

**SIOUX COUNTY REGIONAL  
AIRPORT AGENCY  
Sioux County, Iowa**

**Financial Statements  
June 30, 2013**

SIOUX COUNTY REGIONAL AIRPORT AGENCY

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June 30, 2013

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**SIOUX COUNTY REGIONAL AIRPORT AGENCY**  
**Directory of Board Members**  
**June 30, 2013**

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Name	Representing
Harold Schiebout	City of Sioux Center/Chairman
Paul Clousing	City of Sioux Center
Dennis Walstra	City of Sioux Center/Alternate
Mark Sybesma	Sioux County/Vice Chairman
Al Bloemendal	Sioux County
Doug Julius	Sioux County/Alternate
Duane Feekes	City of Orange City/ Secretary and Treasurer
Daryl Beltman	City of Orange City
Mark Vogel	City of Orange City/Alternate



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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Sioux County Regional Airport Agency

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and the general fund of Sioux County Regional Airport Agency (the Agency), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### Opinions

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Agency as of June 30, 2013, and the respective changes in financial position, thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

### Other Matters

#### *Required Supplementary Information*

Management has omitted management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial

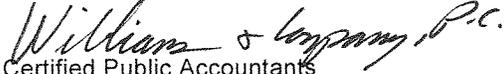
statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this information.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is for the purpose 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 statements. The Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated March 17, 2014, on our consideration of Sioux County Regional Airport Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and 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 Agency's internal control over financial reporting and compliance.

  
Certified Public Accountants

Le Mars, Iowa  
March 17, 2014

SIOUX COUNTY REGIONAL AIRPORT AGENCY  
STATEMENT OF NET POSITION  
June 30, 2013

	General Fund	Government-Wide Adjustments	Government-Wide
<b>ASSETS</b>			
Cash and Equivalents	\$ 463,043	\$ -	\$ 463,043
Prepaid Assets	2,592	-	2,592
Due From Other Governments	2,879,733	-	2,879,733
Land	-	8,440,740	8,440,740
<b>Total Assets</b>	<u>3,345,368</u>	<u>8,440,740</u>	<u>11,786,108</u>
<b>LIABILITIES</b>			
Accrued Interest Payable	50,362	-	50,362
Unearned Revenue	22,056	-	22,056
Notes Payable	2,800,000	-	2,800,000
<b>Total Liabilities</b>	<u>2,872,418</u>	<u>-</u>	<u>2,872,418</u>
<b>FUND BALANCE / NET POSITION</b>			
Net Investment in Capital Assets	-	8,440,740	8,440,740
Unassigned / Unrestricted	472,950	-	472,950
<b>Total Fund Balance / Net Position</b>	<u>472,950</u>	<u>8,440,740</u>	<u>8,913,690</u>
<b>Total Liabilities and Fund Balance / Net Position</b>	<u>\$ 3,345,368</u>	<u>\$ 8,440,740</u>	<u>\$ 11,786,108</u>

See Accompanying Notes to Financial Statements

**SIOUX COUNTY REGIONAL AIRPORT AGENCY  
EXPLANATION OF GOVERNMENT-WIDE ADJUSTMENTS  
ON THE STATEMENT OF NET POSITION  
June 30, 2013**

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Amounts reported for Government-Wide Activities in the Statement of Net position are different because:

Total Fund Balance - General Fund (page 4)	\$ 472,950
Capital assets used in government-wide activities are not financial resources and, therefore, are not reported as assets in the general fund.	<u>8,440,740</u>
Total Net Position - Government-Wide Activities (page 4)	<u><u>\$ 8,913,690</u></u>

**SIOUX COUNTY REGIONAL AIRPORT AGENCY  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2013**

	General Fund	Government-Wide Adjustments	Government-Wide
<b>Revenues:</b>			
Rentals and Fees	\$ 41,934	\$ -	\$ 41,934
Federal Grant Revenues	6,050,380	-	6,050,380
Contribution from Local Governments	205,000	-	205,000
Total Revenues	6,297,314	-	6,297,314
<b>Expenditures / Expenses:</b>			
Current:			
Property Taxes	3,356	-	3,356
Professional Fees	249,919	-	249,919
Insurance	5,217	-	5,217
Travel	1,037	-	1,037
Interest Expense	50,504	(50,504)	-
Other	872	-	872
Capital Outlay:	6,486,232	(6,486,232)	-
Total Expenditures / Expenses	6,797,137	(6,536,736)	260,401
Excess of (Deficiency) Revenues over Expenditures / Expenses	(499,823)	6,536,736	6,036,913
Net Change in Fund Balance / Net position	(499,823)	6,536,736	6,036,913
Fund Balance / Net Position - Beginning of Year	972,773	1,904,004	2,876,777
Fund Balance / Net Position - End of Year	\$ 472,950	\$ 8,440,740	\$ 8,913,690

See Accompanying Notes to Financial Statements

**SIOUX COUNTY REGIONAL AIRPORT AGENCY  
EXPLANATION OF GOVERNMENT-WIDE ADJUSTMENTS  
ON THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2013**

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Amounts reported for Government-Wide Activities in the Statement of Activities are different because:

Net Change in Fund Balances - General Fund (page 6)	\$ (499,823)
The general fund reports capital outlays as expenditures. However, in the government-wide Statement of Activities, the cost of those assets are capitalized.	
Purchase of Land	<u>6,536,736</u>
Change in Net Position of Government-Wide Activities (page 6)	<u><u>\$ 6,036,913</u></u>

**SIoux COUNTY REGIONAL AIRPORT AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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**Note 1 - Summary of Significant Accounting Policies**

The Sioux County Regional Airport Agency (the Agency) was formed in 2004 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Agency is for the joint acquisition, construction, equipping use and operation of an airport facility for the citizens of the City of Orange City, Iowa, the City of Sioux Center, Iowa and the County of Sioux County, Iowa.

The Agency is governed by a six-member Board of Directors who represents the parties listed in the preceding paragraph. Each member of the Agency is a member of its governing body, or other person appointed by the mayor or chair of the governing body and approved by such governing body. Each party shall be entitled to two representatives on the Agency's Board.

**A. Reporting Entity**

For financial reporting purposes, the Sioux County Regional Airport Agency has included all funds, organizations, agencies, boards, commissions and authorities. The Agency has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Agency. There are no component units included with this financial report.

The Agency's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Agency are discussed below.

**B. Basic Financial Statements – Government-Wide Statements**

The Agency's basic financial statements include both the government-wide and the fund financial statement with adjustments to convert the fund financial statement to full accrual.

In the Statement of Net Position, the government-wide column is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Agency's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The Agency first uses restricted resources to finance qualifying activities.

The government-wide focus is more on the sustainability of the Agency as an entity and the change in the Agency's net position resulting from the current year activities.

**C. Fund Accounting**

The accounts for the Agency are organized as a governmental fund.

**SIOUX COUNTY REGIONAL AIRPORT AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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**Note 1 - Summary of Significant Accounting Policies – (Continued)**

The governmental fund financial statements are reported using the current financial resources measurement focus. This means that the focus of the governmental funds' measurement is upon the determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the only governmental fund of the Agency:

General Fund – The General Fund is the general operating fund of the Agency. It is used to account for all financial resources. The sources of revenue include contributions from other local governments and federal grants. The expenditures of the General Fund relate to general administration.

**D. Basis of Accounting**

Basis of accounting refers to the point at which revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

Accrual basis of accounting is used for all activities in the government-wide financial statements. Revenues are recognized when earned and expenses are recognized when incurred.

Modified accrual basis of accounting is used by the governmental fund in the fund financial statements. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

Expenditures are recorded when the related fund liability is incurred. An exception to this general rule is that principal and interest on general obligation debt, if any, is recognized when due.

Those revenues susceptible to accrual are property taxes, assessments, and intergovernmental revenues. Licenses, fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

**E. Assets, Liabilities and Fund Equity**

1. Cash and Cash Equivalents – Includes cash in demand deposit accounts.
2. Fund Equity – Fund balances for the Agency's General Fund will be displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:
  - o *Nonspendable fund balance* – amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.

**SIOUX COUNTY REGIONAL AIRPORT AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Note 1 - Summary of Significant Accounting Policies – (Continued)**

- o *Restricted fund balance* – amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation.
- o *Committed fund balance* – amounts that can be spent only for specific purposes determined by a formal action of the government’s highest level of decision-making authority.
- o *Assigned fund balance* – amounts the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.
- o *Unassigned fund balance* – amounts that are available for any purpose.

**Note 2 - Cash and Cash Equivalents**

The Agency’s deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Association; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Agency had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

**Note 3 - Capital Assets**

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,904,004	\$ 6,536,736	\$ -	\$ 8,440,740
Total capital assets not being depreciated	1,904,004	6,536,736	-	8,440,740
Governmental activities capital assets	\$ 1,904,004	\$ 6,536,736	\$ -	\$ 8,844,074

**Reconciliation of Net Investment in Capital Assets:**

	<b>Governmental Activities</b>
Land	\$ 8,440,740
Net Investment in Capital Assets	\$ 8,440,740

**SIoux COUNTY REGIONAL AIRPORT AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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**Note 4 - Short Term Debt**

The Agency has access to a \$2,800,000 operating line of credit from the County of Sioux County, Iowa, to be used to finance current operations while awaiting Federal grant drawdowns. The line of credit accrues interest at variable interest rate equal to the United States prime rate and is unsecured. On September 19, 2012 and December 5, 2012 the Agency borrowed \$700,000 from Sioux County and repaid them on September 28, 2012 and December 14, 2012, respectively. The Agency then borrowed \$2,800,000 on December 14, 2012, which is still outstanding as of June 30, 2013.

The following is a summary of changes in short-term debt for the year ended June 30, 2013.

Balance, July 1, 2012	\$ -
Increases	4,200,000
Decreases	<u>(1,400,000)</u>
Balance, June 30, 2013	<u>\$ 2,800,000</u>

**Note 5 - Risk Management**

The Agency is subject to various risks of loss related to general liability and property insurance. The Agency has purchased commercially available indemnity insurance to cover these risks. The deductible amounts for this insurance would be immaterial to the Agency. There have been no settlement claims in the last three years.

**SIOUX COUNTY REGIONAL AIRPORT AGENCY**  
**Schedule of Expenditures of Federal Awards (Cash Basis)**  
**Year Ended June 30, 2013**

	CFDA Number	Project/Contract Number	Federal Expenditures
<b>Direct:</b>			
FEDERAL AVIATION ADMINISTRATION			
Airport Improvement Program	20.106	3-19-0135-02-2012	\$ 2,500
Airport Improvement Program	20.106	3-19-0135-03-2012	1,258,052
Airport Improvement Program	20.106	3-19-0135-04-2012	546,150
Airport Improvement Program	20.106	3-19-0135-05-2013	1,363,945
Airport Improvement Program	20.106	3-19-0135-06-2013	2,879,733
Total Direct			<u>6,050,380</u>
Total Expenditures of Federal Awards			<u>\$ 6,050,380</u>

Note 1 - **Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Sioux County Regional Airport Agency and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

SIOUX COUNTY REGIONAL AIRPORT AGENCY  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2013

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**Part I – Summary of the Independent Auditors’ Results**

- a) An unmodified opinion was issued on the financial statements.
- b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- c) The audit did not disclose any non-compliance which is material to the financial statements.
- d) Material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- f) Major program was as follows:
  - CFDA Number 20.106 – Airport Improvement Program
- h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i) The Sioux County Regional Airport Agency did not qualify as a low-risk auditee.

**Part II – Findings Related to the Financial Statements**

**INSTANCES OF NONCOMPLIANCE:**

No Matters were reported.

**MATERIAL WEAKNESSES:**

**II-A-13: Financial Accounting – Segregation of Duties**

*Observation* - During our review of the internal control, there were several instances where a better segregation of duties would enhance the internal control over financial reporting. In all cases identified, the cause of the lack of segregation of duties can be attributed to a limited number of resources within the Agency.

*Recommendation* - Segregation of duties is difficult with the limited number of resources. This observation reminds management that this weakness exists and we recommend that the duties be reviewed to provide maximum segregation of work performed to compensate for this lack of segregation of duties.

*Response* - We agree with this comment and will continue to exercise control through administrative review of reports as an alternative to segregation of duties.

*Conclusion* - Response accepted.

**II-B-13: Financial Reporting**

*Observation* - During the audit, we identified material amounts of receivables, and capital asset additions not recorded in the Agency’s financial statements. Adjustments were subsequently made by the Agency to properly include these amounts in the financial statements.

*Recommendation* - The Agency should implement procedures to ensure all receivables, and capital asset additions are identified and included in the Agency’s financial statements.

*Response* - We will review our financial reporting process in the future to avoid missing any receivables or capital asset transactions, keeping in mind that the Agency maintains its books and records on the cash basis.

*Conclusion* – Response accepted.

SIOUX COUNTY REGIONAL AIRPORT AGENCY  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2013

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**Part III – Findings and Questioned Costs for Federal Awards**

**Instances of Non Compliance**

No matters were reported

**MATERIAL WEAKNESSES:**

**III-A-13: Financial Accounting – Segregation of Duties**

Observation - During our review of the internal control, there were several instances where a better segregation of duties would enhance the internal control over financial reporting. In all cases identified, the cause of the lack of segregation of duties can be attributed to a limited number of resources within the Agency.

Recommendation - Segregation of duties is difficult with the limited number of resources. This observation reminds management that this weakness exists and we recommend that the duties be reviewed to provide maximum segregation of work performed to compensate for this lack of segregation of duties.

Response - We agree with this comment and will continue to exercise control through administrative review of reports as an alternative to segregation of duties.

Conclusion - Response accepted.

**III-B-13: Grant Administration**

Observation – During the audit we identified adjustments required for the Schedule of Expenditures of Federal Awards. These adjustments were subsequently made by the Agency to properly include all amounts in the Schedule of Expenditures of Federal Awards.

Recommendation – The Agency should implement procedures to ensure the Schedule of Expenditures of Federal Awards is properly completed.

Response – The Agency understands the nature of the weakness and will review the Schedule of Expenditures of Federal Awards in the future.

Conclusion – Response accepted.

**SIOUX COUNTY REGIONAL AIRPORT AGENCY**  
**Schedule of Prior Year Findings and Questioned Costs**  
**Year Ended June 30, 2013**

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**III-A-12:**     Airport Improvement Program – CFDA No. 20.106

Observation – The Agency received FAA funds in advance of costs incurred during the fiscal year ended June 30, 2012.

Recommendation – The Agency should review all drawdown requests and verify expenses have been incurred prior to submitting the requests.

Response – Action was taken immediately by the Agency, subsequent to June 30, 2012, to correct the overdrawn funds. Grant cash management procedures will be reviewed and modified to prevent future grant noncompliance.

Conclusion – This finding was resolved as of June 30, 2013

**III-B-12:**     Financial Accounting – Segregation of Duties

Observation - During our review of the internal control, there were several instances where a better segregation of duties would enhance the internal control over financial reporting. In all cases identified, the cause of the lack of segregation of duties can be attributed to a limited number of resources within the Agency.

Recommendation - Segregation of duties is difficult with the limited number of resources. This observation reminds management that this weakness exists and we recommend that the duties be reviewed to provide maximum segregation of work performed to compensate for this lack of segregation of duties.

Response - We agree with this comment and will continue to exercise control through administrative review of reports as an alternative to segregation of duties.

Conclusion – This finding still exists at June 30, 2013. See III-A-13.

**III-C-12:**     Grant Administration

Observation – During the audit we identified adjustments required for the Schedule of Expenditures of Federal Awards. These adjustments were subsequently made by the Agency to properly include all amounts in the Schedule of Expenditures of Federal Awards.

Recommendation – The Agency should implement procedures to ensure the Schedule of Expenditures of Federal Awards is properly completed.

Response – The Agency understands the nature of the weakness and will review the Schedule of Expenditures of Federal Awards in the future.

Conclusion – This finding still exists at June 30, 2013. See III-B-13.

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

Board of Directors  
Sioux County Regional Airport Agency

We have audited, in accordance with the 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 statements of the governmental activities and the general fund of the Sioux County Regional Airport Agency (the Agency), as of and for the year ended June 30, 2013, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated March 17, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

Our consideration of internal control over financial reporting 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 material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described as II-A-13 and II-B-13 in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are 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*.

**Siouxland County Regional Airport Agency's Response to Findings**

The Agency's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the auditing procedures applied in the audit of the financial statements 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of management, Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
Certified Public Accountants

Le Mars, Iowa  
March 17, 2014



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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Directors  
Sioux County Regional Airport Agency

### Report on Compliance for Each Major Federal Program

We have audited the compliance of the Sioux County Regional Airport Agency (the Agency) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. The Agency's major federal programs are 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 each of the Agency's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; 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 Agency'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 each major federal program. However, our audit does not provide a legal determination of the Agency's compliance.

### Opinion on Each Major Federal Program

In our opinion, the Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

### Report on Internal Control Over Compliance

The management of the Agency 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 Agency's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 Agency's internal control over compliance.

*A deficiency in internal control over compliance* 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, 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 III-A-13 and III-B-13 to be material weaknesses.

The Agency's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Agency's responses and, accordingly, we express no opinion on the responses.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
Certified Public Accountants

Le Mars, Iowa  
March 17, 2014

SIoux COUNTY REGIONAL AIRPORT  
ORANGE CITY-SIOUX CENTER-SIOUX COUNTY

Schedule of Findings and Questioned Costs  
Corrective Action Plan  
June 30, 2013

Department of Transportation

The Sioux County Regional Airport Agency, respectfully submits the following corrective action plan for the year ended June 30, 2013.

The audit was performed by Williams & Company, P.C., P.O. Box 1010, Le Mars, Iowa, for the fiscal year ended June 30, 2013.

The findings from the June 30, 2013 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

**MATERIAL WEAKNESSES:**

III-A-13: Financial Accounting – Segregation of Duties

Observation - During our review of the internal control, there were several instances where a better segregation of duties would enhance the internal control over financial reporting. In all cases identified, the cause of the lack of segregation of duties can be attributed to a limited number of resources within the Agency.

Recommendation - Segregation of duties is difficult with the limited number of resources. This observation reminds management that this weakness exists and we recommend that the duties be reviewed to provide maximum segregation of work performed to compensate for this lack of segregation of duties.

Response - We agree with this comment and will continue to exercise control through administrative review of reports as an alternative to segregation of duties.

Conclusion - Response accepted.

III-B-13: Grant Administration

Observation – During the audit we identified adjustments required for the Schedule of Expenditures of Federal Awards. These adjustments were subsequently made by the Agency to properly include all amounts in the Schedule of Expenditures of Federal Awards.

Recommendation – The Agency should implement procedures to ensure the Schedule of Expenditures of Federal Awards is properly completed.

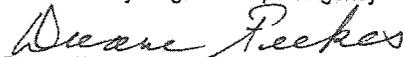
Response – The Agency understands the nature of the weakness and will review the Schedule of Expenditures of Federal Awards in the future.

Conclusion – Response accepted.

If the Department of Transportation has questions regarding this plan, please call Duane Feekes at 712-707-6505

Sincerely yours,

Sioux County Regional Airport Agency

  
Duane Feekes, Secretary/Treasurer