



**WAYNE COUNTY AIRPORT AUTHORITY**

OMB Circular A-133 Report

Year Ended September 30, 2006

(With Independent Auditors' Reports Thereon)

# WAYNE COUNTY AIRPORT AUTHORITY

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**Report on Compliance with Requirements Applicable to  
Each Major Program and on Internal Control Over  
Compliance in Accordance with OMB Circular A-133**

The Board of Directors  
Wayne County Airport Authority:

**Compliance**

We have audited the compliance of the Wayne County Airport Authority (Authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2006. The Authority's major federal program is identified in the Summary of Auditors' Results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2006.

**Internal Control Over Compliance**

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



We noted certain matters involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Authority's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2006-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described above as item 2006-1 we consider to be a material weaknesses.

#### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of each major fund of the Authority as of and for the year ended September 30, 2006, and have issued our report thereon dated March 23, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and the accompanying Supplemental Schedule of Expenditures of Federal Awards are presented for purposes of additional analysis as required by OMB Circular A-133 and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

**KPMG LLP**

Detroit, Michigan  
April 14, 2007, except as to paragraph 7,  
which is as of March 23, 2007

**WAYNE COUNTY AIRPORT AUTHORITY**

Schedule of Expenditures of Federal Awards

Year ended September 30, 2006

<u>Federal grantor/ pass-through grantor/ program title</u>	<u>Federal CFDA number</u>	<u>Expenditures</u>
U.S. Department of Transportation: Direct Program – Airport Improvement	20.106	\$ 48,158,338
Passed through Michigan Department of Transportation – Highway Planning and Construction	20.205	<u>18,472</u>
Total U.S. Department of Transportation		48,176,810
U.S. Department of Homeland Security: Direct Program – National Explosives Detection Canine Program	97.072	<u>320,000</u>
Total federal awards		\$ <u><u>48,496,810</u></u>

See accompanying independent auditors' report and note to the schedule of expenditures of federal awards and supplemental schedule.

**WAYNE COUNTY AIRPORT AUTHORITY**  
Supplemental Schedule of Expenditures of Federal Awards  
Year ended September 30, 2006

<u>Direct program activity/year</u>	<u>Accrued revenue at October 1, 2005</u>	<u>Receipts</u>	<u>Expenditures/ disbursements</u>	<u>Accrued revenue at September 30, 2006</u>
Metro Airport:				
FAA - AIP:				
3-26-0026-5902	\$ 81,991	7,186,980	7,104,989	—
3-26-0026-6303	142,641	142,641	—	—
3-26-0026-6704	50,331	179,790	164,752	35,293
3-26-0026-6804	88,098	88,098	—	—
3-26-0026-6904	822,857	822,857	—	—
3-26-0026-7004	155,655	541,688	539,435	153,402
3-26-0026-7105	16,549	16,549	—	—
3-26-0026-7305	—	1,089,969	1,221,700	131,731
3-26-0026-7405	3,062,059	3,915,251	853,192	—
3-26-0026-7505	75,948	220,456	157,158	12,650
3-26-0026-7606	—	—	9,750,000	9,750,000
3-26-0026-7806	—	1	2,955,644	2,955,643
3-26-0026-7906	—	—	120,968	120,968
Letter of Intent AGL-90-01:				
3-26-0026-7706	—	18,581,601	18,581,601	—
U.S. Dept. of Homeland Security:				
National Explosives Detection Canine Program				
	—	320,000	320,000	—
Passed through Michigan State Police:				
Homeland Security Training				
	32,773	14,454	—	18,319
Department of Justice:				
Bulletproof Vest Program				
	52,674	52,674	—	—
U.S. Department of Transportation:				
Passed through Michigan Department of Transportation:				
RS-001.C.00.0 35782A	25,037	14,938	14,938	25,037
RS-001.D.00.0 46567-C	202,015	—	—	202,015
RS-001.D.01.0 40405A	19,694	—	—	19,694
RS-001.D.02.0 44632A	9,719	9,719	—	—
RS-001.D.03.0 46236A	39,775	—	7,687	47,462
RS-001.E.00.0 46567-C	662,893	—	—	662,893
RS-001.G.00.00 49964-C	4,153	—	(4,153)	—
Total Metro Airport	<u>5,544,862</u>	<u>33,197,666</u>	<u>41,787,911</u>	<u>14,135,107</u>
Willow Run:				
FAA - AIP:				
3-26-0024-2102	509,397	595,491	86,094	—
3-26-0024-2203	57,544	202,790	156,973	11,727
3-26-0024-2304	3,043,737	4,276,076	1,233,398	1,059
3-26-0024-2405	429,775	4,138,011	4,709,943	1,001,707
3-26-0024-2506	—	—	71,962	71,962
3-26-0024-2606	—	—	450,529	450,529
Total Willow Run	<u>4,040,453</u>	<u>9,212,368</u>	<u>6,708,899</u>	<u>1,536,984</u>
Grand total	<u>\$ 9,585,315</u>	<u>42,410,034</u>	<u>48,496,810</u>	<u>15,672,091</u>

See accompanying independent auditors' report and note to the schedule of expenditures of federal awards and supplemental schedule

**WAYNE COUNTY AIRPORT AUTHORITY**

Note to the Schedule of Expenditures of Federal Awards  
and Supplemental Schedule

Year ended September 30, 2006

**(1) Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Wayne County Airport Authority and is presented on the accrual 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*.



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**Report on Internal Control Over Financial Reporting  
and Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

The Board of Directors  
Wayne County Airport Authority:

We have audited the basic financial statements of the Wayne County Airport Authority (the Authority) as of and for the year ended September 30, 2006, and have issued our report thereon dated March 23, 2007. 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.

**Internal Control Over Financial Reporting**

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority'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*.

This report is intended solely for the information and use of the board of directors, management, and officials of the State of Michigan, the U.S. Department of Transportation, the Federal Aviation Administration, and other 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.

**KPMG LLP**

Detroit, Michigan  
March 23, 2007

**WAYNE COUNTY AIRPORT AUTHORITY**

Schedule of Findings and Questioned Costs

Year ended September 30, 2006

**Section I – Summary of Auditors’ Results**

- (a) The type of report issued on the basic financial statements: **Unqualified opinion**
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the basic financial statements: **None reported**      Material weaknesses: **None reported**
- (c) Noncompliance which is material to the basic financial statements: **No**
- (d) Reportable conditions in internal control over major programs: **Yes**      Material weaknesses: **Yes**
- (e) The type of report issued on compliance for major programs: **Unqualified opinion**
- (f) Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: **Yes**
- (g) Major programs: **Airport Improvement Program (CFDA #20.106)**
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$1,454,904**
- (i) Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133?: **Yes**

**Section II – Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards: None**

**Section III – Findings and Questioned Costs Relating to Federal Awards:**

**2006-01                      Davis-Bacon Act**

***Criteria***

Section 300(b) of OMB Circular A-133 requires that federal grant recipients maintain internal control over federal programs that provides reasonable assurance that the recipient 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.

***Condition***

The Authority has established written policies and procedures to promote compliance with the Davis-Bacon Act (the Act) and to describe the procedures to be used to monitor compliance with the Act. However, during the fiscal year ended September 30, 2006, the written procedures were not consistently followed. For 17 out of 30 items tested, certain aspects of the written control procedures were not followed.

***Cause***

A manager was approving compliance reports without fully verifying the completeness and accuracy of the information.

**WAYNE COUNTY AIRPORT AUTHORITY**

Schedule of Findings and Questioned Costs

Year ended September 30, 2006

***Effect***

Failure to follow control procedures as designed could result in instances of non-compliance with the Act.

***Recommendation***

Management should enhance the designed control procedures to include a procedure whereby management monitors whether control procedures are being conducted consistently and effectively.

***Views of Responsible Officials***

The Authority acknowledges this internal control finding. The Authority believes that the written control procedures as designed would ensure compliance with the Act if the procedures are consistently and effectively followed. The Authority will enhance the control procedures so that Authority management can determine if the control procedures as designed are being followed consistently and effectively.