

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

SEYMOUR MUNICIPAL AIRPORT AUTHORITY
JACKSON COUNTY, INDIANA

January 1, 2012 to December 31, 2013



FILED
05/09/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Airport Manager	Don R. Furlow	01-01-12 to 12-31-15
President of the Board	Philip R. Zickler (Deceased)	01-01-12 to 01-17-14
	(Vacant)	01-18-14 to 02-16-14
	Lloyd G. Hudson	02-17-14 to 12-31-15



INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE SEYMOUR MUNICIPAL AIRPORT
AUTHORITY, JACKSON COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Seymour Municipal Airport Authority (Airport Authority), which comprises the financial position and results of operations for the period of January 1, 2012 to December 31, 2013, and the related notes to the financial statement as listed in the Table of Contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Airport Authority's preparation and fair presentation of the financial statement 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 Airport Authority'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 statement.

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 of the financial statement, the Airport Authority prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Airport Authority for the period of January 1, 2012 to December 31, 2013.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Airport Authority for the period of January 1, 2012 to December 31, 2013, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Airport Authority's financial statement. 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 financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.


Other Information

Our audit was conducted for the purpose of forming an opinion on the Airport Authority's financial statement. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 29, 2015, 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, 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 the Airport Authority's internal control over financial reporting and compliance.


Paul D. Joyce, CPA
State Examiner

December 29, 2015



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

TO: THE OFFICIALS OF THE SEYMOUR MUNICIPAL AIRPORT
AUTHORITY, JACKSON COUNTY, INDIANA

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 financial statement of the Seymour Municipal Airport Authority (Airport Authority), which comprises the financial position and results of operations for the period of January 1, 2012 to December 31, 2013, and the related notes to the financial statement, and have issued our report thereon dated December 29, 2015, wherein we noted the Airport Authority followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Airport 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 opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Airport Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Airport Authority's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001 to be a material weakness.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the Airport Authority's financial statement is free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001.

Seymour Municipal Airport Authority's Response to Findings

The Airport Authority's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The Airport Authority's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

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 Airport Authority'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 Airport Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

December 29, 2015

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the Airport Authority.

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SEYMOUR MUNICIPAL AIRPORT AUTHORITY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2012 and 2013

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12	Receipts	Disbursements	Cash and Investments 12-31-13
Aviation Fund	\$ 478,450	\$ 785,827	\$ 780,081	\$ 484,196	\$ 829,854	\$ 961,005	\$ 353,045
Rainy Day	186,085	66,487	248,026	4,546	84,000	35,624	52,922
Grant Holding	-	2,099,593	2,009,190	90,403	1,987,216	2,077,619	-
Aviation Fuel Fund	-	-	-	-	36,918	528	36,390
Capital Improve/Replacement Fund	433,531	-	-	433,531	-	-	433,531
Concession Fund	437	1,427	1,403	461	1,518	1,235	744
Payroll Fund	2,378	259,699	260,315	1,762	259,491	259,598	1,655
Petty Cash	100	-	-	100	-	-	100
RR Spur	36,786	13,300	1,390	48,696	7,350	25,887	30,159
Totals	<u>\$ 1,137,767</u>	<u>\$ 3,226,333</u>	<u>\$ 3,300,405</u>	<u>\$ 1,063,695</u>	<u>\$ 3,206,347</u>	<u>\$ 3,361,496</u>	<u>\$ 908,546</u>

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

SEYMOUR MUNICIPAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENT

Note 1. 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 accompanying financial statement presents the financial information for the Airport Authority.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory 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.

C. Cash and Investments

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

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts may include the following sources:

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of these types of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: rental of property and farmland, railroad spur and surcharge, sale of fuel, and concession sales.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution, or court order; internal service receipts; and fiduciary receipts.

SEYMOUR MUNICIPAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENT
(Continued)

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements may include the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The Airport Authority may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the Airport Authority. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Airport Authority. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the Airport Authority in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

SEYMOUR MUNICIPAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Airport Authority submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the Airport Authority to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 4. Risk Management

The Airport Authority may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the Airport Authority to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 5. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the Airport Authority authority to contribute to the plan. The PERF retirement benefit consists of the pension

SEYMOUR MUNICIPAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENT
(Continued)

provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

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OTHER INFORMATION - UNAUDITED

The Airport Authority's Annual Financial Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Financial Report of the Airport Authority which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The other information presented was approved by management of the Airport Authority. It is presented as intended by the Airport Authority.

SEYMOUR MUNICIPAL AIRPORT AUTHORITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2012

	Aviation Fund	Rainy Day	Grant Holding	Aviation Fuel Fund	Capital Improve/Replacement Fund	Concession Fund	Payroll Fund	Petty Cash	RR Spur	Totals
Cash and investments - beginning	\$ 478,450	\$ 186,085	\$ -	\$ -	\$ 433,531	\$ 437	\$ 2,378	\$ 100	\$ 36,786	\$ 1,137,767
Receipts:										
Charges for services	711,606	-	-	-	-	-	-	-	-	711,606
Other receipts	74,221	66,487	2,099,593	-	-	1,427	259,699	-	13,300	2,514,727
Total receipts	785,827	66,487	2,099,593	-	-	1,427	259,699	-	13,300	3,226,333
Disbursements:										
Personal services	319,140	-	-	-	-	-	-	-	-	319,140
Supplies	93,931	-	-	-	-	-	-	-	-	93,931
Other services and charges	239,927	-	-	-	-	-	-	-	-	239,927
Capital outlay	58,288	-	-	-	-	-	-	-	-	58,288
Other disbursements	68,795	248,026	2,009,190	-	-	1,403	260,315	-	1,390	2,589,119
Total disbursements	780,081	248,026	2,009,190	-	-	1,403	260,315	-	1,390	3,300,405
Excess (deficiency) of receipts over disbursements	5,746	(181,539)	90,403	-	-	24	(616)	-	11,910	(74,072)
Cash and investments - ending	\$ 484,196	\$ 4,546	\$ 90,403	\$ -	\$ 433,531	\$ 461	\$ 1,762	\$ 100	\$ 48,696	\$ 1,063,695

SEYMOUR MUNICIPAL AIRPORT AUTHORITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013

	Aviation Fund	Rainy Day	Grant Holding	Aviation Fuel Fund	Capital Improve/Replacement Fund	Concession Fund	Payroll Fund	Petty Cash	RR Spur	Totals
Cash and investments - beginning	\$ 484,196	\$ 4,546	\$ 90,403	\$ -	\$ 433,531	\$ 461	\$ 1,762	\$ 100	\$ 48,696	\$ 1,063,695
Receipts:										
Charges for services	763,435	-	-	-	-	-	-	-	-	763,435
Other receipts	66,419	84,000	1,987,216	36,918	-	1,518	259,491	-	7,350	2,442,912
Total receipts	829,854	84,000	1,987,216	36,918	-	1,518	259,491	-	7,350	3,206,347
Disbursements:										
Personal services	310,929	-	-	-	-	-	-	-	-	310,929
Supplies	195,278	-	-	-	-	-	-	-	-	195,278
Other services and charges	282,258	-	-	-	-	-	-	-	-	282,258
Capital outlay	56,838	-	-	-	-	-	-	-	-	56,838
Other disbursements	115,702	35,624	2,077,619	528	-	1,235	259,598	-	25,887	2,516,193
Total disbursements	961,005	35,624	2,077,619	528	-	1,235	259,598	-	25,887	3,361,496
Excess (deficiency) of receipts over disbursements	(131,151)	48,376	(90,403)	36,390	-	283	(107)	-	(18,537)	(155,149)
Cash and investments - ending	\$ 353,045	\$ 52,922	\$ -	\$ 36,390	\$ 433,531	\$ 744	\$ 1,655	\$ 100	\$ 30,159	\$ 908,546

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SEYMOUR MUNICIPAL AIRPORT AUTHORITY
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2013

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	Ending Balance
Governmental activities:	
Land	\$ 751,046
Buildings	1,783,970
Improvements other than buildings	12,134,479
Machinery, equipment, and vehicles	897,701
Total governmental activities	15,567,196
Total capital assets	\$ 15,567,196

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

TO: THE OFFICIALS OF THE SEYMOUR MUNICIPAL AIRPORT
AUTHORITY, JACKSON COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited the Seymour Municipal Airport Authority's (Airport Authority) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the period of January 1, 2012 to December 31, 2013. The Airport Authority's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Airport Authority's major federal 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 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the Airport Authority's compliance.

Opinion on the Major Federal Program

In our opinion, the Airport 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 for the period of January 1, 2012 to December 31, 2013.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2013-003, 2013-004, 2013-005, and 2013-006. Our opinion on the major federal program is not modified with respect to these matters.

The Airport Authority's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Airport Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance


Management of the Airport Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Airport Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Airport Authority's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2013-002, 2013-003, 2013-004, 2013-005, and 2013-006 to be material weaknesses.

The Airport Authority's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Airport Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

December 29, 2015

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTE

The Schedule of Expenditures of Federal Awards and accompanying note presented were approved by management of the Airport Authority.

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SEYMOUR MUNICIPAL AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended December 31, 2012 and 2013

Federal Grantor Agency Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-12	Total Federal Awards Expended 12-31-13
<u>U.S. Department of Transportation</u>				
Airport Improvement Program				
Runway 5/23 Project Design	20.106	3-18-0076-012	\$ 92,434	\$ -
Runway 5/23 Project Phase I		3-18-0076-013	1,810,298	276,809
Runway 5/23 Project Phase II		3-18-0076-014	<u>21,896</u>	<u>1,666,257</u>
Total - Airport Improvement Program			<u>1,924,628</u>	<u>1,943,066</u>
Total - U.S. Department of Transportation			<u>1,924,628</u>	<u>1,943,066</u>
Total federal awards expended			<u>\$ 1,924,628</u>	<u>\$ 1,943,066</u>

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

SEYMOUR MUNICIPAL 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 Airport Authority and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

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 Indiana Code (IC 5-11-1-25), audits of Airport Authorities shall be conducted biennially. Such audits shall include both years within the biennial period.

SEYMOUR MUNICIPAL AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section.510(a) of OMB Circular A-133?	yes

Identification of Major Program:

CFDA Number	<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
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Section II - Financial Statement Findings

FINDING 2013-001 - FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the Airport Authority related to financial transactions and reporting.

1. Lack of Segregation of Duties: The Airport Authority has not separated incompatible activities related to cash and investments, receipts, and disbursements. The failure to establish these controls could enable material misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.

SEYMOUR MUNICIPAL AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2. Monitoring of Controls: An evaluation of the Airport Authority's system of internal control has not been conducted. The failure to monitor the internal control system places the Airport Authority at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, material misstatements in a timely manner. Additionally, the Airport Authority has no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting requires the Airport Authority to monitor and assess the quality of the system of internal control.

3. The Airport Authority did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The Airport Authority should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. During the audit of the SEFA, we noted the following errors: The amounts reported for the Airport Improvement Program (AIP) were not correct. The state and local matching funds for the AIP grants were included in error, which resulted in the SEFA being overstated by \$219,116. Also, the AIPs were reported in one lump sum for each calendar year. The AIP grants should have been reported by individual grant project numbers and expenditures. Audit adjustments were proposed, accepted by the Airport Authority, and made to the SEFA presented in this report.

Without the proper system of internal controls in place that operates effectively, material misstatements of the financial statement could occur and remain undetected. We consider the above lack of internal controls to be a material weakness.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

SEYMOUR MUNICIPAL AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Section III - Federal Award Findings and Questioned Costs

FINDING 2013-002 - INTERNAL CONTROL OVER AIRPORT IMPROVEMENT PROGRAM

Federal Agency: U.S. Department of Transportation

Federal Program: Airport Improvement Program

CFDA Number: 20.106

Federal Award Number and Year (or Other Identifying Number): 3-18-0076-012, 3-18-0076-013,
3-18-0076-014

Management of the Airport Authority has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and all of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Matching, Period of Availability of Federal Funds, and Special Tests and Provisions - Revenue Diversion.

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

The Airport Authority management relied upon the engineering consultant to monitor budget and contractual payments related to the contractual agreements. A monitoring or review process had not been established to ensure compliance with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

SEYMOUR MUNICIPAL AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cash Management, Matching, and Period of Availability

Airport Authority management relied upon their engineering firm consultant to prepare drawdown requests for federal funds for airport projects. Preparing these requests also included calculating matching amounts from state and local funds. The Administrative Assistant stated that she recalculated these amounts; however, no evidence of that was presented for audit. There was no evidence that anyone verified that the subsequent payments to vendors were paid in a timely manner after the drawdown of federal funds. The accounts payable claim vouchers were approved by the Airport Authority Director; however, he did not verify that the payments were made timely. A monitoring or review process had not been established to ensure compliance with the Cash Management, Matching, and Period of Availability compliance requirements.

Special Tests and Provisions - Revenue Diversion

The Airport Authority had not designed or implemented adequate policies and procedures to ensure that revenue was used only for operating and capital activities. A monitoring or review process had not been established to ensure compliance with the Special Tests and Provisions - Revenue Diversion compliance requirements.

The failure to establish an effective internal control system places the Airport Authority at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the Airport Authority

We recommended that the Airport Authority's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

SEYMOUR MUNICIPAL AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2013-003 - DAVIS-BACON ACT

Federal Agency: U.S. Department of Transportation
Federal Program: Airport Improvement Program
CFDA Number: 20.106
Federal Award Number and Year (or Other Identifying Number): 3-18-0076-012, 3-18-0076-013,
3-18-0076-014

Management of the Airport Authority did not establish an effective internal control system over the Davis-Bacon Act compliance requirement. Controls were not in place to ensure their contracted engineering firm received all weekly certified payrolls from contractors and subcontractors for weeks in which work was completed. Based upon information provided by the contracted engineering firm, we were unable to determine if we received all weekly certified payrolls for the audit period to test. The contracted engineering firm maintained weekly payrolls that had been submitted and certified by the contractors; however, no records were maintained to track if work was completed each week and if a certified payroll should have been submitted.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

29 CFR 3.3(b) states in part:

"Each contractor or subcontractor engaged in the construction, prosecution, completion, or repair of any public building or public work, or building or work financed in whole or in part by loans or grants from the United States, shall furnish each week a statement with respect to the wages paid each of its employees engaged on work covered by this part 3 and part 5 of this title during the preceding weekly payroll period. . . ."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds.

We recommended that the Airport Authority's management develop and implement procedures and controls to ensure that all weekly certified payrolls are received for work completed on construction contracts.

FINDING 2013-004 - EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Agency: U.S. Department of Transportation
Federal Program: Airport Improvement Program
CFDA Number: 20.106
Federal Award Number and Year (or Other Identifying Number): 3-18-0076-012, 3-18-0076-013,
3-18-0076-014

Management of the Airport Authority has not established an effective internal control system over Equipment and Real Property Management, which would include segregation of duties, related to the grant agreement.

SEYMOUR MUNICIPAL AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The Authority has capital asset records for buildings, improvements, and/or equipment regardless of the funding used to purchase or construct the capital asset. However, they did not record the federal grant information or the percentage of Federal participation in the cost of the property, or perform physical inventories. During 2012 and 2013, the Authority spent \$3,867,694 of federal funds for design and rehabilitation work on runway 5/23.

During 2013, the Authority sold surplus airport property, which consisted of the Kasting house and property for \$39,000. The proceeds were receipted to the Authority's Airport Fund and comingled with other airport revenues. An annual report was not submitted to the FAA.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

49 CFR 18.32(d) states:

"Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.
- (4) Adequate maintenance procedures must be developed to keep the property in good condition.
- (5) If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return."

Based on a letter dated October 21, 2013, from the Federal Aviation Administration (FAA), concerning the release of surplus property land (the Kasting house and property) from the terms of surplus property agreements between the FAA and the Airport: "The airport owner will deposit the net proceeds from the sale of the above mentioned property or any other funds received from the purchase agreement into an identifiable interest-bearing airport account; and the principal shall be reinvested, without Federal matching funds, for eligible Airport Improvement Program development. The Airport Authority owner further agrees to submit to the FAA an annual report listing the income and expenditures from the account and to obtain FAA concurrence prior to expending any portion of the account principal. The interest or dividends from the account can be used for the capital or operating cost of the airport without prior FAA concurrence."

SEYMOUR MUNICIPAL AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The failure to establish an effective internal control system places the Airport Authority at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system allowed noncompliance with compliance requirements and could allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

We recommended that the Authority include the appropriate information on their capital asset records that comply with the federal requirements and conduct a physical inventory at least every two years. We also recommended that the Airport Authority transfer the real property proceeds from the Airport Fund into a separate identifiable interest-bearing airport account, and submit annual reports for this fund.

Airport Authority's Response: "An internal control was already established through an airport ordinance in regards to the handling of revenue received from the disposal of airport property prior to this finding. This should not be considered a noncompliance or internal control finding."

Auditor's Rebuttal: The airport ordinance referred to by the Airport Authority was Resolution No. 3 "A Resolution for the deposit of the proceeds of the sale of airport property."; " . . . That the proceeds of the sale of any airport property, real or personal, be deposited into the General Aviation Fund of the Seymour Municipal Airport Authority. . . . An additional appropriation is required to be approved before the use of any deposited funds."

Based on a letter dated October 21, 2013, from the Federal Aviation Administration [FAA]: . . . "The airport owner will deposit the net proceeds from the sale of the above mentioned property or any other funds received from the purchase agreement into an identifiable interest-bearing airport account; and the principal shall be reinvested, without Federal matching funds, for eligible Airport Improvement Program development. The Airport owner further agrees to submit to the FAA an annual report listing the income and expenditures from the account and to obtain FAA concurrence prior to expending any portion of the account principal. The interest or dividends from the account can be used for the capital or operating cost of the airport without prior FAA concurrence."

The Airport Authority's corrective action does not address all of the FAA requirements as described in their October 21, 2013 letter.

FINDING 2013-005 - PROCUREMENT AND SUSPENSION AND DEBARMENT

Federal Agency: U.S. Department of Transportation
Federal Program: Airport Improvement Program
CFDA Number: 20.106
Federal Award Number and Year (or Other Identifying Number): 3-18-0076-012, 3-18-0076-013,
3-18-0076-014

Management of the Airport Authority has not established an effective internal control system, which would include segregation of duties, over the Procurement and Suspension and Debarment compliance requirement.

Airport Authority management relied upon their engineering firm consultant to ensure compliance with federal regulations for Procurement and Suspension and Debarment. A written procurement policy and a code of conduct had not been adopted by the Airport Authority.

SEYMOUR MUNICIPAL AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The engineering firm consultant indicated that they did check the System for Award Management (SAM) website to ensure that the contractors and subcontractors were not suspended or debarred; however, they did not retain evidence of that verification. The engineering firm consultant also did not obtain copies of the subcontractors' contracts to verify that there was a suspension and debarment clause in each one. There was no evidence of oversight by the Airport Authority.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

49 CFR 18.36 states in part:

(b) *Procurement standards.*

- (1) Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section.
- (2) Grantees and subgrantees will maintain a contract administration system which ensures that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.
- (3) Grantees and subgrantees will maintain a written code of standards of conduct governing the performance of their employees engaged in the award and administration of contracts. . . ."

2 CFR, Subpart C – Responsibilities of Participants Regarding Transactions Doing Business With Other Persons, 180.300 states:

"What must I do before I enter into a covered transaction with another person at the next lower tier?

When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking the SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

The Airport Authority did not comply with compliance requirements that have a direct and material effect on the program. The failure to comply with federal guidelines could result in the loss of future federal funding.

SEYMOUR MUNICIPAL AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The failure to establish an effective internal control system places the Airport Authority at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system allowed noncompliance with compliance requirements and could allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

We recommended that the Airport Authority establish controls to ensure compliance and comply with the Procurement and Suspension and Debarment requirements of the program.

FINDING 2013-006 - REPORTING

Federal Agency: U.S. Department of Transportation
Federal Program: Airport Improvement Program
CFDA Number: 20.106
Federal Award Number and Year (or Other Identifying Number): 3-18-0076-012, 3-18-0076-013,
3-18-0076-014

Management of the Airport Authority has not established an effective internal control system, which would include segregation of duties, over the Reporting of the compliance requirement. The failure to establish an effective internal control system places the Airport Authority at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

The Airport Authority did not prepare SF-425 Federal Financial Reports during 2012. The SF-425 reports for 2013 prepared by the engineering firm consultant included the federal grant payments as program income in error.

In 2013, the Airport Authority was required to complete and submit the "AIP Grant Oversight Assessment Sponsor Certification Checklist" to the Federal Aviation Administration. "The purpose of this document is to assess whether the airport sponsor has policies, procedures, and Information Technology infrastructure supporting the categories below." The checklist included these major categories: Sponsor has a documented Procurement Process, Grants Oversight Process, Disbursement Process, and Business Continuity Process. Each of the related detailed subcategories were checked off by Airport Authority officials. The certification stated in part: "is accurate and represents the airport sponsors existing internal controls" and was signed by the Airport Authority Board President on January 22, 2013. Airport Authority officials were unable to provide the supporting documents.

Airport Authority management relied upon their engineering consultant to prepare financial reports required by the federal agency. The reports were signed by Airport Authority management; however, there was no evidence that the reports were traced to the Airport Authority's financial ledgers.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

SEYMOUR MUNICIPAL AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Federal Aviation Administration memo dated October 7, 2009, stated in part: "We are issuing this Program Guidance Letter to comply with the Office of Management and Budget (OMB) directive for all federal agencies to begin using the new Federal Financial Report (FFR) form number SF-425 no later than October 2009."

The Federal Aviation Administration Office of Airports, Airport Improvement Program (AIP) Grant Oversight Risk Model Policy dated October 1, 2012, and updated March 22, 2013, states in part: "Section 3.1.3.1 Sponsors Risk Assessment Certification Document: The purpose of this document is to obtain a certified representation of the policies and processes for procurement, Grant Oversight, Disbursement, Business Continuity, Technology Infrastructure, and Demographics utilized by the sponsor."

The Airport Authority did not comply with compliance requirements that have a direct and material effect on the program. The failure to comply with federal guidelines could result in the loss of future federal funding.

We recommended that the Airport Authority develop procedures to ensure reporting requirements are followed and that reports are accurate.

AUDITEE PREPARED DOCUMENT

The subsequent document was provided by management of the Airport Authority. The document is presented as intended by the Airport Authority.



Freeman Municipal Airport

Freeman Field Industrial Park

CORRECTIVE ACTION PLAN

FINDING 2013-001

CFDA:

Contact Person Responsible for Corrective Action: Lloyd Hudson – Board President
Contact Phone Number: (812) 522-2031

Description of Corrective Action Plan:

The airport office is a two-person office and it would not be feasible to hire a third person. During the last audit the Airport Authority accepted the risks associated with the lack of segregated duties. However, the Authority tries to insure the risks are minimal.

A written policy with internal control will be established by the Authority.

Anticipated Completion Date:

The Airport will have an Internal Control System written and established by April 1, 2016.

Lloyd Hudson
Authority President

December 17, 2015



Freeman Municipal Airport

Freeman Field Industrial Park

CORRECTIVE ACTION PLAN

FINDING 2013-002

CFDA: 20.106

Contact Person Responsible for Corrective Action: Lloyd Hudson – Board President
Contact Phone Number: (812) 522-2031

Description of Corrective Action Plan:

A written policy with internal control will be established to provide redundant reviews of budgets, grant and account balances from within Airport Staff. Airport Consultant will continue to provide monthly, quarterly and annual reporting to supplement internal controls from airport staff.

Anticipated Completion Date:

The Airport will have an Internal Control System written and established by April 1st, 2016.

Lloyd Hudson
Authority President

December 17, 2015



Freeman Municipal Airport

Freeman Field Industrial Park

CORRECTIVE ACTION PLAN

FINDING 2013-003

CFDA: 20.106

Contact Person Responsible for Corrective Action: Lloyd Hudson – Board President
Contact Phone Number: (812) 522-2031

Description of Corrective Action Plan:

In the past the airport consultant performed regular audits of the Davis-Bacon act compliance with certified payroll and included this with Report of Final Findings with each project funded under AIP Grant Program which are reviewed by the FAA during Grant Close out. We understand that SBOA is now requesting additional internal controls to monitor compliance with these regulations.

A written policy with internal control will be established to provide redundant reviews of certified payroll submitted with monthly progress estimates on projects funded under the AIP Grant Program.

Contractors will be required to submit monthly certified payroll which along with all progress estimates. Payroll will be verified by the airport consultant as well as the airport staff prior to issuance of any payments.

Anticipated Completion Date:

The Airport will have an Internal Control System written and established by April 1st, 2016.

Lloyd Hudson
Authority President

December 17, 2015



Freeman Municipal Airport

Freeman Field Industrial Park

CORRECTIVE ACTION PLAN

FINDING 2013-004

CFDA: 20.106

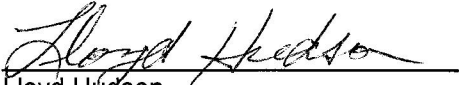
Contact Person Responsible for Corrective Action: Lloyd Hudson – Board President
Contact Phone Number: (812) 522-2031

Description of Corrective Action Plan:

An internal control was already established through an airport ordinance in regards to the handling of revenue received from the disposal of airport property prior to this finding. This should not be considered a Non-Compliance or Internal Control finding.

Anticipated Completion Date:

The Airport has already established an internal control on this item through the development of Airport Resolution # 3 Authority Bill # 5 which was established in September of 2013 prior to the sale of the Kasting House Property.


Lloyd Hudson
Authority President

December 17, 2015



Freeman Municipal Airport

Freeman Field Industrial Park

CORRECTIVE ACTION PLAN

FINDING 2013-005

CFDA: 20.106

Contact Person Responsible for Corrective Action: Lloyd Hudson – Board President
Contact Phone Number: (812) 522-2031

Description of Corrective Action Plan:

In the past the airport consultant has performed this review for compliance with Suspension and Debarment and reported it as part of the Recommendation of Award.

Moving forward an internal control system that includes documentation and redundant review by airport shall will be completed and retained for audit review records.

We are waiting on documentation from SBOA in regards to review of Sub-Contractors requirement to Suspension and Debarment. At this time FAA Sample contracts do not require contractor to issue copies of Sub agreements as part of their bid packet at the time of the bids. Review of suspension and debarment based on Certified Payroll would be too late to prevent any non-compliance to the regulations.

Once SBOA provides us with the requested clarification, the airport will modify their policies and practices to comply.

Anticipated Completion Date:

The Airport will have an Internal Control System written and established by April 1st, 2016.

Lloyd Hudson
Authority President

December 17, 2015



Freeman Municipal Airport

Freeman Field Industrial Park

CORRECTIVE ACTION PLAN

FINDING 2013-006

CFDA: 20.106

Contact Person Responsible for Corrective Action: Lloyd Hudson – Board President
Contact Phone Number: (812) 522-2031

Description of Corrective Action Plan:

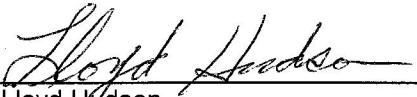
Beginning with all 2015 reporting, all SF425 reporting has been corrected to show "Recipient Share" as the amount that the Federal portion does not cover. Previous reports only showed true local share not including State participation.

Report period end dates will reflect when the annual report is due (90 days after the end of the fiscal year) unless directed otherwise by FAA. Currently no Quarterly SF425 reporting is accomplished.

The airport will establish an internal control to cross check the airport's consultant with airport financial ledgers prior to execution of the reports and transmittal to the FAA.

Anticipated Completion Date:

The Airport will have an Internal Control System written and established by April 1st, 2016.



Lloyd Hudson
Authority President

December 17, 2015

OTHER REPORTS

In addition to this report, other reports may have been issued for the Airport Authority. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.