★ **Roll Call Number**

Agenda Item Number

31

Date July 9, 2018

Receipt of December 31, 2017 Financial Statements of the Des Moines Airport Authority.

Moved by ______________________ to adopt.

COUNCIL ACTION	YEAS	NAYS	PASS	ABSENT
COWNIE				
BOESEN				
COLEMAN				
GATTO				
GRAY				
MANDELBAUM				
WESTERGAARD				
TOTAL				

MOTION CARRIED APPROVED

______________________ Mayor

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.

______________________ City Clerk

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DES MOINES
International Airport

FILED

2018 MAY 18 PM 3:09

CITY CLERK
DES MOINES, IA

May 16, 2018

Diane Rauh
City Clerk
City of Des Moines
400 Robert D Ray Drive
Des Moines, IA 50309

Dear Ms. Rauh –

Please receive and file the enclosed December 31, 2017 financial statements for the Des Moines Airport Authority on behalf of the Des Moines City Council. Should any members of the City Council have questions about the report, I can be reached at 515-256-5389.

Thank you.

Sincerely,

Brian C. Mulcahy
Director of Finance

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DES MOINES AIRPORT AUTHORITY

a discretely presented component unit of the City of Des Moines, Iowa

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

December 31, 2017

(With Independent Auditors' Reports Thereon)

DES MOINES
International Airport

plante moran
audit · tax · consulting · wealth management

DES MOINES AIRPORT AUTHORITY

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Plante & Moran, PLLC
Suite 200
537 E. Pete Rose Way
Cincinnati, OH 45202-3578
Tel: 513.595.8800
Fax: 513.595.8806
plantemoran.com

Independent Auditor's Report

To the Board of Directors
Des Moines Airport Authority

Report on the Financial Statements

We have audited the accompanying basic financial statements of 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, 2017 and the related notes to the financial statements, which collectively comprise the basic financial statements of Des Moines Airport Authority.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Des Moines Airport Authority as of December 31, 2017 and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
Des Moines Airport Authority

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental 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 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 federal awards as required by the Title 2 U.S Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the schedule of expenditures of passenger facility charges, as required by the Passenger Facility Charge Audit Guide for Public Agencies, are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The schedules of expenditures of federal awards and expenditures of passenger facility charges are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 schedules of expenditures of federal awards and expenditures of passenger facility charges are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2018 on our consideration of 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Des Moines Airport Authority's internal control over financial reporting and compliance.

Plante & Moran, PLLC

April 20, 2018

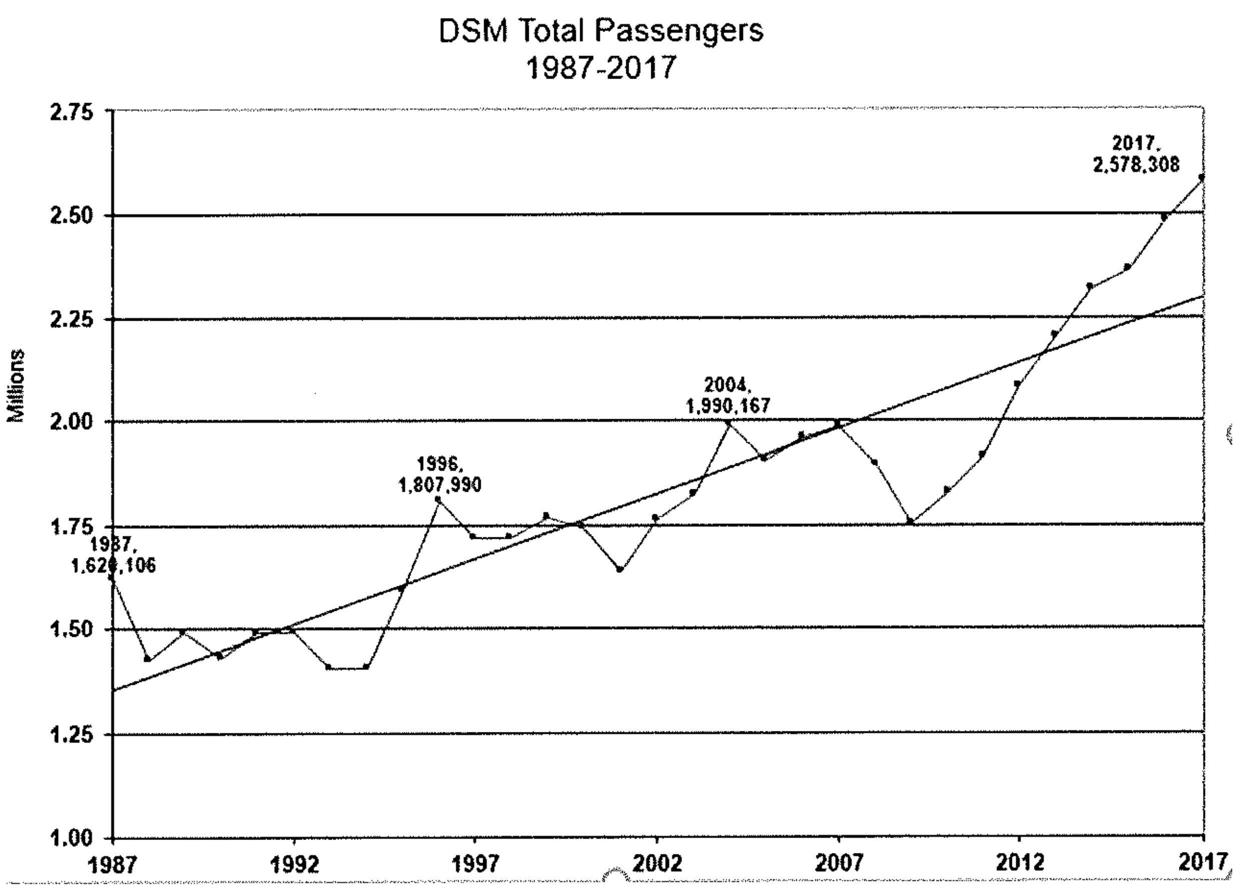
Introduction

The following management's discussion and analysis (MD&A) of the Des Moines Airport Authority (the Authority) provides an introduction to the basic financial statements for the years ended December 31, 2016 and 2017.

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 governs the Authority and is appointed by the Des Moines City Council. The Authority financial information is included on the City of Des Moines Comprehensive Annual Financial Report (CAFR) as a discretely presented component unit.

Airport Operating Highlights

The following is a graph of total passengers through DSM over the past 30 years. Since the last low of 1,752,469 in 2009, passenger growth through 2017 has increased 47.1%.



The strong passenger growth in 2016 of 5.0% was followed in 2017 with another strong increase of 3.8%. And like 2016, much of the passenger growth for 2017 came from Ultra-Low Cost Carriers (ULCC) Allegiant and Frontier. Due to additional routes added in 2016, Frontier saw their 2017 passenger counts increase by 78.7% from 67,252 to 120,152. This accounted for 56% of the total passenger increase at Des Moines International Airport for 2017.

Cargo airline operations unfortunately moved in the other direction during the year. In July 2017, United Parcel Service (UPS) made a decision to consolidate a component of their air cargo operation in Rockford, IL. UPS went from three or four planes a day in Des Moines to one. This change resulted in a decrease in cargo landed weights of nearly 25% for the year, and will result in another 25% decrease in 2018. Despite the decrease in activity, the business that remains in DSM is likely to continue since it is primarily next day service which has to be flown into Des Moines to meet delivery requirements.

Terminal Programming

A Terminal Programming Study began in 2016 and continued into 2017. Based on the review completed to this point, the current facilities at DSM are reaching capacity in critical passenger processing functions, such as outbound baggage handling, passenger screening, and concourse hold room capacity. The total capital plan for the new terminal, and all of the enabling projects connected to it, amounts to approximately $500 million dollars and would be completed in 2028.

In addition to the need for a new terminal, DSM is also currently in the midst of significant runway reconstruction projects that will continue through approximately 2023. The majority of the runway work will be funded through the Federal Aviation Administration's Airport Improvement Program. At this time, DSM does not expect to see any material disruptions of air service related to these construction programs.

Financial Position Summary

The statement of net position includes all assets and liabilities of the Authority at the end of the year. The Authority's net position has increased approximately 2.0% from 2016 to 2017. The increase in net position reflects the continued increase in enplanements through the airport and focus on controlling operational expenses.

The majority of the restricted net position represents the cash and investments set aside for the Debt Service Reserve Fund and the Operations and Maintenance Reserve Fund, both required by the Authority's bond resolutions; and debt service fund. The unused passenger facility charges collected are also included in the restricted net position, as are the proceeds from the sale of land that was originally purchased with FAA grant funds. These land proceeds of $624,665 must be spent on an Airport Improvement Program eligible project within 5 years or be repaid to the FAA. At December 31, 2017, these amounts were held in cash, investments in government agencies, or commercial paper. The remaining unrestricted net position is available to meet the needs of the Authority.

A summary of the Authority's assets, deferred outflow of resources, liabilities, deferred inflows of resources and net position at December 31, 2017 and 2016 is as follows:

		2017	2016
Assets:			
Current	$	61,416,369	44,959,197
Noncurrent		231,397,882	242,287,479
Total assets		292,814,251	287,246,676
Deferred outflow of resources			
Loss on refunding of debt		84,824	97,258
Pension related deferred outflows		887,696	1,303,027
Liabilities:			
Current		5,427,046	3,308,385
Noncurrent		41,744,861	43,544,057
Total liabilities		47,171,907	46,852,442
Deferred inflows of resources			
Pension related inflows of resources		387,712	857,352
Net position:			
Net investment in capital assets		181,696,497	178,619,875
Restricted net position		14,254,114	13,974,661
Unrestricted net position		50,276,543	48,342,631
Total net position	$	246,227,154	240,937,167

All investments for the current year are reported as current assets, which accounts for much of the change from 2016 to 2017. The increase between years in current liabilities is primarily related to construction payments in process at the end of 2017. Due to the delay of grant funding at the federal level in 2017, several constructions projects did not start early in the spring as is normally the case. Work on several projects on the airfield went well into November, and thus payment for these services was not completed by December 31, 2017.

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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.

In July 2017, the Authority entered into a Food and Beverage management agreement with DSM Concessions, LLC. In the past, food and beverage service was provided in the terminal building through a concession agreement which specified a percentage of revenue be paid to the Authority as rent. While the concession agreement provided a minimum annual guaranteed income to the Authority, there was little flexibility or control available to influence food quality or service levels. Under the management agreement, the Authority and DSM Concessions, LLC each are paid a percentage of revenue as management fee, and then the remaining net income is split 60/40, with 60% to the Authority. This contractual arrangement includes additional risk for the Authority since revenues are not guaranteed; however, the potential for increased revenue from the food and beverage operation improves significantly.

The result of this agreement on the financial statements of the Authority show up on the following page and in the Statement of Revenues, Expenses and Changes in Net Position. The Authority reimburses DSM Concessions, LLC for all of the operating expenses and records those expenses in its books. All food and beverage revenue is also recorded in the books of the Authority. During the six months of operation under this agreement in 2017, revenue recorded equals $2,471,157 and expenses equaled $2,138,307. Construction projects to refurbish the food and beverage facilities in the terminal were complete in December 2017 and all restaurants were subsequently fully operational. Concession agreement income prior to July 2017 is included on the Other Concession line, consistent with prior years.

Other variances of note on the following page include:

- The Authority recorded a loss on the disposal of assets due to the reconstruction of a portion of Runway 13/31 in 2017. Unamortized costs of $4,099,131 related to a previous runway overlay completed in 2007 and 2008.

- Depreciation expense has also been accelerated on the remaining unamortized cost of the 2007 and 2008 runway overlay based on the current construction schedule. For 2017, this amounted to an additional $1,434,161 of depreciation expense.

- The above loss on disposal and accelerated depreciation account for approximately 67% of the variance between years in total expenses at the bottom of page 5. The operational expenses of the terminal restaurants also explained above account for another $2,138,307, or 25%, of that variance.

DES MOINES AIRPORT AUTHORITY
Management Discussion and Analysis
December 31, 2017

	2017	2016
Operating Revenues:		
Landing fees	$ 5,285,057	$ 5,254,180
Facility rentals	7,059,554	6,958,026
Vehicle parking fees	13,233,993	12,408,848
Car rental concessions	3,048,001	2,983,465
Restaurant revenue	2,471,157	-
Security fees	1,643,226	1,591,184
Apron fees	2,010,004	2,011,481
Other concessions	1,601,106	1,782,529
Other airfield-related revenue	1,336,856	1,241,917
Other	602,125	824,690
Total operating revenue	38,291,079	35,056,320
Operating expenses:		
Contractual services	12,576,192	10,497,630
Personnel services	8,262,308	8,972,373
Supplies	2,599,457	1,658,985
Depreciation	15,593,492	13,949,265
Total operating expenses	39,031,449	35,078,253
	(740,370)	(21,933)
Nonoperating revenues (expenses):		
Interest income	756,371	220,700
Interest expense	(1,932,790)	(2,011,724)
Unrealized loss on investments	(401,230)	(65,706)
Land sale proceeds	112,665	512,000
Gain on disposal of assets	(4,083,163)	107,972
Passenger facility charges	5,204,628	4,995,087
Customer facility charges	2,571,634	2,629,855
Total nonoperating revenues	2,228,115	6,388,184
Net increase in net assets, exclusive of capital grant contributed revenues	1,487,745	6,366,251
Capital grant and contributed revenues	3,802,242	3,991,649
Net increase in net position	5,289,987	10,357,900
Net position - beginning of the year	240,937,167	230,579,267
Net position - end of the year	$ 246,227,154	$ 240,937,167

	Years ended	
	December 31, 2017	December 31, 2016
Total Revenues	$ 50,738,619	47,513,583
Total Expenses	45,448,632	37,155,683

Airlines Rates and Charges

The scheduled air carriers operate at DSM under an Airline Use Agreement, known as a signatory agreement. The existing agreement was effective on January 1, 2014 and contains no revenue sharing or reconciliation provisions. This has allowed the Authority to begin 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.

		Years ended	
		December 31, 2017	December 31, 2016
Landing Fee per 1,000 pounds	$	2.78	2.73
Apron Fee per 1,000 pounds		0.79	0.73
Security Fee		1.28	1.29
Terminal Building Rent per square foot		55.53	53.30

At December 31, 2017, there were six signatory passenger airlines and two signatory cargo airlines, including American Airlines, United Airlines, Delta Air Lines, Southwest, Frontier, Allegiant, United Parcel Service and Federal Express.

Concessions

Public and rental car parking revenue continues to represent nearly a third of the Authority's operating revenue. Between 2016 and 2017, parking revenue increased approximately 6.6% to $13.2 million. Based on the receipt of fees paid to the Authority by Transportation Network Companies, the volume of passengers using alternative modes of travel to and from the airport is increasing rapidly. We continue to monitor this dynamic to inform decisions on future infrastructure needs.

As mentioned previously, the transition of Food and Beverage service in the terminal to DSM Concessions, LLC was completed in July 2017. A new concession agreement for Retail in the terminal was also implemented with Hudson News effective July 1, 2017. Both agreements are expected to remain in place through the duration of use of the current terminal.

Capital Improvement Program

With the Terminal Programming Project nearing completion at the end of 2017, plans for the entire terminal area development plan have been more closely defined. Due to substantial airfield work remaining, construction of the new terminal is currently scheduled to begin in 2026. Enabling projects that support the new terminal development plan will amount to approximately $10 million per year between 2018 and 2020.

Contact Information

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

DES MOINES AIRPORT AUTHORITY

Statement of Net Position

December 31, 2017

Assets:		
Current Assets - Unrestricted:		
Cash and cash equivalents	$	13,559,305
Investments		44,583,352
Interest Receivable		64,326
Accounts receivable, net of allowance for doubtful accounts of $50,000		3,055,029
Inventories		143,271
Prepaid Expenses		11,086
Total Current Assets		61,416,369
Non-Current Assets - Unrestricted		
Notes Receivable		594,770
Depreciable Capital Assets - Net of Accumulated Depreciation		201,055,142
Construction In Progress		18,973,651
Total Non-Current Assets - Unrestricted		220,623,563
Non-Current Assets - Restricted		
Cash and cash equivalents		10,136,117
Accounts Receivable		638,202
Total Non-Current Assets - Restricted		10,774,319
Total Non-Current Assets		231,397,882
Total Assets		292,814,251
Deferred outflow of resources:		
Loss on refunding of debt		84,824
Pension related deferred outflows		887,696
Total deferred outflow of resources	$	972,520

See accompanying notes to financial statements.

(Continued)

DES MOINES AIRPORT AUTHORITY

Statement of Net Position

December 31, 2017

Liabilities:	
Current liabilities:	
Accounts payable	$ 2,283,577
Construction-related accounts payable	579,988
Accrued expenses	79,663
Unearned revenue	96,582
Accrued employee benefits	74,165
Deposit payments held by Airport	360,142
Accrued interest payable	162,927
Current maturities of long-term debt	1,790,000
Total current liabilities	5,427,044
Noncurrent liabilities:	
Accrued employee benefits	964,143
Accrued post-retirement benefits	364,851
Net pension liability	3,788,747
Long-term debt, net of current portion	36,627,120
Total noncurrent liabilities	41,744,861
Total liabilities	47,171,905
Deferred inflows of resources	
Pension related deferred inflows	387,712
Net position:	
Net investment in capital assets (notes 3 and 4)	181,696,497
Restricted for:	
Debt service	4,778,294
Operations and Maintenance reserve	3,367,130
Passenger facility charges	5,996,025
Airport Improvement Program	112,665
Unrestricted net position	50,276,543
Total net position	$ 246,227,154

See accompanying notes to financial statements.

DES MOINES AIRPORT AUTHORITY

Statement of Revenues, Expenses, and Changes in Net Position

Year ended December 31, 2017

Operating revenues:		
Landing fees	$	5,285,057
Facility rentals		7,059,554
Vehicle parking fees		13,233,993
Car rental concessions		3,048,001
Restaurant revenue		2,471,157
Security fees		1,643,226
Apron fees		2,010,004
Other concessions		1,601,106
Other airfield-related revenue		1,336,856
Other		602,125
Total operating revenues		38,291,079
Operating expenses:		
Contractual services		12,576,192
Personnel services		8,262,308
Supplies		2,599,457
Depreciation		15,593,492
Total operating expenses		39,031,449
Operating income		(740,370)
Nonoperating revenues (expenses):		
Interest Income		756,371
Interest expense		(1,932,790)
Unrealized loss on investments		(401,230)
Land sale proceeds		112,665
Gain on disposal of equipment		(4,083,163)
Passenger facility charges		5,204,628
Customer facility charges		2,571,634
Total nonoperating revenues		2,228,115
Net increase in net position, exclusive of capital grant and contributed revenues		1,487,745
Capital grant and contributed revenues		3,802,242
Net increase in net position		5,289,987
Net position, beginning of year		240,937,167
Net position, end of year	$	246,227,154

See accompanying notes to financial statements.

DES MOINES AIRPORT AUTHORITY

Statement of Cash Flows

Twelve month period ended December 31, 2017

Cash flows from operating activities:	
Proceeds received by providing services	$ 38,291,079
Payments to suppliers	(13,518,726)
Payments to employees	(8,262,308)
Net cash provided by operating activities	16,510,045
Cash flows from capital financing activities:	
Proceeds from intergovernmental capital grants and contributions	3,802,242
Passenger facility charges received	5,204,628
Customer facility charges received	2,571,634
Interest paid	(1,932,790)
Principal paid on long-term debt and leases	(1,705,000)
Proceeds from sale of capital assets	147,814
Net purchases of capital assets	(21,382,171)
Net cash provided by capital financing activities	(13,293,643)
Cash flows from investing activities:	
Net (purchases) sales of investments	(27,191,843)
Interest received on investments	347,809
Net cash provided by investing activities	(26,844,034)
Net increase in cash and cash equivalents	(23,627,632)
Cash and cash equivalents, beginning of year	47,323,054
Cash and cash equivalents, end of year	$ 23,695,422
Reconciliation of operating income to net cash provided by operating activities	
Operating income	$ (740,370)
Depreciation	15,593,492
(Increases) decreases in assets:	
Accounts receivable	(332,756)
Prepaid expenses	(837)
Inventories	(53,539)
Increases (decreases) in liabilities:	
Deposit payments held by Airport	46,810
Accounts payable	1,862,926
Accrued liabilities and employee benefits	37,737
Unearned revenue	96,582
Net cash provided by operating activities	$ 16,510,045

See accompanying notes to financial statements.

(1) Nature of Reporting Entity and Summary of Significant Accounting Policies

(a) 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.

(b) 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. 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 ninety 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.

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.

Debt Service Funds

These assets represent general airport revenue bond reserve funds that must equal at least one year's principal and interest payments and a certain percentage of operations and maintenance budgeted expenses.

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 at 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

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.

Bond Discounts and Premiums

Bond discounts and premiums are deferred and amortized, as a component of interest, over the life of the debt using the bonds-outstanding method.

Deferred Outflow of Resources

Deferred outflows of resources represent a consumption of net position that applies to future periods(s) and so will not be recognized as an outflow of resources (expense) until then. The deferred charge on refunding reported in the statement of net position qualifies for reporting in this category. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Pension related deferred outflows relate to Authority pension contributions subsequent to the measurement date, and changes in assumptions and experience differences.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Deferred inflows of resources in the Statement of Net Position consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments, and the Authority's proportionate share of contributions and actual contributions.

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, food and beverage operations, 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, and concession revenue is recognized based on reported concessionaire revenue.

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 $3.75 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 $2,571,634 for the year ended December 31, 2017. CFC revenue is recognized in the period earned.

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 as revenue in the period earned. The Authority's PFC revenue was $5,204,628 during the year ended December 31, 2017.

Charges collected and receivable are recorded as restricted assets. The balance in these restricted asset accounts totaled $5,996,025 at December 31, 2017.

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. 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.

(2) Cash and Investments

(a) Authorized Investments

The Authority is authorized by statute to invest public funds in obligations of the United States 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 commercial paper; 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 commercial paper 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 commercial paper 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, 2017, the Authority held the following investments:

Type of Investment	Fair Value	Weighted Average Days to Maturity	Valuation Input
Federal Agency Obligations	$ 39,806,410	333	Level 1
Commercial Paper	$ 3,450,045	102	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 federal agency obligations and commercial paper at December 31, 2017 was determined primarily based on level 1 inputs. The Authority estimates the fair value of these investments based on quoted values from the year end brokerage statements.

(b) 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.

(c) 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.

(d) 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, 2017, the Authority's cash deposits were held in banks within the state of Iowa and covered by the state sinking fund per Section 12C.25 of the Code of Iowa.

(e) Investment Credit Rating

Iowa law provides for limited investment of public funds. The Authority's investments at year end include commercial paper, 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, and U.S. Government Agency securities. The Authority's investment policy does not further limit its investment choices. As of December 31, 2017, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	**Fair Value**	**Rating Organization**	**Rating**
Commercial Paper	$ 1,477,350	S&P	A-1+
Commercial Paper	$ 1,972,695	S&P	A-1
Federal Agency Obligations	$ 34,193,982	Moody	Aaa
Federal Agency Obligations	$ 645,678	Not Rated	
Federal Agency Obligations	$ 4,966,750	S&P	AA+

(3) Capital Assets

A summary of the Authority's capital asset activity for the year ended December 31, 2017 is as follows:

CAPITAL ASSETS	12/31/16 Balance	Additions	Deletions	12/31/17 Balance
Land	-	-	-	-
Land Improvements - NonDepr	93,451	-	-	93,451
Land Improvements - Depr	179,012,840	18,734,272	(6,423,182)	191,323,930
Building	73,507,690	-	-	73,507,690
Building Improvements	150,410,125	3,409,626	(691,606)	153,128,145
Machinery & Equipment	15,394,523	1,321,681	(567,007)	16,149,197
Computer Systems	6,621,620	611,259	-	7,232,879
Intangibles	3,143,870	-	-	3,143,870
	-	-	-	-
	428,184,119	24,076,838	(7,681,795)	444,579,162
C.I.P.	21,909,341	18,959,373	(21,895,063)	18,973,651
TOTALS	450,093,460	43,036,211	(29,576,858)	463,552,813

ACCUMULATED DEPRECIATION	12/31/16 Balance	Additions	Deletions	12/31/17 Balance
Land	-	-	-	-
Land Improvements - NonDepr	-	-	-	-
Land Improvements - Depr	75,598,508	8,442,292	(2,324,049)	81,716,751
Building	31,389,306	1,596,130	-	32,985,436
Building Improvements	108,288,304	3,663,709	(560,124)	111,391,888
Machinery & Equipment	10,032,318	1,000,622	(566,644)	10,466,296
Computer Systems	3,692,229	733,545	-	4,425,774
Intangibles	2,380,681	157,193	-	2,537,874
	-	-	-	-
TOTALS	231,381,346	15,593,492	(3,450,818)	243,524,020
Net value of Capital Assets	218,712,114	27,442,719	(26,126,040)	220,028,793

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 $14,078,162 at December 31, 2017. These commitments will be funded by various sources, including federal and state grants, operating revenues, and PFC funds.

(4) Long-Term Debt and Accrued Employee Benefits

(a) Long-Term Debt

A summary of the activity of the Authority's long-term debt for the year ended December 31, 2017 is as follows:

	Authority Revenue bonds	Due to the City of Des Moines	Total
Balance, December 31, 2016	$ 10,945,000	28,770,000	$ 39,715,000
Retirements	-	(1,705,000)	(1,705,000)
Balance, December 31, 2017	10,945,000	27,065,000	38,010,000
Less current portion	-	(1,790,000)	(1,790,000)
Noncurrent portion	$ 10,945,000	25,275,000	$ 36,220,000

As part of the creation of the Authority, the City of Des Moines, Iowa assigned the Aviation System Revenue Bonds to the Authority. These bonds are payable to the City of Des Moines, Iowa and include the following:

On April 1, 1998, the City of Des Moines issued $42,670,000 of Aviation System Revenue Bonds (Series 1998 A, B, and C). The bonds are special obligations payable solely from and secured by a pledge of the net revenues of the airport, subject to the prior lien on the net revenues of the Airport Revenue Capital Loan Notes. The capital raised through the sale of these bonds financed the construction of a parking garage and skywalk connection to the airport terminal.

On December 7, 2010, the City of Des Moines issued $36,445,000 of Aviation System Revenue Bonds (Series 2010 A, B, C, and D) to fund capital projects, purchase land for future expansion, and refund a portion of the Series 1998 bonds. The bonds are special obligations payable solely from and secured by a pledge of the net revenues of the Authority, subject to the prior lien on the net revenues of the Airport Revenue Capital Loan Notes. Payment of the principal and interest on the bonds is guaranteed by a municipal bond insurance policy. Principal is payable annually, with interest paid semiannually on June 1 and December 1. Interest rates range from 2.10% to 5.75%. Total principal and interest remaining to be paid on the bonds is $41,496,661.

On February 22, 2012, the Authority issued $10,945,000 of Revenue Refunding Capital Loan Notes (Series 2012) to retire the remaining Series 1998 bonds. The bonds are special obligations payable solely from and secured by a pledge of the net revenues of the Authority, subject to the prior lien on the net revenues of the Airport Revenue Capital Loan Notes. Principal is payable annually with interest paid semiannually on June 1 and December 1 at an interest rate of 5%. Total principal and interest remaining to be paid on the bonds is $14,678,375.

As of December 31, 2017, the Authority reported $4,778,294 as restricted net position for debt service, consisting of $3,722,404 in revenue bond reserve cash funds for all revenue bonds and $1,055,890 for current debt service. $3,300,423 is restricted for the operations and maintenance fund reserve requirement. During the current year, net revenues were $14,729,728 compared to the annual debt requirements of $3,699,255.

The bonds also require the net revenues of the Authority be 125% or greater than the debt service requirements of the bonds. At December 31, 2017, the Authority was in compliance with all financial covenants.

As of December 31, 2017, the Authority's long-term debt matures as follows:

	Airport Revenue Bonds		Due to City of Des Moines	
	Principal	Interest	Principal	Interest
2018	-	547,250	1,790,000	1,367,407
2019	-	547,250	1,860,000	1,280,438
2020	995,000	522,375	895,000	1,211,563
2021	1,045,000	471,375	935,000	1,165,813
2022	1,095,000	417,875	985,000	1,117,197
2023-2027	6,345,000	1,190,625	5,695,000	4,785,636
2028-3032	1,465,000	36,625	8,430,000	2,989,388
2033-2035	-	-	6,475,000	514,219
Total	$ 10,945,000	3,733,375	27,065,000	14,431,661

(b) 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 year ended December 31, 2017 is summarized as follows:

Total 12/31/2016	Additions	Payments	Total 12/31/2017	Current Portion
$1,055,850	$ 470,261	$ (487,746)	$ 1,038,365	$ 964,143

(5) Intergovernmental Activity

The City of Des Moines provided various services to the Authority, including human resource management and information technology support. Payments to the City of Des Moines for the year ended December 31, 2017 totaled $106,269, and are included in operating expenses.

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, 2017, totaled $766,763, and are classified as operating expenses.

In addition, the Authority pays the City of Des Moines for the direct salary and benefit expenses related to the Des Moines Police Officers stationed at the Des Moines International Airport. These expenses amounted to $2,142,047 for the year ended December 31, 2017.

(6) Operating Leases

Substantially all airport improvements and buildings are leased or charged to users under various agreements. Certain facilities are leased for an initial term at zero or nominal rent in return for financing the construction. At the end of the lease term, the Authority will take possession of the facility and begin charging fair market rent prospectively. Other facilities at the airport are charged to user lease agreements that provide for compensatory rental rates designed to recover agreed-upon portions of costs, including amortization and interest, in the terminal building, ramp, and airfield areas. Other facilities, to the extent they are leased under conventional agreements, are primarily monthly rental rates determined by market analysis. Revenues above costs recovered are used to defray the costs of maintaining public areas of the airport.

(a) Airline Agreements

Six passenger airlines provide commercial air service at the Authority either directly or through an affiliated carrier, and all six airlines were party to the signatory airline agreement in 2017. The agreement provides funding for the ongoing maintenance, operations, debt service, and capital improvements of the airport through various rates and charges. In addition, the airport accommodates several air cargo carriers, two of which have also executed the same signatory airline agreement.

(b) Nonairline and Concession Agreements

A portion of the Authority's revenue is provided by concession agreements, and other lease agreements, which are not directly related to providing commercial air service. These agreements relate to a portion of the Authority's buildings, land, and the privilege to do business at the airport, with terms ranging from one to thirty years. Several of the concession agreements contain contingent provisions whereby additional amounts in excess of stated Minimum Annual Guarantees (MAG) are paid, based upon the lessees' gross revenue. The MAGs are calculated on the lease anniversary.

Guaranteed minimum future lease payments to be received under all operating lease agreements are as follows:

Period Ended December 31:	
2018	5,446,035
2019	5,143,786
2020	4,805,583
2021	1,886,477
2022	1,090,450
2023-2027	2,863,143
2028-2032	2,619,012
2033-2037	1,918,500
2038-2042	1,276,740
	$ 27,049,726

(c) ***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.

(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.

Plan members were required to contribute 5.95% of their annual covered salary and the Authority was required to contribute 8.93% of the eligible payroll for the period between January 1, 2017 and December 31, 2017. State Statute establishes contribution requirements. The Authority's contributions to IPERS for the year ended December 31, 2017 were $374,051. 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 percent 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 percent 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, 2017, the Authority reported a liability of $3,788,747 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017, the Authority's collective proportion was .057391% which was a decrease from .0600376%, its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Authority recognized pension expense of $501,010. At December 31, 2017, 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	$	37,134	(34,340)
Changes of assumptions		663,046	
Net differences between projected and actual earnings on pension plan investments		-	(31,920)
Changes in proportion and difference between Authority contributions and proportionate share of contributions		-	(321,452)
Authority contributions subsequent to the measurement date		187,516	-
Total	$	887,696	(387,712)

Deferred outflow of resources of $187,516 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Amount
2018	(39,841)
2019	213,267
2020	117,405
2021	(15,274)
2022	36,911
Thereafter	-
	$ 312,468

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2017 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 percent per annum
Long-term Investment rate of return (effective June 30, 1997)	7.00 percent, compounded annually, net of expenses

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

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 are summarized in the following table:

Asset Class	**Asset Allocation**	**Long-Term Expected Real Rate of Return**
Core Plus Fixed Income	27	2.25%
Domestic Equity	24	6.25
International Equity	16	6.71

Private Equity	11	11.15
Public Real Assets	7	3.27
Public Credit	3.5	3.46
Private Real Assets	7.5	4.18
Private Credit	3	4.25
Cash	1	-0.31
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.0 percent. 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 percent, 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 percent) or 1-percentage-point higher (8.0 percent) than the current rate.

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Authority's proportionate share of the net pension liability:	$6,242,336	$3,788,747	$1,727,262

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, 2017, the Authority reported payables to the defined benefit pension plan of $30,008 for legally required employer contributions and $19,994 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(8) Postretirement Benefits

(a) Plan Description

The Authority participates in the City of Des Moines' single-employer healthcare plan that provides medical, prescription drug, and dental benefits to all active and retired employees and their eligible dependents. Employees who have attained age 55 and retire from active employment are eligible for retiree benefits. Eligible retirees and their dependents receive medical and prescription coverage 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. These are the same plans that are available for active employees.

Contributions are required for both retiree and dependent coverage. The contributions for each insured group is assumed to be the expected, composite per capita cost for the group. This composite is then disaggregated into an age-specific starting cost curve based on the average age of the group and for assumptions for age-based morbidity. The average age of the pre-65 retiree group is 61. Retiree expenses are then offset by monthly contributions.

(b) *Funding Policy*

The City of Des Moines establishes and amends contribution requirements. The current funding policy of the Authority is to pay health insurance premiums as they occur. This arrangement does not qualify as Other Post-Employment Benefits (OPEB) plan assets under GASB Statement No. 45 for current GASB reporting.

The required contribution is based on projected pay-as-you-go financing. For the year ended December 31, 2017, the Authority contributed $30,050.

(c) *Annual OPEB Cost and Net OPEB Obligation*

The Authority's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance to the parameters of GASB Statement No. 45. The annual required contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the estimated annual OPEB cost for the year ended December 31, 2017, as it pertains to the Authority, the amount actuarially contributed to the plan, and changes in the Authority's annual OPEB obligation:

Required Contribution	$	45,088
Interest on net OPEB obligation		16,004
Adjustment to period required contribution		(21,833)
Period OPEB cost		39,259
Contributions and payments made		(30,050)
Increase in net OPEB obligation		9,209
Net OPEB obligation - December 31, 2016		355,642
Net OPEB obligation - December 31, 2017	$	364,851

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended December 31, 2017:

	Period OPEB cost	Percentage of period OPEB cost contributed	Net OPEB obligation
Year ended:			
December 31, 2017	$ 39,256	76.54%	$ 364,851

(d) Funded Status and Funding Progress

As of December 31, 2017, the most recent actuarial valuation date, the plan was not funded. As of December 31, 2017, the Authority's actuarial accrued liability for benefits was $413,762 and the actuarial value of assets is $0 resulting in an unfunded actuarial accrued liability (UAAL) of $413,762. The covered payroll (annual payroll of active employees covered by the plan) was $3,811,276 and the ratio of the UAAL to the covered payroll was 10.9%.

Actuarial estimates of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about the future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multiyear information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

(e) Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2017, actuarial valuation, project unit credit method was used. The actuarial assumptions included a 4.5% discount rate, an annual healthcare cost trend rate of 9.0% reduced by decrements of 0.5% annually to an ultimate rate of 5%. The UAAL is being amortized over 30 years based on an open group using the Projected Unit Credit cost method.

(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. The Section 457 plan is available to all full-time employees, while the Section 401(a) plan is available only to employees in the administration group. 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 ICMA-RC 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 of administration employees up to 4.5%. Union employee contributions are matched up to 4.0% in accordance with negotiated labor agreements. During 2017, the Authority contributed $56,867 to employee 401A accounts and $111,829 to employee 457 accounts.

(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.

(11) Risk Management

The Authority is exposed to various risks of loss related to torts, errors and omissions, natural disasters, and theft of, damage to, and destruction of assets. The Authority carries commercial insurance for general liability claims. Settled claims have not exceeded commercial coverage in the last three fiscal years.

The Authority participates in the City of Des Moines' self-insurance plan for medical benefits. The Authority makes monthly contributions to the City's Group Health Fund for medical claims based on a budgeted per-member amount. Any unpaid claims, or incurred but not reported claims, are a liability of the Group Health Fund of the City of Des Moines.

(12) Pending Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the Authority to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to other postemployment benefits provided to its employees. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Authority's financial statements for the year ending December 31, 2018.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations,* which addresses accounting and financial reporting for legally enforceable liabilities associated with the retirement of a tangible capital asset. This standard will require entities that have legal obligations to perform future asset retirement activities related to its tangible assets to recognize an estimated liability based on the current value of outlays expected to be incurred. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Authority's financial statements for the year ending December 31, 2019.

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Authority's financial statements for the year ending December 31, 2019.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*, which addresses practice issues that have been identified during implementation and application of certain GASB statements. The statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pension and other postemployment benefits (OPEB)). The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Authority's financial statements for the year ending December 31, 2018.

In May 2017, the Governmental Accounting Standards Board issued GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Authority's financial statements for the year ending December 31, 2018.

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Authority's financial statements for the year ending December 31, 2020.

(13) Subsequent Events

The Authority has evaluated subsequent events from December 31, 2017 through April 20, 2018, the date at which the financial statements were available for issue, and did not identify any subsequent event requiring disclosure.

DES MOINES AIRPORT AUTHORITY

Schedule of Funding Progress - Other Post-Employment Benefit Plans

Twelve month period ended December 31, 2017

Actuarial valuation date	Actuarial value of net assets (a)	Actuarial accrued liability (AAL) (b)	Unfunded (over funded) AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
December 30, 2017	—	$ 421,348	421,348	0	$ 3,811,276	10.90%
December 31, 2014	—	272,106	$ 272,106	0	3,941,288	6.90%
June 30, 2012	—	489,543	489,543	0	5,782,678	8.47%

Additional information follows:
1. The cost method used to determine the ARC is the Projected Unit Actuarial Cost method.
2. There are no plan assets.
3. Economic assumptions are as follows: health care cost trend rates of 5.0 – 9.0%; discount rate of 4.5%
4. The amortization method is open, level dollar over 30 years.
5. The reduction in AAL from 2012 to 2014 resulted from a health insurance plan design change in 2012 that reduced annual premium by 8%.

See accompanying independent auditors' report.

DES MOINES AIRPORT AUTHORITY

Schedule of Authority's Proportionate Share of the Net Pension Liability

Iowa Public Employee's Retirement System

Last 10 Fiscal Years*

Required Supplementary Information

		2017	2016	2015	2014
Authority's proportionate share of the net pension liability		0.0573905%	0.060038%	0.062768%	0.066262%
Authority's proportionate share of the net pension liability	$	3,788,747	3,744,096	3,120,478	2,681,674
Authority's covered payroll	$	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		90.45%	87.60%	72.19%	60.64%
Plan fiduciary net position as a percentage of the total pension liability		82.21%	81.82%	85.19%	87.61%

* The amounts presented for each fiscal year were determined as of June 30 that occurred within the fiscal year. Certain information prior to 2014 is not available.

See accompanying independent auditors' report.

DES MOINES AIRPORT AUTHORITY

Schedule of Authority's Contributions

Iowa Public Employee's Retirement System

Last 10 Fiscal Years*

Required Supplementary Information

	2017	2016	2015	2014
Contractually required contributions	$ 374,051	381,262	384,113	395,733
Contributions in relation to the contractually required contributions	374,051	381,262	384,113	395,733
Contribution deficiency (excess)		-	-	-
Authority's covered-employee payroll	4,188,701	4,274,262	4,322,592	4,422,060
Contributions as a percentage of covered-employee payroll	8.93%	8.92%	8.89%	8.95%

* The amounts presented for each fiscal year were determined as of June 30 that occurred within the fiscal year. Certain information prior to 2014 is not available.

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: The 2017 valuation, which is used to determine the 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.

plante moran

Plante & Moran, PLLC
Suite 200
537 E. Pete Rose Way
Cincinnati, OH 45202-3578
Tel: 513.595.8800
Fax: 513.595.8806
plantemoran.com

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 basic financial statements of the Des Moines Airport Authority (the "Authority"), a component unit of the City of Des Moines, Iowa, as of December 31, 2017 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated April 20, 2018.

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) to determine the 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 Authority'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To Management and the Board of Directors
Des Moines Airport Authority

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 entity'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

April 20, 2018

plante moran

Plante & Moran, PLLC
Suite 200
537 E. Pete Rose Way
Cincinnati, OH 45202-3578
Tel: 513.595.8800
Fax: 513.595.8806
plantemoran.com

Report on Compliance for the Major Federal Program and Passenger Facility Charge Program; and Report on Internal Control Over Compliance

Independent Auditor's Report

To the Board of Directors
Des Moines Airport Authority

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

We have audited the Des Moines Airport Authority's (the "Authority") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the Authority's major federal program for the year ended December 31, 2017. 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 (the "Guide") for the year ended December 31, 2017. The Authority's major federal program is 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 passenger facility charge revenue and expenditure schedule.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program and the passenger facility charge program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program and the passenger facility charge program based on our audit of the types of compliance requirements referred to above.

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 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 audit requirements in the Guide. Those standards and the Uniform Guidance 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 a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority'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 on compliance for the major federal program and passenger facility charge program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on the Major Federal Program and Passenger Facility Charge Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program and its passenger facility charge program for the year ended December 31, 2017.

To the Board of Directors
Des Moines Airport Authority

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above for federal programs and the passenger facility charge program. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program or the passenger facility charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and the passenger facility charge program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 or the passenger facility charge 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 or the passenger facility charge 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 or the passenger facility charge 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 the *Passenger Facility Charge Audit Guide for Public Agencies*. Accordingly, this report is not suitable for any other purpose.

Plante & Moran, PLLC

April 20, 2018

Des Moines Airport Authority
Schedule of Expenditures of Federal Awards
For the Year ended December 31, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Transportation		
Direct Award:		
Airport Improvement Program, Rehabilitate North GA Apron (13,000 square yards) AIP Number 3-19-0027-064-2016	20.106	$ 84,035
Direct Award:		
Airport Improvement Program, Reconstruct Runway 13/31 Phase 3 (Design Only) AIP Number 3-19-0027-065-2016	20.106	$ 73,458
Direct Award:		
Airport Improvement Program, Reconstruct Runway 13/31 Phase 3 (Reimbursable Agreement) AIP Number 3-19-0027-066-2016	20.106	$ 8,402
Direct Award:		
Airport Improvement Program, Reconstruct Runway 13/31 Phase 4 (2,495' x 150' from Taxiway P to Runway 31 End) and Rehabilitate Runway 13/31 and Runway 5/23 Intersection AIP Number 3-19-0027-067-2017	20.106	$ 3,009,046
Direct Award:		
Airport Improvement Program, Reconstruct Runway 13/31 Phase 5 (1,820' x 150' from Taxiway D5 to Runway 13 End) and Reconstruct Runway 13/31 and Runway 5/23 Intersection - Design Only AIP Number 3-19-0027-068-2017	20.106	$ 350,297
Direct Award:		
Airport Improvement Program, Reconstruct Runway 13/31 Phase 5 (1,820' x 150' from Taxiway D5 to Runway 13 End) and Reconstruct Runway 13/31 and Runway 5/23 Intersection - Reimbursable Agreement AIP Number 3-19-0027-069-2017	20.106	$ -
Total U.S. Department of Transportation		$ 3,525,238
Total Federal Expenditures		$ 3,525,238

See Notes to Schedule of Expenditures of Federal Awards.

(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.

(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.

(3) Relationship to Federal Financial Reports

The amounts reported in the schedule are the same as amounts used for federal financial reporting.

Schedule of Findings and Questioned Costs

Year Ended December 31, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	____ Yes	X No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	____ Yes	X None reported
Noncompliance material to financial statements noted?	____ Yes	X None reported

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified?	____ Yes	X No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	____ Yes	X None reported
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?	____ Yes	X No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster	Opinion
20.106	Airport Improvement Program	Unmodified

Dollar threshold used to distinguish between type A and type B programs:	$750,000	
Auditee qualified as low-risk auditee?	X Yes	____ No

Section II - Financial Statement Audit Findings

Reference Number	Finding
Current Year	None

Section III - Federal Program Audit Findings

Reference Number	Finding
Current Year	None

DES MOINES AIRPORT AUTHORITY
Schedule of Expenditures of Passenger Facility Charges
Twelve month period ended December 31, 2017

	December 31, 2016 Program Total	Quarter 1 January - March	Quarter 2 April - June	Quarter 3 July - September	Quarter 4 October - December	December 31, 2017 Program Total
Revenue:						
Collections	$ 50,733,934	908,658	1,343,203	1,290,109	1,370,435	55,646,339
Interest	1,739,216	2,076	4,261	6,590	26,937	1,779,080
Total revenue	52,473,150	910,734	1,347,464	1,296,699	1,397,372	57,425,419
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

DES MOINES AIRPORT AUTHORITY
Schedule of Expenditures of Passenger Facility Charges
Twelve month period ended December 31, 2017

	December 31, 2016 Program Total	Quarter 1 January - March	Quarter 2 April - June	Quarter 3 July - September	Quarter 4 October - December	December 31, 2017 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 I	1,563,343	-	-	-	-	1,563,343
	6,755,023	-	-	-	-	6,755,023
Application 16-15:						
Runway 13/31 Reconstruction Phase II and III	53,401	-	-	-	352,197	405,598
Safety Management System Implementation	123,646	-	127,896	-	35,450	286,992
Identification Badge Management System (IDMS)	200,000	-	-	-		200,000
Snow Removal Equipment	2,207,365	-	-	-	1,141,201	3,348,567
Master Plan/Programming Study	452,516	-	8,590	-	3,250	464,356
Airfield Lighting Vault	189,301	-	547,798	-	2,215,559	2,952,658
Environmental Assessment	-	-	-	-	-	-
	3,226,230	-	684,284	-	3,747,657	7,658,171
Total Disbursements	47,559,282	-	684,284	-	3,747,657	51,991,223
Net PFC Revenue (Rev – Disb)	$ 4,837,495	910,734	663,180	1,296,699	(2,350,285)	5,357,821

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

Note 2:
** 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.