

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2765**

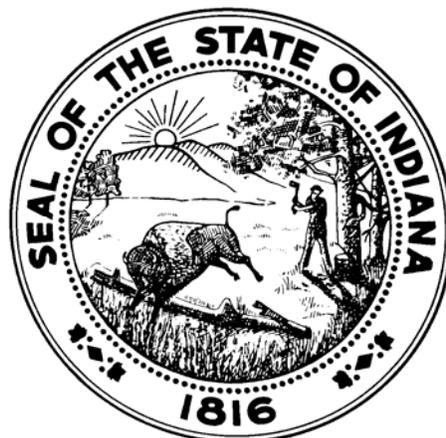
AUDIT REPORT

OF

DELAWARE COUNTY AIRPORT AUTHORITY

DELAWARE COUNTY, INDIANA

January 1, 2004 to December 31, 2005



**FILED**  
10/25/2006



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer and Director	Carl Simmons	01-01-04 to 12-31-06
Assistant Treasurer	Ruth Geesaman	01-01-04 to 12-31-06
President of the Board	Billie Cox Kurt Alexander	01-01-04 to 12-31-04 01-01-05 to 12-31-06



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE DELAWARE COUNTY AIRPORT  
AUTHORITY, DELAWARE COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Delaware County Airport Authority (Airport Authority), as of and for the years ended December 31, 2004 and 2005, which collectively comprise the Airport Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Airport Authority's management. Our responsibility is to express opinions 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the Airport Authority prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the Airport Authority as of December 31, 2004 and 2005, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated October 10, 2006, on our consideration of the Airport Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
(Continued)

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Airport Authority taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Airport Authority has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Airport Authority's basic financial statements. The Combining Schedules, as listed in the table of contents, are presented for additional analysis and are not a required part of the basic financial statements. The Combining Schedules, as listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

STATE BOARD OF ACCOUNTS

October 10, 2006



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE DELAWARE COUNTY AIRPORT  
AUTHORITY, DELAWARE COUNTY, INDIANA

We have audited the financial statements of the Delaware County Airport Authority (Airport Authority), as of and for the years ended December 31, 2004 and 2005, and have issued our report thereon dated October 10, 2006. 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.

Compliance

As part of obtaining reasonable assurance about whether the Airport Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Airport Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Airport Authority's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

October 10, 2006

DELAWARE COUNTY AIRPORT AUTHORITY  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2004

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>			<u>Net (Disbursement) Receipt and Changes in Net Assets Primary Government</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 394,981	\$ 3,930	\$ 94,656	\$ -	\$ (296,395)
Airport improvements	<u>974,698</u>	<u>-</u>	<u>18,941</u>	<u>785,785</u>	<u>(169,972)</u>
Total primary government	<u>\$ 1,369,679</u>	<u>\$ 3,930</u>	<u>\$ 113,597</u>	<u>\$ 785,785</u>	<u>(466,367)</u>
General receipts:					
Property taxes					487,117
Intergovernmental sources					77,582
Other local sources					<u>125,455</u>
Total general receipts					<u>690,154</u>
Change in net assets					223,787
Net assets - beginning					<u>1,175,507</u>
Net assets - ending					<u>\$ 1,399,294</u>
 <u>Assets</u>					
Cash and investments					\$ 134,784
Restricted assets:					
Cash and investments					<u>1,264,510</u>
Total assets					<u>\$ 1,399,294</u>
 <u>Net Assets</u>					
Restricted for:					
Capital projects					\$ 1,264,510
Unrestricted					<u>134,784</u>
Total net assets					<u>\$ 1,399,294</u>

The notes to the financial statements are an integral part of this statement.

DELAWARE COUNTY AIRPORT AUTHORITY  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2004

	General	Cumulative Building	Other Governmental Funds	Totals
Receipts:				
Taxes	\$ 309,114	\$ 178,003	\$ -	\$ 487,117
Intergovernmental	166,061	804,726	6,177	976,964
Charges for services	3,930	-	-	3,930
Other	119,190	6,248	17	125,455
	<u>598,295</u>	<u>988,977</u>	<u>6,194</u>	<u>1,593,466</u>
Total receipts				
Disbursements:				
General government	394,981	-	-	394,981
Capital outlay:				
Airport improvements	-	974,698	-	974,698
	<u>394,981</u>	<u>974,698</u>	<u>-</u>	<u>1,369,679</u>
Total disbursements				
Excess of receipts over disbursements	203,314	14,279	6,194	223,787
Cash and investment fund balance - beginning	<u>(74,724)</u>	<u>1,250,231</u>	<u>-</u>	<u>1,175,507</u>
Cash and investment fund balance - ending	<u>\$ 128,590</u>	<u>\$ 1,264,510</u>	<u>\$ 6,194</u>	<u>\$ 1,399,294</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ 128,590	\$ -	\$ 6,194	\$ 134,784
Restricted assets:				
Cash and investments	-	1,264,510	-	1,264,510
Total cash and investment assets - December 31	<u>\$ 128,590</u>	<u>\$ 1,264,510</u>	<u>\$ 6,194</u>	<u>\$ 1,399,294</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Capital projects	\$ -	\$ 1,264,510	\$ -	\$ 1,264,510
Unrestricted	128,590	-	6,194	134,784
Total cash and investment fund balance - December 31	<u>\$ 128,590</u>	<u>\$ 1,264,510</u>	<u>\$ 6,194</u>	<u>\$ 1,399,294</u>

The notes to the financial statements are an integral part of this statement.

DELAWARE COUNTY AIRPORT AUTHORITY  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2005

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>			<u>Net (Disbursement) Receipt and Changes in Net Assets Primary Government</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 480,079	\$ 4,282	\$ 141,274	\$ -	\$ (334,523)
Airport improvements	<u>1,508,132</u>	<u>-</u>	<u>21,309</u>	<u>1,117,969</u>	<u>(368,854)</u>
Total primary government	<u>\$ 1,988,211</u>	<u>\$ 4,282</u>	<u>\$ 162,583</u>	<u>\$ 1,117,969</u>	<u>(703,377)</u>
General receipts:					
Property taxes					510,406
Intergovernmental sources					99,132
Other local sources					125,610
Unrestricted investment earnings					<u>36</u>
Total general receipts					<u>735,184</u>
Change in net assets					31,807
Net assets - beginning					<u>1,399,294</u>
Net assets - ending					<u>\$ 1,431,101</u>
 <u>Assets</u>					
Cash and investments					\$ 326,650
Restricted assets:					
Cash and investments					<u>1,104,451</u>
Total assets					<u>\$ 1,431,101</u>
 <u>Net Assets</u>					
Restricted for:					
Capital projects					\$ 1,104,451
Unrestricted					<u>326,650</u>
Total net assets					<u>\$ 1,431,101</u>

The notes to the financial statements are an integral part of this statement.

DELAWARE COUNTY AIRPORT AUTHORITY  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2005

	General	Cumulative Building	Project 3-18-0059-12	Project 3-18-0059-13	Other Governmental Funds	Totals
<b>Receipts:</b>						
Taxes	\$ 320,342	\$ 190,064	\$ -	\$ -	\$ -	\$ 510,406
Intergovernmental	240,406	21,309	866	1,092,994	24,109	1,379,684
Charges for services	4,282	-	-	-	-	4,282
Other	106,879	18,731	-	-	36	125,646
<b>Total receipts</b>	<b>671,909</b>	<b>230,104</b>	<b>866</b>	<b>1,092,994</b>	<b>24,145</b>	<b>2,020,018</b>
<b>Disbursements:</b>						
General government	480,079	-	-	-	-	480,079
Capital outlay: Airport improvements	-	250,717	153,469	1,103,946	-	1,508,132
<b>Total disbursements</b>	<b>480,079</b>	<b>250,717</b>	<b>153,469</b>	<b>1,103,946</b>	<b>-</b>	<b>1,988,211</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>191,830</b>	<b>(20,613)</b>	<b>(152,603)</b>	<b>(10,952)</b>	<b>24,145</b>	<b>31,807</b>
<b>Other financing sources (uses)</b>						
Transfers in	-	-	-	-	15,378	15,378
Transfers out	-	-	-	(15,378)	-	(15,378)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(15,378)</b>	<b>15,378</b>	<b>-</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>191,830</b>	<b>(20,613)</b>	<b>(152,603)</b>	<b>(26,330)</b>	<b>39,523</b>	<b>31,807</b>
Cash and investment fund balance - beginning	128,590	1,264,510	-	-	6,194	1,399,294
<b>Cash and investment fund balance - ending</b>	<b>\$ 320,420</b>	<b>\$ 1,243,897</b>	<b>\$ (152,603)</b>	<b>\$ (26,330)</b>	<b>\$ 45,717</b>	<b>\$ 1,431,101</b>
<b><u>Cash and Investment Assets - December 31</u></b>						
Cash and investments	\$ 320,420	\$ -	\$ -	\$ -	\$ 6,230	\$ 326,650
Restricted assets: Cash and investments	-	1,243,897	(152,603)	(26,330)	39,487	1,104,451
<b>Total cash and investment assets - December 31</b>	<b>\$ 320,420</b>	<b>\$ 1,243,897</b>	<b>\$ (152,603)</b>	<b>\$ (26,330)</b>	<b>\$ 45,717</b>	<b>\$ 1,431,101</b>
<b><u>Cash and Investment Fund Balance - December 31</u></b>						
Restricted for: Capital projects	\$ -	\$ 1,243,897	\$ (152,603)	\$ (26,330)	\$ 39,487	\$ 1,104,451
Unrestricted	320,420	-	-	-	6,230	326,650
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 320,420</b>	<b>\$ 1,243,897</b>	<b>\$ (152,603)</b>	<b>\$ (26,330)</b>	<b>\$ 45,717</b>	<b>\$ 1,431,101</b>

The notes to the financial statements are an integral part of this statement.

DELAWARE COUNTY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Airport Authority was established under the laws of the State of Indiana. The Airport Authority operates under an appointed governing board.

The Airport Authority's financial reporting entity is composed of the following:

Primary Government: Delaware County Airport Authority

In determining the financial reporting entity, the Airport Authority complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis display information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. However, at this time, the Airport Authority has not established any business-type activity funds.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the Airport Authority has not established any enterprise funds or fiduciary funds.

The Airport Authority reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The cumulative building fund accounts for financial resources used for general capital improvements.

The Project 3-18-0059-12 and Project 3-18-0059-13 funds were established to account for specific airport improvement projects.

DELAWARE COUNTY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

C. Measurement Focus and Basis of Accounting

The government-wide and governmental fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the Airport Authority utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The Airport Authority does not have any enterprise funds or internal service funds.

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

3. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements. However, at this time, the Airport Authority has no long-term debt.

4. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

DELAWARE COUNTY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the Airport Authority's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. Receipts and Disbursements

Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

- 1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
- 2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
- 3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities – Cash and Investment Basis.

DELAWARE COUNTY AIRPORT AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

On or before August 31, the fiscal officer of the Airport Authority submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the Airport Authority receives approval of the Indiana Department of Local Government Finance.

The Airport Authority's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Disbursements in Excess of Appropriations

For the year ended December 31, 2004, disbursements exceeded budgeted appropriations in the following fund by the amount below:

Fund	2004
Cumulative Building	\$ <u>892,198</u>

These disbursements were funded by receipts from a reimbursement type grant.

C. Cash and Investment Balance Deficits

At December 31, 2004, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and State statute:

Fund	2005
Project 3-18-0059-12	\$ 152,603
Project 3-18-0059-13	26,330

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the timing of grant reimbursements.

DELAWARE COUNTY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of December 31, 2005, the Airport Authority had the following investments:

<u>Investment Type</u>	<u>Primary Government Market Value</u>
Mutual Funds	<u>\$ 941,776</u>

Investment Policies

Indiana Code 5-13-9 authorizes the Airport Authority to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the unit to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of or interest in an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the Airport Authority and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise; or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities, of or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

DELAWARE COUNTY AIRPORT AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

Additionally, the Airport Authority may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the unit's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The distribution of securities with credit ratings is summarized below.

Standard and Poor's Rating	Airport Authority's Investments	
	Moody's Rating	Mutual Funds
Unrated	Unrated	\$ 941,776

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Airport Authority does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2005, were as follows:

Transfer From	Transfer To	2005
Project 13-18-0059-13	All Others	\$ 15,378

The transfer was made to redistribute revenues in the airport improvement project funds.

IV. Other Information

A. Risk Management

The Airport Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

DELAWARE COUNTY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

B. Subsequent Events

The Airport Authority is involved in a continuing series of airport improvement projects. The projects are expected to be funded by federal and state grants for 95% to 97.5% of the cost. Projects through 2007, if approved, have been estimated to cost approximately \$2,200,000.

DELAWARE COUNTY AIRPORT AUTHORITY  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2005

	<u>Rainy Day</u>	<u>Project 3-18-0059-11</u>	<u>Project 3-18-0059-14</u>	<u>Total</u>
Receipts:				
Intergovernmental	\$ -	\$ 9,500	\$ 14,609	\$ 24,109
Other	<u>36</u>	<u>-</u>	<u>-</u>	<u>36</u>
Total receipts	36	9,500	14,609	24,145
Other financing sources:				
Transfers in	-	-	15,378	15,378
Cash and investment fund balance - beginning	<u>6,194</u>	<u>-</u>	<u>-</u>	<u>6,194</u>
Cash and investment fund balance - ending	<u>\$ 6,230</u>	<u>\$ 9,500</u>	<u>\$ 29,987</u>	<u>\$ 45,717</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ 6,230	\$ -	\$ -	\$ 6,230
Restricted assets:				
Cash and investments	<u>-</u>	<u>9,500</u>	<u>29,987</u>	<u>39,487</u>
Total cash and investment assets - December 31	<u>\$ 6,230</u>	<u>\$ 9,500</u>	<u>\$ 29,987</u>	<u>\$ 45,717</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Capital projects	\$ -	\$ 9,500	\$ 29,987	\$ 39,487
Unrestricted	<u>6,230</u>	<u>-</u>	<u>-</u>	<u>6,230</u>
Total cash and investment fund balance - December 31	<u>\$ 6,230</u>	<u>\$ 9,500</u>	<u>\$ 29,987</u>	<u>\$ 45,717</u>

DELAWARE COUNTY AIRPORT AUTHORITY  
AUDIT RESULTS AND COMMENTS

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

Fund	Years	Excess Amount Expended
Cumulative Building	2004	\$ 892,198
General	2005	3,423
Cumulative Building	2005	622

IndianaCode 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

TIMELY RECORDKEEPING

In 2005, after the projects had started and one was almost complete, a separate fund was established for each of the Airport Authority's construction projects. Prior to this, all project activity had been accounted for in the Cumulative Building Fund. At the time the new project funds were established, not all of the transactions needed to accurately reflect the current status of each project were posted to the fund. This resulted in two of the project funds having negative balances that did not accurately reflect unreimbursed expenditures and the other two project funds having cash balances that did not reflect actual unexpended project cash on hand.

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

OVERDRAWN CASH BALANCES

The cash balances of the Project 3-18-0059-12 Fund and the Project 3-18-0059-13 Fund were overdrawn in 2005.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

DELAWARE COUNTY AIRPORT AUTHORITY  
AUDIT RESULTS AND COMMENTS  
(Continued)

INVESTMENTS NOT AUTHORIZED BY STATUTE

The 2005, the Airport Authority invested, through a sweep account, in a money market mutual fund with a portfolio that included corporate notes, commercial paper, and debt securities. More than 50% of the funds available for investment were swept into the mutual fund investment daily. The mutual fund has not been rated by Standard and Poor's Corporation or Moody's Investors Service, Incorporated. The specific instruments included in the mutual fund's portfolio and their ratings were not available for audit review.

Indiana Code 5-13-9-2.5 which allows for investment in investments commonly known as money market mutual funds states in part: ". . . (b) The investments described in subsection (a) may not exceed fifty percent (50%) of the funds held by the officer and available for investment. . . . (d) The portfolio of an investment company or investment trust described in subsection (a) must be limited to the following: (1) Direct obligations of the United States. (2) Obligations issued by any of the following: (A) A federal agency. (B) A federal instrumentality. (C) A federal government sponsored enterprise. (3) Repurchase agreements fully collateralized by obligations described in subdivision (1) or (2). (e) The form of securities of or interests in an investment company or investment trust described in subsection (a) must be rated as one of the following: (1) AAAM, or its equivalent, by Standard and Poor's Corporation or its successor. (2) Aaa, or its equivalent, by Moody's Investors Service, Inc. or its successor."

Investments should only be made in accordance with statute. Expenses related to any unauthorized investments may be the personal obligation of the responsible official or employee. Losses related to investments and investment procedures which are not authorized by statute may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE DELAWARE COUNTY AIRPORT  
AUTHORITY, DELAWARE COUNTY, INDIANA

Compliance

We have audited the compliance of the Delaware County Airport Authority (Airport Authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended December 31, 2004 and 2005. The Airport Authority's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Airport Authority's management. Our responsibility is to express an opinion on the Airport Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 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 Airport 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. Our audit does not provide a legal determination of the Airport Authority's compliance with those requirements.

In our opinion, the Airport Authority complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2004 and 2005.

Internal Control Over Compliance

The management of the Airport Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Airport Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Airport Authority's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

October 10, 2006

DELAWARE COUNTY AIRPORT AUTHORITY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For The Years Ended December 31, 2004 and 2005

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-04	Total Federal Awards Expended 12-31-05
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Direct Grant				
Airport Improvement Program	20.106	AIP 13-18-0059-12	\$ 692,694	\$ 108,444
		AIP 13-18-0059-13	261,783	1,079,442
		AIP 13-18-0059-14	-	14,609
Total federal awards expended			<u>\$ 954,477</u>	<u>\$ 1,202,495</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

DELAWARE COUNTY AIRPORT AUTHORITY  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Delaware County Airport Authority (Airport Authority) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of the Airport Authority shall be conducted biennially. Such audits shall include both years within the biennial period.

DELAWARE COUNTY AIRPORT AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	no

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

DELAWARE COUNTY AIRPORT AUTHORITY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

DELAWARE COUNTY AIRPORT AUTHORITY  
EXIT CONFERENCE

The contents of this report were discussed on October 10, 2006, with Ruth Geesaman, Assistant Treasurer.