



Roll Call Number

Agenda Item Number

40

Date May 7, 2012

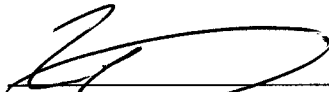
**RESOLUTION TO RECEIVE AND FILE AUDIT FOR
THE DES MOINES INTERNATIONAL AIRPORT
FOR THE PERIOD ENDING OCTOBER 31, 2011**

WHEREAS, McGladrey & Pullen, L.L.P. issued an unqualified audit opinion on the Des Moines International Airport for the period ending October 31, 2011 and a copy of such audit is on file in the Office of the City Clerk.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DES MOINES, IOWA that the audit for the Des Moines International Airport for the period ending October 31, 2011 is hereby received and filed.

Moved by _____ to adopt.

APPROVED AS TO FORM:


Lawrence R. McDowell
Deputy City Attorney

(Council Communication No. 12-205)

COUNCIL ACTION	YEAS	NAYS	PASS	ABSENT
COWNIE				
COLEMAN				
GRIESS				
HENSLEY				
MAHAFFEY				
MEYER				
MOORE				
TOTAL				
MOTION CARRIED			APPROVED	

CERTIFICATE

I, DIANE RAUH, City Clerk of said City hereby certify that at a meeting of the City Council of said City of Des Moines, held on the above date, among other proceedings the above was adopted.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal the day and year first above written.

Mayor

City Clerk



**Independent Auditor's 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**

Des Moines International Airport Board and the
Honorable Mayor and Members of the City Council
Des Moines International Airport, an enterprise fund of the
City of Des Moines, Iowa
Des Moines, Iowa

Compliance

We have audited the compliance of the Des Moines International Airport, an enterprise fund of the City of Des Moines, Iowa, with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide), that could have a direct and material effect on its passenger facility charge program for the four months ended October 31, 2011. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Des Moines, Iowa, which includes the Des Moines International Airport, an enterprise fund of the City, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its passenger facility charge program for the four months ended October 31, 2011.

Internal Control Over Compliance

Management of the City of Des Moines, Iowa, which includes the Des Moines International Airport, an enterprise fund of the City, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws and regulations applicable to the passenger facility charge program. In planning and performing our audit, we considered the City's and Airport's internal control over compliance with requirements that could have a direct and material effect on the passenger facility charge program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's and Airport's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis.

A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Passenger Facility Charges

We have audited the basic financial statements of the Des Moines International Airport, an enterprise fund of the City of Des Moines, Iowa, as of and for the four months ended October 31, 2011, and have issued our report thereon dated April 12, 2012. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of passenger facility charges is presented for purposes of additional analysis as specified in the Guide and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the Airport Board, City Council and the Federal Aviation Administration of the United States Department of Transportation and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Des Moines, Iowa
April 12, 2012

**PFC Revenue and Disbursement Schedule
Des Moines International Airport
For the Four Months Ended October 31, 2011**

	FY2011 Program Total	Quarter 1 July - Sept	Month Ended October 31, 2011	Four Months Ended October 31, 2011	Four Months Ended October 31, 2011 Closeouts	Four Months Ended October 31, 2011 Program Total
Revenue						
Collections	\$ 25,308,838	\$ 1,001,450	\$ 875,420	\$ 1,876,870	-	\$ 27,185,708
Interest	1,716,400	45	156	201	-	1,716,601
Total Revenue	\$ 27,025,238	\$ 1,001,495	\$ 875,576	\$ 1,877,071	\$ -	\$ 28,902,309
Financing Adjustment to Cumulative Revenue						
Revenue Adjustment for Closed Applications**	\$ (76,373)				\$ -	\$ (76,373)
Disbursements						
Application 93-01						
Baggage Claim Expansion	5,772,392	-	-	-	-	5,772,392
Concourse Restroom Expansion	244,485	-	-	-	-	244,485
Curbside & Roadway Canopy	2,242,410	-	-	-	-	2,242,410
	\$ 8,259,287	\$ -	\$ -	\$ -	\$ -	\$ 8,259,287
Application 97-02						
Runway 5/23, IA Hwy 28 & Army Post Rc	8,305,696	-	-	-	-	8,305,696
Terminal Concourse Chiller Update	553,501	-	-	-	-	553,501
Reconstruct Terminal Apron	835,368	-	-	-	-	835,368
	\$ 9,694,565	\$ -	\$ -	\$ -	\$ -	\$ 9,694,565
Application 98-03						
Terminal (Lobby) Restroom Renovation	683,139	-	-	-	-	683,139
Terminal Passenger Skywalk	1,284,125	-	-	-	-	1,284,125
Terminal Passenger Skywalk Lobby	2,331,146	-	-	-	-	2,331,146
Terminal Capacity Enhancement - Phase 2	2,637,325	-	-	-	-	2,637,325
Terminal Ticket Counter Reconfiguration	238,714	-	-	-	-	238,714
	\$ 7,174,449	\$ -	\$ -	\$ -	\$ -	\$ 7,174,449
Application 99-04						
Stormwater Detention Facility	1,726,806	-	-	-	-	1,726,806
	\$ 1,726,806	\$ -	\$ -	\$ -	\$ -	\$ 1,726,806
Application 00-05						
South Passenger Apron Expansion & Rehab	788,095	-	-	-	-	788,095
Terminal Elevator - C Concourse	183,851	-	-	-	-	183,851
	\$ 971,946	\$ -	\$ -	\$ -	\$ -	\$ 971,946
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	-	-	-	-	-	-
ARFF-Aircraft Rescue Fire Fighting Vehicle	579,889	-	-	-	-	579,889
	\$ 2,075,967	\$ -	\$ -	\$ -	\$ -	\$ 2,075,967
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	252,330	-	-	-	-	252,330
	\$ 1,582,625	\$ -	\$ -	\$ -	\$ -	\$ 1,582,625
Application 05-09						
Airport Access Control System	34,626	-	-	-	-	34,626
Runway 31 Category II Centerline Lights	-	-	-	-	-	-
Construct Runway 5/23 Extension	-	-	-	-	-	-
Extend Taxiway "P"	-	-	-	-	-	-
Noise Compatibility Program	-	-	-	-	-	-
Runway/Taxiway Signage	47,324	-	-	-	-	47,324
Terminal Apron Reconstruction	-	-	-	-	-	-
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
	\$ 3,356,904	\$ -	\$ -	\$ -	\$ -	\$ 3,356,904
Application 07-10						
Terminal Modifications for EDS Deployment	1,293,838	-	-	-	-	1,293,838
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	1,629,440	-	-	-	-	1,629,440
Airport Common-Use Terminal System	1,877,070	-	-	-	-	1,877,070
	\$ 7,053,681	\$ -	\$ -	\$ -	\$ -	\$ 7,053,681
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)	156,631	-	-	-	-	156,631
Snowblower Head Replacement	153,988	-	-	-	-	153,988
	\$ 4,097,170	\$ -	\$ -	\$ -	\$ -	\$ 4,097,170
Application 09-12						
Runway 13R/31L Construction (AIR151)	23,973	-	-	-	-	23,973
	\$ 23,973	\$ -	\$ -	\$ -	\$ -	\$ 23,973
Amounts paid for interest - PFC Borrowing	\$ 2,046	\$ -	\$ -	\$ -	\$ -	\$ 2,046
Total Disbursements	\$ 26,741,290	\$ -	\$ -	\$ -	\$ -	\$ 26,741,290
Net PFC Revenue (Rev - Disb)	\$ 207,575	\$ 1,001,495	\$ 875,576	\$ 1,877,071	\$ -	\$ 2,084,646

Note 1:

* Amounts may differ by an immaterial amount due to rounding (when compared to the FY2011 report).

Note 2:

** PFC Applications 93-01, 97-02, 99-04, & 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.

Des Moines International Airport, an Enterprise Fund of the City of Des Moines, Iowa

Report to the Airport Board and the City Council

April 12, 2012



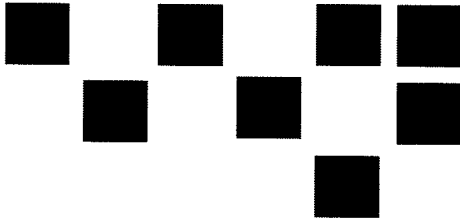
April 12, 2012

Des Moines International Airport Board and the
Honorable Mayor and Members of the City Council
Des Moines International Airport, an enterprise fund of the
City of Des Moines, Iowa
Des Moines, Iowa

We are pleased to present this report related to our audit of the basic financial statements of Des Moines International Airport, an enterprise fund of the City of Des Moines, Iowa for the four months ended October 31, 2011. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for Des Moines International Airport's financial reporting process.

This report is intended solely for the information and use of the Airport Board, City Council and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to the Des Moines International Airport.

McGladrey & Pullen, LLP



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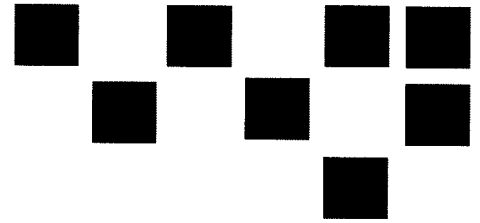
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 Summary of Uncorrected Misstatements 5

Exhibit A – Significant Written Communications between Management and Our Firm

 Arrangement Letter

 Representation Letter



Required Communications

Auditing guidance requires the auditor to communicate certain matters to keep those charged with governance adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. The following summarizes these communications:

Area	Comments
Auditor's Responsibility Under Professional Standards	Our responsibility under auditing standards generally accepted in the United States of America and <i>Government Auditing Standards</i> , issued by the Comptroller General of the United States, has been described to you in our arrangement letter dated January 11, 2012.
Accounting Practices	Adoption of, or Change in, Accounting Policies Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Airport. Following is a description of significant accounting policies or their application that were either initially selected or changed during the year: <ul style="list-style-type: none"><li data-bbox="740 911 1487 1241">• GASB Statement No. 57, <i>OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans</i>. This Statement addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans. GASB 57 amends GASB Statement No. 43, <i>Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans</i>, and GASB Statement No. 45, <i>Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions</i>. The adoption of this standard did not result in any changes to the Airport's financial reporting.<li data-bbox="740 1266 1487 1776">• GASB Statement No. 64, <i>Derivative Instruments: Application of Hedge Accounting Termination Provisions</i> (an amendment of GASB Statement No. 53). This Statement clarifies that when certain conditions are met, the use of hedge accounting should not be terminated. Those conditions are: (a) the collectability of swap payments is considered to be probable, (b) the replacement of the counterparty or credit support provider meets the criteria of an assignment or in-substance assignment as described in the Statement, and (c) the counterparty or counterparty credit support provider (and not the government) has committed the act of default or termination event. When all of these conditions exist, the GASB believes that the hedging relationship continues and hedge accounting should continue to be applied. The adoption of this standard did not result in any changes to the Airport's financial reporting.
	Significant or Unusual Transactions
	We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Area	Comments
Management's Judgments and Accounting Estimates	<p>Alternative Treatments Discussed with Management</p> <p>We did not discuss with management any alternative treatments within generally accepted accounting principles for accounting policies and practices related to material items during the current audit period.</p> <p>Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached "Summary of Accounting Estimates."</p>
Financial Statement Disclosures	<p>We refer you to the following items as they relate to the neutrality, consistency and clarity of the disclosures in the financial statements:</p> <ul style="list-style-type: none"> • <u>Accounting policies</u>: Professional standards require the disclosure of accounting policies for which there are several alternatives and certain other disclosures. Please refer to Note 1 of the financial statements for a summary of these policies.
Audit Adjustments	<p>Audit adjustments recorded by the Airport are attached with the representation letter included in Exhibit A.</p>
Uncorrected Misstatements	<p>Uncorrected misstatements are summarized in the attached "Summary of Uncorrected Misstatements."</p>
Disagreements with Management	<p>We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.</p>
Consultations with Other Accountants	<p>We are not aware of any consultations management had with other accountants about accounting or auditing matters.</p>
Significant Issues Discussed with Management	<p>There was one significant issue that was discussed with management during the audit. This issue was the creation of the Airport Authority as of November 1, 2011, which was the event requiring the four-month period audit to be performed. The financial and compliance impact of the new Authority, which resulted in the separation of the Airport from the City was discussed with management.</p>
Difficulties Encountered in Performing the Audit	<p>We did not encounter any difficulties in dealing with management during the audit.</p>
Accounting Pronouncements	<p>Please refer to Note 12 of the financial statements for new accounting pronouncements that have been recently issued that may affect the Airport's financial reporting in future periods.</p>

Area	Comments
Communication of Internal Control and Compliance Matters	<p>We have separately issued a letter on internal control over financial reporting and on compliance and other matters for the Des Moines International Airport as of and for the four months ended October 31, 2011. This letter is included in the compliance section of the Des Moines International Airport financial statements.</p> <p>We have also separately issued a letter on compliance with requirements that could have a direct and material effect to the Passenger Facility Charge program and on internal control over compliance for the Des Moines International Airport. This letter is included in the Airport's financial statements.</p>
Significant Written Communications Between Management and Our Firm	<p>Copies of significant written communications between our firm and the management of the Airport and City are attached as Exhibit A.</p>

Des Moines International Airport, an Enterprise Fund of the City of Des Moines, Iowa

Summary of Accounting Estimates

Four Months Ended October 31, 2011

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to compute and record these accounting estimates. The following describes the significant accounting estimates reflected in the Airport's October 31, 2011, basic financial statements:

Area	Accounting Policy	Estimation Process	Comments
Allowance for Doubtful Accounts	Accounts receivable are recorded at net realizable value; gross accounts receivable net an allowance for doubtful accounts.	The allowance is adjusted as information about specific accounts becomes available. The Airport also compares current allowance amounts to prior-year collection or write-off experience.	We tested the underlying information supporting this allowance, including the most recent aging reports and collection experience. We concluded that management's allowance methodology is appropriate and the allowance is reasonable.
Other Postemployment Benefit Plan Assumptions	An asset or liability is reported in the financial statements for the difference between the annual required contributions and the amounts paid by the Airport.	The Airport relies on the actuarial computed net Other Postemployment Benefit Obligation based on data provided by the Airport of turnover, retirement age and mortality. These factors and the estimated discount rate, rate of return and health care trend rate are based upon historical and general market data. Management reviews the actuarial results. The actuarial results are allocated to the various funds of the City by the actuary based on employees.	We analyzed the City/Airport's methodology, obtained the actuarial calculation report and concluded that the estimates are reasonable.
Depreciable Life of Capital Assets	The depreciable useful life of capital assets is set at the estimated useful life of the related asset.	The determination is made at the time the asset is placed in service and involves various judgments and assumptions, including estimated useful life and prior experience.	We believe the estimates and process used by the Airport is proper.

Des Moines International Airport, an Enterprise Fund of the City of Des Moines, Iowa

Summary of Uncorrected Misstatements

Four Months Ended October 31, 2011

During the course of our audit, we accumulated uncorrected misstatements that were determined by management to be immaterial, both individually and in the aggregate, to the statements of financial position, results of operations and cash flows and to the related financial statement disclosures. Following is a summary of those differences:

Description:	Debit (Credit) to Correct the Misstatements				
	Assets	Liabilities	Net Assets	Revenues	Expenses
Opening equity misstatements	\$ (194,000)	\$ -	\$ 194,000	\$ -	\$ -
Current misstatement	-	-	-	-	-
Subtotal	\$ (194,000)	\$ -	194,000	-	-
Effect to net assets			-	-	-
Total			\$ 194,000	\$ -	\$ -

**Exhibit A – Significant Written
Communications between Management
and Our Firm**



McGladrey & Pullen, LLP
Certified Public Accountants
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Minneapolis, MN 55402-2526
O 612.332.4300
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January 11, 2012

City Council
Des Moines International Airport
City Hall
400 Robert D. Ray Drive
Des Moines, Iowa 50309

Attention: Mr. Scott Sanders, Finance Director

This letter is to explain our understanding of the arrangements for the services we are to perform for Des Moines International Airport, an enterprise fund of the City of Des Moines, Iowa (City), for the four months ending October 31, 2011. We ask that you either confirm or amend this understanding.

Audit Services

We will perform an audit of Des Moines International Airport's (Airport) business-type activities as of and for the four months ended October 31, 2011, which collectively comprise basic financial statements of the Airport, an enterprise fund of the City. We understand that the financial statements will be prepared in accordance with accounting principles generally accepted in the United States of America. The objective of an audit of financial statements is to express an opinion on those statements.

We are responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the City Council are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

We will also audit the compliance of the City, which includes the Airport, an enterprise fund of the City, with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide), that could have a direct and material effect on its passenger facility charge program for the four months ended October 30, 2011.

We will conduct the audit in accordance with auditing standards generally accepted in the United States of America and "Government Auditing Standards" issued by the Comptroller General of the United States. We will also audit compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide), that could have a direct and material effect on its passenger facility charge program for the four months ended October 30, 2011. Those standards or guides require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement whether caused by error or fraud. Accordingly, a material misstatement may remain undetected. Also, an audit is not designed to detect errors or fraud that are immaterial to the financial statements. The determination of abuse is subjective; therefore, Government Auditing Standards do not expect us to provide reasonable assurance of detecting abuse.

Mr. Scott Sanders, Finance Director
Des Moines International Airport
January 11, 2012
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In the event you desire us to issue a report on the financial statements of Des Moines International Airport as of and for the four months ended October 31, 2011, conforming only to the requirements of auditing standards generally accepted in the United State of America, this reporting will not be used for purposes to comply with a requirement calling for an audit in accordance with Government Auditing Standards.

An audit of financial statements includes obtaining an understanding of the Airport and its environment, including its internal control, sufficient to assess the risks of material misstatement of the financial statements, and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, we will communicate to management and City Council any significant deficiencies or material weaknesses that we become aware of during the course of the audit.

We will also communicate to the City Council (a) any fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements, (b) any illegal acts, violations of provisions of contracts or grant agreements, and abuse that come to our attention (unless they are clearly inconsequential), (c) should any arise, any disagreements with management and other serious difficulties encountered in performing the audit, and (d) various matters related to the Airport's accounting policies and financial statements.

In addition to our report(s) on the Airport's financial statements, we will also issue the following reports or types of reports:

- Reports on internal control related to the financial statements and the Guide. These reports will describe the scope of testing of internal control and the results of our tests of internal controls.
- Reports on compliance with laws, regulations, and the provision of contracts or grant agreements. We will report on any noncompliance which could have a material effect on the financial statements or the Guide.

There are no other funds that you have told us are maintained by the Airport and that are to be included as part of our audit, nor are there any component units whose financial statements you have told us are to be included as part of the Airport's basic financial statements.

Our reports on internal control will include any significant deficiencies and material weaknesses in controls of which we become aware as a result of obtaining an understanding of internal control and performing tests of internal control consistent with requirements of the standards and circulars identified above. Our reports on compliance will address material errors, fraud, abuse, violations of compliance requirements, and other responsibilities imposed by state and federal statutes and regulations and assumed by contracts; and any state or federal grant, entitlement of loan program questioned costs of which we become aware, consistent with requirements of the standards and circulars identified above.

Des Moines International Airport's Responsibilities

Management is responsible for the financial statements, including the selection and application of accounting policies, adjusting the financial statements to correct material misstatements, and for making all financial records and related information available to us. Management is responsible for providing us with a written management representation letter confirming certain representations made during the course of our audit of the financial statements and affirming to us that it believes the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and to the opinion units of the financial statements.

Management is responsible for establishing and maintaining effective internal control over financial reporting and for informing us of all significant deficiencies and material weaknesses in the design or operation of such controls of which it has knowledge.

Management is responsible for identifying and ensuring that the Airport complies with the laws and regulations applicable to its activities, and for informing us about all known material violations of such laws or regulations. In addition, management is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Airport involving management, employees who have significant roles in internal control, and others where the fraud could have a material effect on the financial statements. Management is also responsible for informing us of its knowledge of any allegations of fraud or suspected fraud affecting the Airport received in communications from employees, former employees, analysts, regulators, or others.

The City Council is responsible for informing us of its views about the risks of fraud within Airport, and its knowledge of any fraud or suspected fraud affecting the Airport.

The Airport agrees that it will not associate us with any public or private securities offering without first obtaining our consent. Therefore, the Airport agrees to contact us before it includes our reports or otherwise makes reference to us, in any public or private securities offering. We may conclude that we are not otherwise associated with the proposed offering and that our association with the proposed offering is not necessary, providing the Airport agrees to clearly indicate that we are not associated with the contents of the official statement or memorandum. The Airport agrees that the following disclosure will be prominently displayed in the official statement or memorandum:

McGladrey & Pullen, LLP, our independent auditor, has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. McGladrey & Pullen, LLP, also has not performed any procedures relating to this [official statement or memorandum].

Our association with an official statement or memorandum is a matter for which separate arrangements will be necessary. The Airport agrees to provide us with printer's proofs or masters of such offering documents for our review and approval before printing and with a copy of the final reproduced material for our approval before it is distributed. In the event our auditor/client relationship has been terminated when the Airport seeks such consent, we will be under no obligation to grant such consent or approval.

Mr. Scott Sanders, Finance Director
Des Moines International Airport
January 11, 2012
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Because McGladrey & Pullen, LLP will rely on Des Moines International Airport and its management, and the Des Moines, Iowa City County to discharge the forgoing responsibilities, Des Moines International Airport holds harmless and releases McGladrey & Pullen, LLP, its partners, and employees from all claims, liabilities, losses, and costs arising in circumstances where there has been a knowing misrepresentation by a member of Des Moines International Airport's management that has caused, in any respect, McGladrey & Pullen, LLP's breach of contract or negligence. This provision shall survive the termination of this arrangement for services.

Des Moines International Airport's Records and Assistance

If circumstances arise relating to the condition of your records, the availability of appropriate audit evidence, or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting, or misappropriation of assets which in our professional judgment prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawal from the engagement.

During the course of our engagement, we may accumulate records containing data that should be reflected in the Airport's books and records. The Airport will determine that all such data, if necessary, will be so reflected. Accordingly, the Airport will not expect us to maintain copies of such records in our possession.

The assistance to be supplied by Airport personnel, including the preparation of schedules and analyses of accounts, has been discussed and coordinated with Mr. Brian Mulcahy, Airport Director of Finance. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

From time to time and depending upon the circumstances, we may use third-party service providers to assist us in providing professional services to you. In such circumstances, it may be necessary for us to disclose confidential client information to them. We enter into confidentiality agreements with all third-party service providers and we are satisfied that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In addition, we may provide financial information you have provided to us in connection with this engagement to RSM McGladrey Inc. for purposes of creating benchmarking data to be used by McGladrey & Pullen, LLP and RSM McGladrey Inc. professionals and other clients. This benchmarking data is aggregated with data from a minimum of five other entities so that users of the data are unable to associate the data with any single entity in the database.

Fees, Costs, and Access to Audit Documentation

Our fees for the audit and accounting services described above are based upon the time required by the individuals assigned to the engagement, plus direct expenses. Interim billings will be submitted as work progresses and as expenses are incurred. Billings are due upon submission. Our fee for the services described in the letter will not exceed \$14,891. Unless the scope of the engagement is changed, the assistance with the Airport has agreed to furnish is not provided, or unexpected conditions are encountered, in which case we will discuss the situation with you before proceeding. All other provisions of this letter will survive any fee adjustment.

Our professional standards require that we perform certain additional procedures, on current and previous years' engagements, whenever a partner or professional employee leaves the firm and is subsequently employed by or associated with a client. Accordingly, the Airport agrees it will compensate McGladrey & Pullen, LLP for any additional costs incurred as a result of the Airport's employment of a partner or professional employee of McGladrey & Pullen, LLP.

In the event we are requested or authorized by Des Moines International Airport or are required by government regulation, subpoena, or other legal process to produce our documents or our personnel as witnesses with respect to our engagements for Des Moines International Airport, Des Moines International Airport will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

The documentation for this engagement is the property of McGladrey & Pullen, LLP. However, you acknowledge and grant your assent that representatives of the cognizant or oversight agency or their designee, other government audit staffs, and the U.S. Government Accountability Office shall have access to the audit documentation upon their request; and that we shall maintain the audit documentation for a period of at least three years after the date of the report, or for a longer period if we are requested to do so by the cognizant or oversight agency. Access to requested documentation will be provided under the supervision of McGladrey & Pullen, LLP audit personnel and at a location designated by our Firm.

The two overarching principles of the independence standards of the "Government Auditing Standards" issued by the Comptroller General of the United States provide that management is responsible for the substantive outcomes of the works, and therefore, has a responsibility and is able to make any informed judgment on the results of the services described above. In the event we request your assistance with the preparation of the financial statements or any other non-audit services, Des Moines International Airport agrees to the following:

- Brian Mulcahy will be accountable and responsible for overseeing the service
- Des Moines International Airport will establish and monitor the performance of the service to ensure that they meet management's objectives.
- Des Moines International Airport will make any decisions that involve management functions related to the services and accepts full responsibility for such decisions.
- Des Moines International Airport will evaluate the adequacy of services performed and any findings that result.

Claim Resolution

Des Moines International Airport and McGladrey & Pullen, LLP agree that no claim arising out of services rendered pursuant to this agreement shall be filed more than two years after the date of the audit report issued by McGladrey & Pullen, LLP or the date of this arrangement letter if no report has been issued. Des Moines International Airport waives any claim for punitive damages. McGladrey & Pullen, LLP's liability for all claims, damages, and costs of Des Moines International Airport arising from this engagement is limited to the amount of fees paid by Des Moines International Airport to McGladrey & Pullen, LLP for the services rendered under this arrangement letter.

Mr. Scott Sanders, Finance Director
Des Moines International Airport
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This letter constitutes the complete and exclusive statement of agreement between McGladrey & Pullen, LLP and Des Moines International Airport, superseding all proposals, oral or written, and all other communications, with respect to the terms of the engagement between the parties.

In accordance with *Government Auditing Standards*, a copy of our most recent peer review report is enclosed.

Pursuant to Section 1, all engagement letters must be consistent with the terms of the Contract for Professional Auditing Services dated June 2009 between the parties. Such contract supersedes any term of this letter which is inconsistent with the contract.

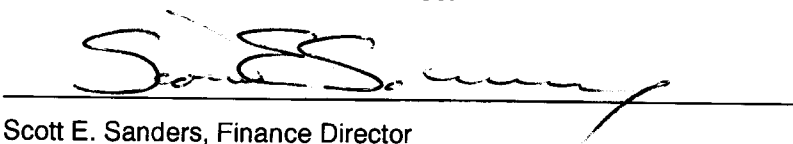
If this letter defines the arrangements as the City understands them, please sign and date the enclosed copy and return it to us.

McGladrey & Pullen, LLP



Sharon A. Meyer, Partner

Confirmed on behalf of the addressee:



Scott E. Sanders, Finance Director

January 17, 2012



April 12, 2012

McGladrey & Pullen, LLP
400 Locust Street
Suite 640
Des Moines, Iowa 50309

In connection with your audit of the financial statements of the Des Moines International Airport (the Airport), an enterprise fund of the City of Des Moines, Iowa as of and for the four months ended October 31, 2011, we confirm that we are responsible for the fair presentation in the financial statements of financial position, changes in financial position, and cash flows in conformity with accounting principles generally accepted in the United States of America.

We confirm to the best of our knowledge and belief, as of April 12, 2012, the following representations made to you during your audit:

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America.
2. We are an enterprise fund of the City of Des Moines, Iowa (the City) and the financial statements only represent the Airport Fund of the City. Therefore, there are no entities that should be considered for inclusion as a part of the Airport's financial statements as defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards.
3. We have properly classified all activities.
4. We are responsible for compliance with laws and regulations applicable to the Des Moines International Airport, an enterprise fund of the City of Des Moines, Iowa including adopting, approving and amending budgets.
5. We have identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts including legal and contractual provisions.
6. We have made available to you:
 - a. All financial records and related data, including those of all programs, projects, activities, etc., in existence at any time during the period covered by your audit.
 - b. All minutes of the meetings of the governing board and committees of board members or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - c. All communications from grantors, lenders, other funding sources, or regulatory agencies concerning noncompliance with:
 - i. Statutory, regulatory or contractual provisions or requirements.
 - ii. Financial reporting practices that could have a material effect on the financial statements.

7. We have no knowledge of fraud or suspected fraud affecting the entity involving:
 - a. Management,
 - b. Employees who have significant roles in the internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
8. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.
9. We have no knowledge of any allegations of fraud or suspected fraud affecting Des Moines International Airport, an enterprise fund of the City of Des Moines, Iowa received in communications from employees, former employees, analysts, regulators or others.
10. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the entity's ability to record, process, summarize and report financial data.
11. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
12. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
13. The following have been properly recorded and/or disclosed in the financial statements:
 - a. Related-party transactions, including those with the City of Des Moines, Iowa as defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements, and guarantees, all of which have been recorded in accordance with the economic substance of the transaction and appropriately classified and reported.
 - b. Security agreements in effect under the Uniform Commercial Code.
 - c. Any other liens or encumbrances on assets or revenues or any assets or revenues which were pledged as collateral for any liability or which were subordinated in any way.
 - d. Restricted cash balances.
 - e. The fair value of investments.
 - f. Amounts of contractual obligations for construction and purchase of real property or equipment not included in the liabilities or encumbrances recorded on the books.
 - g. All leases and material amounts of rental obligations under long-term leases.
 - h. Risk financing activities.
 - i. The effect on the financial statements of GASB Statement Nos. 60, 61, 62 and 63 which have been issued, but which we have not yet adopted. Other than GASB Statement No. 63, which is disclosed, we do not believe the other statements will significantly impact the Airport.
 - j. Deposits and investment securities category of custodial credit risk, interest rate risk, concentration of credit risk and credit risk.

