



Council Communication

Office of the City Manager

Date

April 9, 2007

Agenda Item No. 44
Roll Call No. 07-
Communication No. 07-199
Submitted by: Craig S. Smith,
Aviation Director

AGENDA HEADING:

Receive and File the Financial Statements of the Des Moines International Airport (City of Des Moines Aviation Department) for the year ended June 30, 2006, including Independent Auditor's Reports as prepared by McGladrey & Pullen, LLP.

SYNOPSIS:

Recommend that Council receive and file the Financial Statements of the Des Moines International Airport for Fiscal Year 2006, including Independent Auditor's Reports as prepared by McGladrey & Pullen, LLP.

FISCAL IMPACT:

Amount: \$7,000 - paid to McGladrey & Pullen LLP, Moline, IL, for auditing services and printing costs.

Funding Source: Fiscal Year 2006-07 Operating Budget, Airport Operations Fund, Administration, EN002 AIR010100, Page 207.

ADDITIONAL INFORMATION:

Ordinance 12,040 established the Airport Board and assigned the responsibility to "ensure that all Airport revenues collected by or under Board authority are credited to the Airport Enterprise Fund, and that all expenditures from said fund are done in accordance with applicable state and federal laws and regulations." Because the Aviation Department functions as an Enterprise Fund of the City, the City Finance Department has historically managed all audit requirements related to Airport receipts and disbursements.

In July 1996, at the request of the City Manager, City Council established an Airport Audit Committee made up of one Council member, one Airport Board member, and three community leaders. The Committee was asked to review the way that the City proceeds with auditing the Airport Enterprise Fund. The Committee's recommendation was that the Airport Board automatically engage the same independent accounting firm as the City. Currently, the City issues a Request for Proposals (RFP) for auditing services every three years as part of its normal procedures. The City's most recent RFP covers fiscal years ending June 30, 2004, 2005, and 2006, with the option of extending an additional two years by mutual agreement. This RFP included the completion of the Airport's required audit reports in its listing of audit requirements. The successful bidder on this RFP was McGladrey and Pullen, LLP (McGladrey).

McGladrey has completed the City and Airport audits for the fiscal year ended June 30, 2006 and issued an unqualified audit report on the Airport's financial statements, its compliance and control over financial reporting procedures, and its compliance with requirements applicable to the Passenger Facility Charge

program. Copies of each audit report, along with the financial statements, were previously presented to the Airport Board for review; in addition, a complete copy has been submitted for Council review. The financial statements include comparative information from the fiscal year ended June 30, 2005. It should be noted that the Airport's financial information and Federal grant information is also presented within the City's Comprehensive Annual Financial Report (CAFR).

The financial statements may be viewed electronically via the Airport's website using the following address: http://www.dsairport.com/AboutUs/Annual_Report.htm.

As noted within the report, the auditors noted one finding related to the Airport Passenger Facility Charge (PFC) program - interest revenue was not fully accrued to the proper period. Staff has responded to the finding and has resolved the problem in the manner prescribed by the auditors.

PREVIOUS COUNCIL ACTION(S):

Date: February 20, 2006

Roll Call Number: 06-378

Action: Receive and file the Financial Statements of the Des Moines International Airport for year ended June 30, 2005 and Independent Auditor's Report. ([Council Communication No. 06-107](#)) Moved by Hensley to adopt. Motion Carried 7-0.

Date: May 17, 2004

Roll Call Number: 04-1033

Action: Selection of McGladrey & Pullen, LLP as the City's independent financial auditor and directing negotiation and execution of a contract for fiscal years ending June 30, 2004, 2005 and 2006, with the option of two one-year renewals. ([Council Communication No. 04-228](#)) Moved by Brooks to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Date: February 6, 2007

Roll Call Number: A07-31

Action: Acceptance of the Airport's Audited Financial Statements for the Year Ended June 30, 2006, including the Independent Auditors' Reports as Prepared by McGladrey & Pullen, LLP (Board Communication No. 07-22) Moved by Mr. Erickson to adopt. Motion Carried: 6-0-0-1. Yeas: Ashman, Erickson, Fitzgibbon, Hansell, Kalainov and Ross Nays: 0 Abstained: 0 Absent: Brooks

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE