmental agencies. If such acts are detected during PM's audit, PM will make required disclosures regarding these acts to applicable government agencies.

9. **Accounting and Financial Records** – The Authority agrees that it is responsible for providing PM with accounting and financial records that are closed, complete, accurate, and in conformity with the requirements of GAAP, for providing schedules and analyses of accounts that PM requests, and for making all the Authority financial records

and related information available to PM for purposes of PM's audit. Where PM has provided estimates of the timing of its work and completion of PM's engagement and issuance of PM's report, those estimates are dependent on the Authority providing PM with all such accounting and financial records, schedules, and analyses on the date PM's work commences. PM will assess the condition of the Authority's accounting and financial records, schedules, and analyses of accounts prior to commencing its work. In the event that such records, schedules, and analyses are not closed, complete, accurate, or in conformity with GAAP, PM may have to reschedule its work, including the dates on which PM expects to complete its on-site procedures and issue its audit report.

In any circumstance where PM's work is rescheduled due to the Authority's failure to provide information as described in the preceding paragraph, PM offers no guarantee, express or implied, that PM will be able to meet any previously established deadlines related to the completion of the audit work or issuance of its audit report. Because rescheduling audit work imposes additional costs on PM, in any circumstance where PM has provided estimated fees, those estimated fees may be adjusted for the additional time PM incurs as a result of rescheduling its work. These fee adjustments will be determined in accordance with the Fee Adjustments provision of this agreement.

10. **Audit Adjustments** – PM will recommend adjustments to the Authority's accounting records that PM believes are appropriate. The Authority management is responsible for adjusting the Authority accounting records and financial statements to correct material misstatements and for affirming to PM in writing that the effects of any unrecorded adjustments identified during PM's audit are immaterial, both individually and in the aggregate, to the Authority financial statements specified in this agreement.

11. **Management Representations** – The Authority is responsible for the financial statements and federal awards being audited and the implicit and explicit representations and assertions regarding the recognition, measurement, presentation, and disclosure of information therein. During the course of the audit, PM will request information and explanations from the Authority officers, management, and other personnel regarding accounting and financial matters, including information regarding internal controls, operations, future plans, and the nature and purpose of specific transactions. PM will also require that management make certain representations to PM in writing as a precondition to issuance of PM's report.

    PM's audit procedures will be significantly affected by the representations and assertions PM receives from management and, accordingly, false representations could cause material error or fraud to go undetected by PM's procedures. Accordingly, the Authority acknowledges and agrees that it will instruct each person providing information, explanations, or representations to an auditor to provide true and complete information, to the best of his or her knowledge and belief. It is also agreed that any deliberate misrepresentation by any director, officer, or member of management, or any other person acting under the direction thereof ("Client Personnel"), intended to influence, coerce, manipulate, or mislead PM in the conduct of its audit of the financial statements will be considered a material breach of this agreement.

12. **Use of Report** – PM's report on the financial statements must be associated only with the financial statements that were the subject of PM's audit engagement. The Authority may make copies of the audit report, but only if the entire financial statements (including related footnotes and supplemental information, as appropriate) are reproduced and distributed with that report. The Authority agrees not to reproduce or associate PM's audit report with any other financial statements, or portions thereof, that are not the subject of this engagement.

    If PM's report on the financial statements being audited is to be published in any manner or if the Authority intends to make reference to PM in a publication of any type, the Authority agrees to submit proofs of the publication to PM for review prior to such publication and cooperate with PM in PM's performance of any additional audit procedures PM deems necessary in the circumstances, the nature and extent of which will be at PM's sole discretion. The Authority acknowledges and agrees that additional fees for such work will be determined in accordance with the Fee Adjustments provision of this agreement. With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on the Authority's Internet website, the Authority understands that electronic sites are a means to distribute information and, therefore, PM is not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

13. **Securities Offerings** – PM's audit does not contemplate, and does not include, any services in connection with any offering of securities, whether registered or exempt from registration. In the event the Authority elects to incorporate or make reference to PM's report in connection with any offering of debt or equity securities and request PM's consent to such incorporation or reference, the Authority understands that PM must perform additional procedures, the nature and extent of which will be at PM's sole discretion, and agrees that additional fees for such work will be determined based on the actual time that PM staff expend at current hourly rates, plus all reasonable and necessary travel and out-of-pocket costs incurred, and that payment for all such additional fees will be made in accordance with the payment terms provided in this agreement.

14. **Tax Return Preparation** – This engagement does not include preparation of any tax returns or filings. If the Authority requires tax services, including tax consulting or preparation of tax returns, those services will be detailed in a separate engagement letter.

15. **Confidentiality, Ownership, and Retention of Workpapers** – During the course of this engagement, PM and PM staff may have access to proprietary information of the Authority, including, but not limited to, information regarding trade secrets, business methods, plans, or projects. PM acknowledges that such information, regardless of its form, is confidential and proprietary to the Authority, and PM will not use such information for any purpose other than its audit or disclose such information to any other person or entity without the prior written consent of the Authority.

    In the interest of facilitating PM's services to the Authority, PM may communicate or exchange data by internet, e-mail, facsimile transmission, or other electronic method. While PM will use its best efforts to keep such communications and transmissions secure in accordance with PM's obligations under applicable laws and professional standards, the Authority recognizes and accepts that PM has no control over the unauthorized interception of these communications or transmissions once they have been sent, and consents to PM's use of these electronic devices during this engagement.

    Professional standards require that PM create and retain certain workpapers for engagements of this nature. All workpapers created in the course of this engagement are and shall remain the property of PM. PM will maintain the confidentiality of all such workpapers as long as they remain in PM's possession.

    Both the Authority and PM acknowledge, however, that PM may be required to make its workpapers available to regulatory authorities or by court order or subpoena in a legal, administrative, arbitration, or similar proceeding in which PM is not a party. Further, in compliance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, PM's working papers will be made available to federal award program representatives at PM offices during normal business hours during the audit and for a period of three years after the issuance of the report. Disclosure of confidential information in accordance with requirements of regulatory authorities or pursuant to court order or subpoena shall not constitute a breach of the provisions of this agreement. In the event that a request for any confidential information or workpapers covered by this agreement is made by regulatory authorities or pursuant to a court order or subpoena, PM agrees to inform the Authority in a timely manner of such request and to cooperate with the Authority should it attempt, at the Authority's cost, to limit such access. This provision will survive the termination of this agreement. PM's efforts in complying with such requests will be deemed billable to the Authority as a separate engagement. PM shall be entitled to compensation for its time and reasonable reimbursement of its expenses (including legal fees) in complying with the request.

    PM reserves the right to destroy, and it is understood that PM will destroy, workpapers created in the course of this engagement in accordance with PM's record retention and destruction policies, which are designed to meet all relevant regulatory requirements for retention of workpapers. PM has no obligation to maintain workpapers other than for its own purposes or to meet those regulatory requirements.

    Upon the Authority's written request, PM may, at its sole discretion, allow others to view any workpapers remaining in its possession if there is a specific business purpose for such a review. PM will evaluate each written request independently. The Authority acknowledges and agrees that PM will have no obligation to provide such access or to provide copies of PM's workpapers, without regard to whether access had been granted with respect to any prior requests.

16. **Consent to Disclosures to Service Providers** – In some circumstances, PM may use third-party service providers to assist with its services. In those circumstances, PM agrees to notify the Authority and will require any such third-party service provider to: (i) maintain the confidentiality of any information furnished; and (ii) not use any information for any purpose unrelated to assisting with PM's services for the Authority. In order to enable these service providers to assist PM in this capacity, the Authority, by its duly authorized signature on the accompanying engagement letter, consents to PM's disclosure of all or any portion of the Authority's information to such service providers to the extent such information is relevant to the services such third-party service providers may provide and agrees that PM's disclosure of such information for such purposes shall not constitute a breach of the provisions of this agreement. The Authority's consent shall be continuing until the services provided for this engagement agreement are completed.

17. **Fee Quotes** – In any circumstance where PM has provided estimated fees, fixed fees, or not-to-exceed fees ("Fee Quotes"), these Fee Quotes are based on information provided by the Authority regarding the nature and condition of its accounting, financial, and tax records; the nature and character of transactions reflected in those records; and the design and operating effectiveness of its internal controls. The Authority acknowledges that the following circumstances may result in an increase in fees:

- Failure by the Authority to prepare for the audit as evidenced by accounts and records that have not been subject to normal year-end closing and reconciliation procedures;
- Failure by the Authority to complete the audit preparation work by the applicable due dates;
- Significant unanticipated or undisclosed transactions, audit issues, or other such unforeseeable circumstances;
- Delays by the Authority causing scheduling changes or disruption of fieldwork;
- After audit or post fieldwork circumstances requiring revisions to work previously completed or delays in resolution of issues that extend the period of time necessary to complete the audit;
- Issues with the prior audit firm, prior year account balances, or report disclosures that impact the current year engagement;
- An excessive number of audit adjustments.

PM will advise the Authority in the event these circumstances occur, however it is acknowledged that the exact impact on the Fee Quote may not be determinable until the conclusion of the engagement. Such fee adjustments will be determined in accordance with the Fee Adjustments provision of this agreement.

18. **Payment Terms** – PM's invoices for audit services are due within 30 days after the Authority receives an accurate invoice documenting the services performed. Other invoices are due within 30 days after the Authority receives an accurate invoice documenting the services performed. In the event any of PM's invoices are not paid in accordance with the terms of this agreement, PM may elect, at PM's sole discretion, to suspend work until PM receives payment in full for all amounts due or terminate this engagement. In the event that work is suspended, for nonpayment or other reasons, and subsequently resumed, PM offers no guarantee, express or implied, that PM will be able to meet any previously established deadlines related to the completion of PM's audit work or issuance of PM's audit report upon resumption of PM's work. The Authority agrees that in the event PM stops work or terminates this Agreement as a result of the Authority's failure to pay fees on a timely basis for services rendered by PM as provided in this Agreement, PM shall not be liable for any damages that occur as a result of PM ceasing to render services.

19. **Fee Adjustments** – Any fee adjustments for reasons described elsewhere in this agreement will be determined based on the actual time expended by PM staff at PM's current hourly rates, plus all reasonable and necessary travel and out-of-pocket costs incurred, and included as an adjustment to PM's invoices related to this engagement. The Authority acknowledges and agrees that payment for all such fee adjustments will be made in accordance with the payment terms provided in this agreement.

20. **Exclusion of Certain Damages** – In no event shall either party be liable to the other, whether a claim be in tort, contract, or otherwise, for any indirect, consequential, punitive, exemplary, lost profits, or similar damages in claims relating to PM's services provided under this engagement.

21. **Receipt of Legal Process** – In the event PM is required to respond to a subpoena, court order, or other legal process (in a matter involving the Authority but not PM) for the production of documents and/or testimony relative to information PM obtained and/or prepared during the course of this engagement, the Authority agrees to compensate PM for the affected PM staff's time at such staff's current hourly rates, and to reimburse PM for all of PM's out-of-pocket costs incurred associated with PM's response unless otherwise reimbursed by a third party.

22. **Subsequent Discovery of Facts** – After the date of PM's report on the financial statements, PM has no obligation to make any further or continuing inquiry or perform any other auditing procedures with respect to the audited financial statements covered by PM's report, unless new information that may affect the report comes to PM's attention. If PM becomes aware of information that relates to these financial statements but was not known to PM at the date of its report, and that is of such a nature and from such a source that PM would have investigated it had it come to PM's attention during the course of the audit, PM will, as soon as practicable, undertake to determine whether the information is reliable and whether the facts existed at the date of PM's report. In this connection, PM will discuss the matter with the Authority and request cooperation in whatever investigation and modification of the financial statements that may be necessary. Additional fees for such work will be determined based on the actual time that PM staff expend at PM's current hourly rates, plus all reasonable and necessary travel and out-of-pocket costs incurred, and the Authority acknowledges and agrees that payment for all such additional fees will be made in accordance with the payment terms provided in this agreement.

23. **Termination of Engagement** – This agreement may be terminated by the Authority upon written notice of the termination not less than sixty (60) days prior to the effective date of termination. PM may terminate this agreement if the Authority does not fulfill its obligations under this agreement, however, prior to PM terminating its services hereunder, PM agrees to provide written notice to the Authority of the reason for PM's decision to terminate. If the

Authority does not adequately address the issue prompting PM's decision to terminate within thirty (30) days of the receipt of such notice, PM may at that time and the reasonable exercise of its professional discretion terminate this agreement. Upon any such termination, PM's services will cease and PM's engagement will be deemed to have been completed. The Authority will pay PM for all work satisfactorily performed to the date of termination and will reimburse PM for all out-of-pocket expenditures through the date of termination of this engagement.

24. **Severability** – If any provision of this engagement agreement (in whole or part) is held to be invalid or otherwise unenforceable, the other provisions shall remain in full force and effect.

25. **Governing Law** – This agreement shall be construed and enforced in accordance with, and governed by, the laws of the State of Iowa. Any dispute arising out of this agreement, including, but not limited to, any issues relating to the existence, validity, formation, interpretation or breach of this agreement, shall be brought and litigated exclusively in a state or federal court located in Des Moines, Iowa.; and the Parties consent to the exclusive jurisdiction thereof.

    WAIVER OF JURY TRIAL. EACH OF THE PARTIES HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS CONTRACT.

End of Professional Services Agreement – Audit Services

P&N Postlethwaite & Netterville
A Professional Accounting Corporation
Associated Offices in Principal Cities of the United States
www.pncpa.com

System Review Report

To the Partners of Plante & Moran, PLLC
and the AICPA National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Plante & Moran, PLLC (the firm) applicable to non-SEC issuers in effect for the year ended June 30, 2013. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards;* audits of employee benefit plans, audits performed under FDICIA and examinations of service organizations (SOC 1 and SOC 2).

In our opinion, the system of quality control for the accounting and auditing practice of Plante & Moran, PLLC, applicable to non-SEC issuers in effect for the year ended June 30, 2013, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Plante & Moran, PLLC has received a rating of *pass*.

Postlethwaite & Netterville

Baton Rouge, Louisiana
November 15, 2013