

**CITY COUNCIL COMMUNICATION 98-067  
FEBRUARY 23, 1998 AGENDA**

**SUBJECT:**

**AIRPORT AUDITED FINANCIAL STATEMENTS  
AND AUDIT LETTER TO THE AIRPORT BOARD  
AND CITY COUNCIL**

**SUBMITTED BY:**

**WILLIAM FLANNERY  
AVIATION DIRECTOR**

**SYNOPSIS –**

Historically, the Airport Enterprise Fund has been included within the City' s annual audit and the issuance of the City' s Comprehensive Annual Financial Report (CAFR). With the proposed issuance of General Airport Revenue Bonds (scheduled for April 1998), after consultation with the City' s bond counsel and financial advisor, it was determined that a stand alone financial audit report of the Airport would be necessary and beneficial to that process.

**FISCAL IMPACT –**

There is no fiscal impact on the City' s General Fund. The costs incurred for the issuance of the Airport audit reports are paid by the Airport Enterprise Fund.

**RECOMMENDATION –**

**To receive and file the Des Moines International Airport Financial Statements and Supplementary Information for the years ended June 30, 1997 and 1996, which includes the Passenger Facility Charge Audit for the year ended June 30, 1996, and the Audit Letter from KPMG Peat Marwick to the Airport Board and City Council.**

**BACKGROUND –**

On May 6, 1997, by Resolution No. A97-126, the Airport Board approved the Engagement Letter with KPMG Peat Marwick to provide independent financial auditing services of the Airport Enterprise Fund for the fiscal years ended June 30, 1996, 1997, and 1998. On December 4, 1997, by Resolution No. A97-389, the Airport Board approved the engagement letter with

KPMG Peat Marwick to provide auditing services related to the Airport' s Passenger Facility Charge (PFC) Program.

On February 3, 1998, by Resolution No. A98-20, the Airport Board approved the financial audit report for the years ended June 30, 1997 and 1996 and the PFC audit report for the year ended June 30, 1997, and authorized the transmittal of the report to City Council.

In March, 1994, airlines began collecting the \$3 PFC at the Des Moines International Airport. As a public agency that has imposed a PFC, we are required, pursuant to Federal Aviation Regulation (FAR) Part 158, Section 158.67, to provide for an annual audit of our PFC account. Noncompliance with this regulation could jeopardize future authorization for collection of PFC revenues. It was determined that the PFC audit should be conducted as part of the City' s annual year-end financial audit, which includes satisfaction of requirements under the Single Audit Act for capital improvements funded with grants. However, the PFC audit report was not included as part of the City' s annual audit for FY1996. Therefore, as part of the financial audit of the Airport Enterprise Fund, the PFC audit for FY1996 was conducted. The FY1997 PFC Audit was included in the City' s CAFR. It is anticipated that future PFC audit requirements will be met as part of the City' s annual audit and the issuance of the CAFR.