

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

PORTER COUNTY AIRPORT AUTHORITY
PORTER COUNTY, INDIANA

January 1, 2015 to December 31, 2015



FILED
09/08/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Airport Director/Treasurer	Kyle J. Kuebler	01-01-15 to 12-31-18
President of the Airport Authority Board	Paul R. Chael	01-01-15 to 12-31-17



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Porter County Airport Authority (Authority), which comprises the financial position and results of operations for the year ended December 31, 2015, 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 (Indiana Code 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 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 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 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. The basis of accounting noted above is a different basis than that used in the prior year.

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 Authority for the year ended December 31, 2015.

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 Authority for the year ended December 31, 2015, 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 Authority's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 Authority's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, and Schedule of Leases and Debt, 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 August 28, 2017, on our consideration of the 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 Authority's internal control over financial reporting and compliance.


Paul D. Joyce, CPA
State Examiner

August 28, 2017



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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 PORTER COUNTY AIRPORT AUTHORITY, PORTER 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 Porter County Airport Authority (Authority), which comprises the financial position and results of operations for the year ended December 31, 2015, and the related notes to the financial statement, and have issued our report thereon dated August 28, 2017, wherein we noted the 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 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or 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. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001, that we consider 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 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Porter County Airport Authority's Response to Findings

The Authority's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The 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 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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

August 28, 2017

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the Authority.
The financial statement and notes are presented as intended by the Authority.

PORTER COUNTY AIRPORT AUTHORITY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2015

Fund	Cash and Investments 01-01-15	Receipts	Disbursements	Cash and Investments 12-31-15
Aviation	\$ 139,830	\$ 1,157,433	\$ 1,146,628	\$ 150,635
Cumulative Building	114,543	170,886	202,602	82,827
Airport Improvement Program 083-24	15,989	-	-	15,989
Airport Improvement Program 083-25	14,820	219	-	15,039
Excess Levy Fund	143	-	143	-
Airport Improvement Program 083-26	49,243	1,162,496	1,204,618	7,121
Capital Cash	187,469	-	173,421	14,048
Clearing Account	570	-	187	383
Petty Cash	400	-	-	400
Rotary	445,824	464,275	386,687	523,412
Ust Excess Liability	35,000	-	-	35,000
Totals	<u>\$ 1,003,831</u>	<u>\$ 2,955,309</u>	<u>\$ 3,114,286</u>	<u>\$ 844,854</u>

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

PORTER COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The accompanying financial statement presents the financial information for the 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 include the following sources:

Taxes. Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Authority.

Intergovernmental receipts. Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants, 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. Amounts received for services including, but not limited to, the following: Aviation Services, Fuel & Oil Sales, Hangar Leases, Land Leases, and Farm Leases.

Other receipts. Amounts received from various sources, including, but 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.

PORTER COUNTY 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 include the following uses:

Personal services. Amounts disbursed 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. Amounts disbursed for 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, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges. Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service - principal and interest. Amounts disbursed for fixed obligations resulting from financial transactions previously entered into by the Authority. It includes all expenditures for the reduction of the principal and interest of the Authority's general obligation indebtedness.

Capital outlay. Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Other disbursements. Amounts disbursed for various other purposes including, but 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 Authority may, from time to time, make transfers 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 Authority. Each fund is used to account for amounts 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 Authority. The amounts 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 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.

PORTER COUNTY 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 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. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Authority in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. 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 Authority to invest in securities including, but not limited to, the following: 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 5. Risk Management

The 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 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.

PORTER COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 6. 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 Authority authority to contribute to the plan. The PERF retirement benefit consists of the pension 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.

Note 7. Medical Benefits to Employees, Retirees, and Dependents

The Authority has chosen to participate in the Porter County Employee Benefit Plan Fund. A risk-financing fund established by Porter County for County and Airport employees for risks associated with medical benefits to employees, retirees, and dependents (excluding postemployment benefits). The risk-financing fund is where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$90,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. A premium is charged to each County fund (and the Airport) that accounts for payroll. The total charge allocated to each of the funds is calculated using trends in actual claims experience. Provisions are also made for unexpected and unusual claims.

Claim expenditures and liabilities of the fund are reported when it is probable that a loss has occurred. However, claim liabilities cannot be reasonably estimated.

OTHER INFORMATION - UNAUDITED

The 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 Authority's Annual Financial Report 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 Authority. It is presented as intended by the Authority.

PORTER COUNTY AIRPORT AUTHORITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2015

	Aviation	Cumulative Building	Airport Improvement Program 083-24	Airport Improvement Program 083-25	Excess Levy Fund	Airport Improvement Program 083-26
Cash and investments - beginning	\$ 139,830	\$ 114,543	\$ 15,989	\$ 14,820	\$ 143	\$ 49,243
Receipts:						
Taxes	514,439	157,651	-	-	-	-
Intergovernmental receipts	43,265	13,235	-	-	-	-
Charges for services	399,586	-	-	-	-	-
Other receipts	200,143	-	-	219	-	1,162,496
Total receipts	<u>1,157,433</u>	<u>170,886</u>	<u>-</u>	<u>219</u>	<u>-</u>	<u>1,162,496</u>
Disbursements:						
Personal services	706,712	-	-	-	-	-
Supplies	43,074	-	-	-	-	-
Other services and charges	246,797	-	-	-	-	-
Debt service - principal and interest	105,000	-	-	-	-	-
Capital outlay	44,815	-	-	-	-	-
Other disbursements	230	202,602	-	-	143	1,204,618
Total disbursements	<u>1,146,628</u>	<u>202,602</u>	<u>-</u>	<u>-</u>	<u>143</u>	<u>1,204,618</u>
Excess (deficiency) of receipts over disbursements	<u>10,805</u>	<u>(31,716)</u>	<u>-</u>	<u>219</u>	<u>(143)</u>	<u>(42,122)</u>
Cash and investments - ending	<u>\$ 150,635</u>	<u>\$ 82,827</u>	<u>\$ 15,989</u>	<u>\$ 15,039</u>	<u>\$ -</u>	<u>\$ 7,121</u>

PORTER COUNTY AIRPORT AUTHORITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2015
 (Continued)

	Capital Cash	Clearing Account	Petty Cash	Rotary	Ust Excess Liability	Totals
Cash and investments - beginning	\$ 187,469	\$ 570	\$ 400	\$ 445,824	\$ 35,000	\$ 1,003,831
Receipts:						
Taxes	-	-	-	-	-	672,090
Intergovernmental receipts	-	-	-	-	-	56,500
Charges for services	-	-	-	464,275	-	863,861
Other receipts	-	-	-	-	-	1,362,858
Total receipts	-	-	-	464,275	-	2,955,309
Disbursements:						
Personal services	-	-	-	-	-	706,712
Supplies	-	-	-	-	-	43,074
Other services and charges	-	-	-	-	-	246,797
Debt service - principal and interest	-	-	-	-	-	105,000
Capital outlay	-	-	-	-	-	44,815
Other disbursements	173,421	187	-	386,687	-	1,967,888
Total disbursements	173,421	187	-	386,687	-	3,114,286
Excess (deficiency) of receipts over disbursements	(173,421)	(187)	-	77,588	-	(158,977)
Cash and investments - ending	\$ 14,048	\$ 383	\$ 400	\$ 523,412	\$ 35,000	\$ 844,854

PORTER COUNTY AIRPORT AUTHORITY
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2015

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	\$ -	\$ 72,758

PORTER COUNTY AIRPORT AUTHORITY
 SCHEDULE OF LEASES AND DEBT
 December 31, 2015

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
Revenue bonds	Airport Revenue Refunding and Improvement Bonds	<u>\$ 2,690,000</u>	<u>\$ 312,598</u>

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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 PORTER COUNTY AIRPORT AUTHORITY, PORTER COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited the Porter County Airport Authority's (Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2015. The Authority's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on the Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2015.

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 the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2015-003. Our opinion on the major federal program is not modified with respect to these matters.

The Authority's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The 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 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 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.


A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program 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. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2015-002 and 2015-003, that we consider to be material weaknesses.

The Authority's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The 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.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

August 28, 2017

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the Authority. The schedule and notes are presented as intended by the Authority.

PORTER COUNTY AIRPORT AUTHORITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2015

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Pass-Through To Subrecipient	Total Federal Awards Expended
<u>Department of Transportation</u>					
Airport Improvement Program AIP-26	Direct grant	20.106	3-18-0083-26	\$ -	\$ 1,098,720
Total - Department of Transportation				-	1,098,720
Total federal awards expended				\$ -	\$ 1,098,720

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

PORTER COUNTY AIRPORT AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the Authority under programs of the federal government for the year ended December 31, 2015. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the Authority, it is not intended to and does not present the financial position of the Authority.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received. The Authority has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

PORTER COUNTY 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?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	yes

Identification of Major Program and type of auditor's report issued on compliance for each:

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

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

FINDING 2015-001

Subject: Internal Controls over Financial Transactions and Reporting and
Preparation of the Schedule of Expenditures of Federal Awards
Audit Finding: Material Weakness

Condition

There were several deficiencies in the internal control system of the Authority related to financial transactions and reporting.

There were no controls over the input of financial information entered into the Indiana Gateway for Government Units financial reporting system (Gateway), which was the source for the Annual Financial Report (AFR), the financial statement, and the Schedule of Expenditures of Federal Awards (SEFA). Financial information was prepared and submitted into Gateway without effective oversight, review, approval, or other compensating control to ensure the accuracy of the information prior to submission.

PORTER COUNTY AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Lack of Segregation of Duties: The Authority had not separated incompatible activities related to all areas of the financial statement.

1. Cash and Investments: Bank reconcilements were prepared by a single person without a proper system of oversight, review, or other compensating control.
2. Receipts: The Authority had established a system of internal control over receipts; however, the control was not properly implemented. There was no evidence of a review process to ensure that receipts were properly recorded to the correct fund and accounts and for the correct amount. In addition, official receipts were not signed; the computer software identified the user who recorded the receipts; however, the computer software allowed the user name to be altered.
3. Disbursements: The Authority had established a system of internal controls over disbursements, including payroll; however, the control was not properly implemented. There was no evidence of a review process to ensure that disbursements were properly recorded to the correct fund and accounts and for the correct amount could not be evidenced.
4. Transaction Recording: All financial transactions were recorded on an Excel spreadsheet, which could have been altered and would not have provided an audit trail of any changes or corrections to the original information.

Context

The lack of internal controls was systemic throughout the audit period.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Cause

The Authority had not established or properly implemented an effective system of internal control that segregated key functions.

PORTER COUNTY AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effect

The failure to establish and properly implement controls could have enabled material misstatements or irregularities to remain undetected.

Recommendation

We recommended that the Authority's management establish and document effective controls, including segregation of duties, to ensure the accuracy of the financial transactions reported in the financial statement and the SEFA.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

Section III - Federal Award Findings and Questioned Costs

FINDING 2015-002

Subject: Airport Improvement Program - Special Tests and Provisions - Wage Rate Requirements
Federal Agency: Department of Transportation
Federal Program: Airport Improvement Program
CFDA Number: 20.106
Federal Award Number and Year (or Other Identifying Number): 3-18-0083-026
Compliance Requirement: Special Tests and Provisions - Wage Rate Requirements
Audit Finding: Material Weakness

Condition

An effective internal control system was not in place at the Authority in order to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Wage Rate Requirements compliance requirement. The Authority hired an engineer to oversee compliance with the wage rate requirements; however, the Authority did not implement procedures to ensure that the engineer adequately verified compliance.

Context

The lack of controls was a systemic problem throughout the audit period.

Criteria

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. . . ."

Cause

The Authority had not developed a system of internal controls to ensure that compliance with the wage rate requirements was verified.

PORTER COUNTY AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effect

The failure to establish an effective internal control system could have enabled material non-compliance to go undetected. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the Authority's management establish controls to ensure compliance and comply with the Special Tests and Provisions - Wage Rate Requirements compliance requirement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2015-003

Subject: Airport Improvement Program - Procurement and Suspension and Debarment
Federal Agency: Department of Transportation
Federal Program: Airport Improvement Program
CFDA Number: 20.106
Federal Award Number and Year (or Other Identifying Number): 3-18-0083-026
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

Condition

An effective internal control system was not in place at the Authority in order to ensure compliance with requirements related to the grant agreement and the suspension and debarment requirements of the Procurement and Suspension and Debarment compliance requirement. There were not adequate procedures in place to ensure that all vendors were not suspended or debarred or otherwise excluded from participation in federal assistance programs.

The Authority did not perform a verification, obtain certifications, or add a clause to consulting contracts to ensure that the consulting firms were not suspended or debarred.

Context

The lack of controls was a systemic problem throughout the audit. The noncompliance was an isolated issue which applied only to consulting contracts.

PORTER COUNTY AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Criteria

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. . . ."

2 CFR 180.300 states:

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

Cause

The Authority had not developed a system of internal controls that would have ensured compliance with the suspension and debarment requirements of the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish internal controls enabled material noncompliance to go undetected, which could have resulted in the loss of federal funds to the Authority.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the Authority's management establish controls to ensure compliance and comply with the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

AUDITEE-PREPARED DOCUMENT

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

4207 Murvihill Road
Valparaiso, IN 46383
Phone: 219-462-6508
Fax: 219-462-2913
E-Mail: vpz@vpz.org



CORRECTIVE ACTION PLAN

FINDING 2015-001

Contact Person Responsible for Corrective Action: Kyle J. Kuebler, Airport Director/Treasurer
Contact Phone Number: 219-462-6508

Views of Responsible Official: The Airport Authority concurs with the finding.

Description of Corrective Action Plan: In regard to the Conditions listed in the Schedule Of Findings And Questioned Costs, the following itemizes the noted Condition with the proposed modification to address the cited deficiency in the Internal Control System of the Airport Authority:

1. Lack of Segregation of Duties

a. Financial Reporting

The Treasurer will enter any required annual financial reporting into Gateway, and the Airport Authority Board will review and approve the entries that comprise such required annual financial reporting prior to its final submission in Gateway.

b. Bank Reconciliations

Bank Reconcilements will be prepared by the Treasurer or Airport Director, and will be reviewed by a staff member of the Airport Authority. An Airport Authority Form will evidence who was responsible for the preparation and review of the Bank Reconciliations, and on what dates such action was accomplished.

c. Receipts

An Airport Authority Form will document the initial posting of receipts, and will further evidence a review process to verify that receipts were properly recorded in the correct fund and account, and for the correct amount. The Airport Authority Form will evidence who was responsible for the initial posting and review of receipts, and on what dates such action was accomplished. A Report generated from the computerized accounting program will be attached to the form evidencing the initial posting and review of the receipts, with such Report(s) used to justify the journal entries and balance sheet totals of the computerized accounting system to the postings accomplished within the Ledger Of Receipts, Disbursements and Balances and the Ledger Of Appropriations, Encumbrances, Disbursements and Balances. The initial posting and review of receipts will be accomplished by different staff members of the Airport Authority. The process of Receipts (invoicing) associated with the collection of funds will be modified to include the signature of the Airport Authority Staff who accepted such payment.

d. Payroll and Vendor Disbursements

An Airport Authority Form will document the initial posting of payroll and vendor disbursements, and will further evidence a review process to verify that the payroll and vendor disbursements were properly recorded in the correct fund and account, and for the correct amount. The Airport Authority Form will evidence who was responsible for the initial posting and review of the payroll and vendor disbursements, and on what dates such action was accomplished. A Report generated from the computerized accounting program will be attached to the form evidencing the initial posting and review of the payroll and vendor disbursements, with such Report(s) used to justify the journal entries and balance sheet totals of the computerized accounting system to the postings accomplished within the Ledger Of Receipts, Disbursements and Balances and the Ledger Of Appropriations, Encumbrances, Disbursements and Balances. The initial posting and review of the payroll and vendor disbursements will be accomplished by different staff members of the Airport Authority.

e. Schedule of Expenditures of Federal Awards (SEFA)

The Treasurer will enter any required annual Schedule of Expenditures of Federal Awards (SEFA) reporting into Gateway, and the Airport Authority Board will review and approve the entries that comprise such required annual Schedule of Expenditures of Federal Awards (SEFA) reporting prior to its final submission in Gateway.

f. Transaction Recording

The Airport Authority maintains an Excel Spreadsheet of a Ledger Of Receipts, Disbursements and Balances and a Ledger Of Appropriations, Encumbrances, Disbursements and Balances, that is in the format of the handwritten forms approved by the State Board of Accounts. Outputs of receipts and disbursements generated by the computerized accounting software are then posted within the Ledger Of Receipts, Disbursements and Balances and the Ledger Of Appropriations, Encumbrances, Disbursements and Balances. The computerized accounting software accomplishes journal entries to the general ledger and balance sheet allowing an audit trail of all transactions.

2. Monitoring of Controls

The Airport Authority will act to identify or communicate corrective actions to improve controls upon any changes or additions to its line of business, or at least every three (3) years to coincide with the Airport Authority's review of its Airport Improvement Program (AIP) Grant Oversight Policies and Procedures.

Anticipated Completion Date: September 30, 2017



Kyle J. Kuebler,
Airport Director/Treasurer

(Title)

August 28, 2017

(Date)

4207 Murvihill Road
Valparaiso, IN 46383
Phone: 219-462-6508
Fax: 219-462-2913
E-Mail: vpz@vpz.org



CORRECTIVE ACTION PLAN

FINDING 2015-002

Contact Person Responsible for Corrective Action: Kyle J. Kuebler, Airport Director/Treasurer
Contact Phone Number: 219-462-6508

Views of Responsible Official: The Airport Authority concurs with the finding.

Description of Corrective Action Plan: The Airport Authority will modify its Airport Improvement Program (AIP) Grant Oversight Policies and Procedures to require that its Consultant provide a correspondence evidencing that it has reviewed and certifies the Special Test and Provision-Wage Rate Requirements. The Airport Improvement Program (AIP) Grant Oversight Policies and Procedures will also be modified to require the Airport Director or Treasurer to review the findings of the Consultant in order to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Wages Rate Compliance Requirement, and evidence such review.

Anticipated Completion Date: September 30, 2017

A handwritten signature in blue ink, appearing to read "K. Kuebler", is written over a horizontal line.

(Signature)

Kyle J. Kuebler,
Airport Director/Treasurer

(Title)

August 28, 2017

(Date)

4207 Murvihill Road
Valparaiso, IN 46383
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CORRECTIVE ACTION PLAN

FINDING 2015-003

Contact Person Responsible for Corrective Action: Kyle J. Kuebler, Airport Director/Treasurer
Contact Phone Number: 219-462-6508

Views of Responsible Official: The Airport Authority concurs with the finding.

Description of Corrective Action Plan: The Airport Authority will modify its Airport Improvement Program (AIP) Grant Oversight Policies and Procedures to require that its Consultant provide a correspondence evidencing that it has reviewed all bidder related to any contract to be funded under the federal Airport Improvement Program (AIP) within the System For Award Management (SAM), and certify compliance of all bidders with regard to Procurement, Suspension and Debarment. The Airport Improvement Program (AIP) Grant Oversight Policies and Procedures will also be modified to require the Airport Director or Treasurer to review the Consultant's standing within the System For Award Management (SAM), in order to ensure compliance with requirements related to the grant agreement and the Procurement, Suspension and Debarment, upon the execution of all contractual agreements, and evidence such review.

Anticipated Completion Date: September 30, 2017

A handwritten signature in blue ink, appearing to read "Kyle J. Kuebler", is written above a horizontal line.

(Signature)

Kyle J. Kuebler,
Airport Director/Treasurer

(Title)

August 28, 2017

(Date)

OTHER REPORTS

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