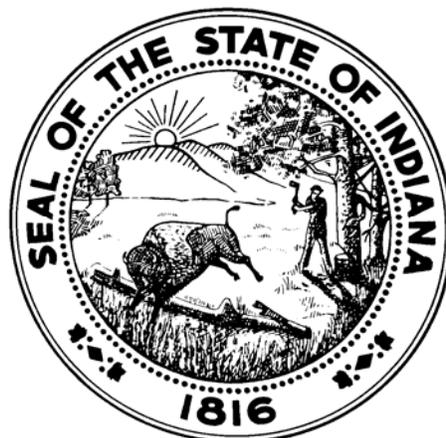


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

AUDIT REPORT
OF

BOARD OF AVIATION COMMISSIONERS
CITY OF ANDERSON
MADISON COUNTY, INDIANA

January 1, 2005 to December 31, 2005



FILED
08/24/2006

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CITY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Mayor	Honorable Kevin S. Smith	01-01-04 to 12-31-07
Airport Manager	Steve W. Darlington	01-01-05 to 12-31-06
President of the Board of Public Works	Robert Sparks	01-01-05 to 12-31-06
President of the Common Council	Rick Muir Rodney Chamberlain	01-01-05 to 12-31-05 01-01-06 to 12-31-06
President of the Board of Aviation Commissioners	Pamela T. Smith Jim Thiemet	01-01-05 to 12-31-05 01-01-06 to 12-31-06



STATE OF INDIANA
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TO: THE OFFICIALS OF THE BOARD OF AVIATION COMMISSIONERS,
CITY OF ANDERSON, MADISON COUNTY

We have audited the records of the Board of Aviation Commissioners for the period from January 1, 2005 to December 31, 2005, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Audit Results and Comments. The financial transactions of this office are reflected in the Comprehensive Annual Financial Report of City of Anderson for the year 2005.

STATE BOARD OF ACCOUNTS

June 6, 2006

BOARD OF AVIATION COMMISSIONERS
CITY OF ANDERSON
AUDIT RESULTS AND COMMENTS

COLLECTION OF AMOUNTS DUE

The amount of \$18,275 was due from Best Farms, Inc., for land rent for the year of 2005. Officials did not pursue the collection of amounts due because of financial hardship of Best Farms, Inc.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONTRACTS

As stated in the prior audit report, the Board of Aviation Commissioners has entered into a contract with DK and L Company, LLC (DKL). Per the agreement, DKL is to provide Fixed Base Operator (FBO) services. As the FBO, DKL leases hangar number 1 (H1) for the sum of \$2,000 per month payable on the first day of each month during the term of the agreement. The agreement is to expire on December 31, 2007. Additionally, DKL is responsible for the cost of all utilities associated with its leased space.

DKL also is responsible for selling aviation fuel and remitting a fee of \$.05 per gallon to the City on or before the twentieth day following the end of each month. Aviation fuel includes both jet fuel and low-lead fuel. Such fees are to be remitted with a report of fuel sales during the preceding month. Within 60 days of year's end, DKL is to furnish an annual statement of fuel sales collected during the preceding calendar year with certification by an officer of DKL as to its accuracy.

A delinquency charge of 1½% is to be applied to all payments related to the above charges and fees which are rendered more than 10 days delinquent.

Additionally, DKL manages hangar number 2 (H2) for the rental of storage space for various aircraft.

During the course of the audit, it was noted where provisions of the contract were not being complied with. Rental charges and fuel fees were not being collected by the due dates. Airport officials have not added the 1½% delinquency fee to unpaid amounts more than 10 days past due. Reimbursement for utility charges were not billed and collected on a timely basis.

An annual statement of fuel sales presented for audit was not certified by an officer of the company as required by the contract.

DKL reported fuel flowage fees due the City for 2005 in the amount of \$5,160.92. However, as of May 31, 2006, DKL only remitted \$1,962.58 for 2005. Information presented for audit by the City indicated fees due from DKL of \$7,675.85. The City and DKL agree on gross gallons to be used in the calculation of fees due. The difference is attributable to jet fuel credits resulting in differing net gallons. While City officials can accurately monitor the number of gallons metered, they cannot independently determine jet fuel gallon credits. Information presented for audit was insufficient to allow independent verification of jet fuel flowage credits.

BOARD OF AVIATION COMMISSIONERS
CITY OF ANDERSON
AUDIT RESULTS AND COMMENTS
(Continued)

Per the contract with the City, DKL has the responsibility to collect rental charges and remit fees to the City relating to hangar number 2 (H2). DKL may charge more than the amounts stated in the contract and retain the difference. During 2005, DKL remitted a total of \$5,359.50 in fees due the City relating to rental charges for H2. These remittances were for 6 of the 12 months in 2005. DKL did not report any rental charges for the following months of 2005: April, May, August, September, October, and December. There is no contractual provision requiring DKL to substantiate or attest to the rental activity. Information presented for audit was insufficient to allow independent verification of the amounts remitted.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PRESCRIBED FORMS

City Airport officials receive funds for hangar rents, farm ground rent, aviation fuel flowage fees and for other airport related charges. Receipts written were on General Form 352 which is prescribed by the State Board of Accounts. The version in use does not contain a field to denote the form in which funds were received (i.e., cash, check, money order, etc.) which is to be included on the prescribed form. The absence of this field results in weakened internal controls as deposits cannot be verified in the form in which they were received. A similar comment appeared in the prior audit report.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BOARD OF AVIATION COMMISSIONERS
CITY OF ANDERSON
EXIT CONFERENCE

The contents of this report were discussed on June 28, 2006, with Jim Thiemet, President of the Board of Aviation Commissioners; J. A. Rogers, Vice-President of the Board of Aviation Commissioners; and Steve W. Darlington, Airport Manager; and on June 29, 2006, with Honorable Kevin S. Smith, Mayor; and Morris D. Long, Controller. The officials concurred with our audit findings.