

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

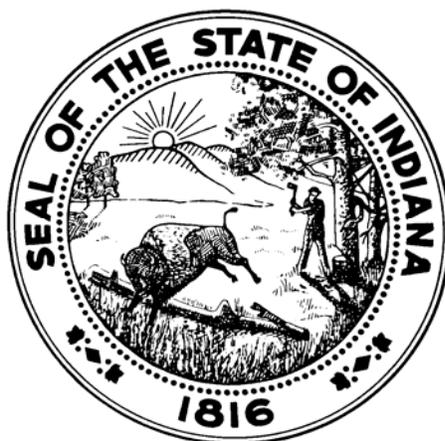
EXAMINATION REPORT

OF

LAPORTE MUNICIPAL AIRPORT AUTHORITY

LAPORTE COUNTY, INDIANA

January 1, 2005 to December 31, 2006



FILED

11/09/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Airport Authority Manager	Nikki Anderson	01-01-05 to 12-31-07
Airport Authority Treasurer	James Shearin	01-01-05 to 12-31-07
Mayor	Leigh Morris	01-01-04 to 12-31-07
President of the Airport Authority Board	Edward L. Volk	01-01-05 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF LAPORTE MUNICIPAL AIRPORT AUTHORITY, LAPORTE COUNTY, INDIANA

We have examined the financial information presented herein of LaPorte Municipal Airport Authority (Airport Authority), for the period of January 1, 2005 to December 31, 2006. The Airport Authority's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Airport Authority for the years ended December 31, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

September 12, 2007

LAPORTE MUNICIPAL AIRPORT AUTHORITY
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL FUND TYPES
As Of And For The Years Ended December 31, 2005 And 2006

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 140,561	\$ 372,552	\$ 384,869	\$ 128,244
Fuel Fund	40,888	219,358	234,867	25,379
Debt Fund	8,273	129,293	125,220	12,346
Cumulative Building	751,069	86,904	204,518	633,455
Federal Aviation Improvement Program	6,647	175,451	177,874	4,224
Totals	<u>\$ 947,438</u>	<u>\$ 983,558</u>	<u>\$ 1,127,348</u>	<u>\$ 803,648</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 128,244	\$ 385,029	\$ 314,927	\$ 198,346
Fuel Fund	25,379	227,884	229,398	23,865
Debt Fund	12,346	134,445	127,105	19,686
Cumulative Building	633,455	241,076	263,435	611,096
Federal Aviation Improvement Program	4,224	4,208	-	8,432
Totals	<u>\$ 803,648</u>	<u>\$ 992,642</u>	<u>\$ 934,865</u>	<u>\$ 861,425</u>

The accompanying notes are an integral part of the financial information.

LAPORTE MUNICIPAL AIRPORT AUTHORITY
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Airport Authority was established under the laws of the State of Indiana. The Airport Authority provides general administrative services for the operations of the airport.

Note 2. Fund Accounting

The Airport Authority uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Airport Authority in June and December. 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% 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 become delinquent if not paid by May 10 and November 10, respectively.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were 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 statute (IC 5-13-9) authorizes the Airport Authority to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

LAPORTE MUNICIPAL AIRPORT AUTHORITY
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Airport Authority contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent 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 PERF Board, most requirements of the system, and give the Airport Authority authority to contribute to the plan. The PERF retirement benefit consists of the pension 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% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF 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:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

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

Note 7. Subsequent Event

Reassessments were required prior to billing taxes in 2007. Significant delays in the reassessment process have resulted in delays in billing taxes in 2007. Taxes are normally billed in two installments, the first is due in May, and the second in November. As of September 12, 2007, the May installment has not been billed. Thus, the Airport has not received a June tax distribution. It is not yet known when the taxes will be billed.

LAPORTE MUNICIPAL AIRPORT AUTHORITY
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2006

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 106,315
Buildings	567,088
Improvements other than buildings	1,930,695
Machinery and equipment	2,696,909
Construction in progress	<u>1,030,913</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 6,331,920</u>

LAPORTE MUNICIPAL AIRPORT AUTHORITY
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

<u>Description of Asset</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:		
Bonds payable:		
General obligation bonds:		
Major Capital Facilities	<u>\$ 985,000</u>	<u>\$ 75,000</u>

LAPORTE MUNICIPAL AIRPORT AUTHORITY
EXAMINATION RESULTS AND COMMENTS

DEPOSITS

Receipts were noted as not being deposited timely.

Indiana Code 5-13-6-1(c) states in part: "All local officers . . . who collect public funds of their respective political subdivisions shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance. . . ."

PENALTIES, INTEREST AND OTHER CHARGES

In 2005, \$750 in penalties was paid to the Environmental Protection Agency for underground storage tank regulation violations.

Officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

PERSONAL EXPENSES

In 2006, Airport Authority officials and the board attorney for zoning attended the annual conference of the Aviation Association of Indiana. Three spouses also attended which was an additional charge of \$60 per spouse. These additional charges were paid from Airport Authority funds. We requested reimbursement for the additional expense for spouses. To date, only one has made reimbursement.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

APPROVAL OF FORMS

The Airport Authority uses a receipt form and a payroll voucher which have not been approved for use by the State Board of Accounts. The Airport Authority did not include these two forms when it submitted its other records for approval. The forms do not have all the required information to provide an adequate examination trail.

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 Special Districts, Chapter 10)

LAPORTE MUNICIPAL AIRPORT AUTHORITY
EXIT CONFERENCE

The contents of this report were discussed on September 12, 2007, with Edward L. Volk, President of the Airport Authority Board; and James Shearin, Airport Authority Treasurer. The official response has been made a part of this report and may be found on pages 11 through 13.

La Porte Municipal



Airport Authority

Edward L. Volk
James W. Fleming
Richard J. Schmitt, Jr.
Richard W. Dugger

Post Office Box 1816
La Porte, IN. 46352

September 18, 2007

Certified Mail

#7007 0710 0005 4881 1177

State Board of Accounts
302 Washington Street
Room E418
Indianapolis, Indiana 46204-2765

Re: LaPorte Municipal Airport - Examination Results and Comments

Gentlemen:

On September 12, 2007 James Shearin, Treasurer of the LaPorte Municipal Airport Authority, and I met with Lapreil Schwan of your department. The purpose of our meeting was to conduct an exit conference in connection with the most recent audit of the LaPorte Municipal Airport Authority.

We were very pleased by the expertise and efficiency demonstrated by Ms. Schwan throughout the audit. She had numerous questions and sought answers from our staff in a most professional manner. The following comments should not in any way reflect upon her professional abilities.

The final report of the State Board of Accounts criticizes the Airport Authority for two expenditures of \$60.00 each. The documentation provided at the exit conference indicates that the position of the Department is based upon the Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10. However, neither Chapter 10, dealing with Prescribed Forms, nor Chapter 5, dealing with Airport Authorities, deals with the expense issue discussed in the report.

Each of these expenses was incorrectly identified as "personal expenses." One expenditure was to register the spouse of a Board member for the annual Aviation Association of Indiana Conference. The second expenditure was to register the zoning attorney for the airport to attend the same conference. Both expenditures relate directly to the function and purpose of the Airport Authority.

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September 18, 2007

To: State Board of Accounts

Re: LaPorte Municipal Airport - Examination Results and Comments

Under the circumstances, the airport believes that the two expenditures listed above were appropriate under the provisions of Indiana Code 8-22-3-11(29). That provision provides as follows:

Sec. 11. The board may do all acts necessary or reasonably incident to carrying out the purposes of this chapter, including the following:
(29) To promote or encourage aviation-related trade or commerce at the airports that it operates.

A primary purpose of a municipal airport is to assist the municipality in its economic development efforts. To do so, the General Assembly permits the Airport Authority to promote or encourage aviation-related trade or commerce.

The Mission Statement of the Aviation Association of Indiana (AAI), which sponsored the conference in question, is as follows:

AAI promotes the positive economic attributes of airports and aviation and directly represents the interest of its membership to public decision making bodies, the general public, and its members and provides an atmosphere for its membership to share information relating to their experiences in aviation.

The mission of AAI is consistent with the powers of the Airport Authority under I.C. 8-22-3-1 and following. A copy of the AAI Brochure is enclosed for your convenience.

We believe that the expenditure for the spouse of the Board member was appropriate as a means of promoting air commerce under the terms of the statute. It is important that Board members attend these informational and educational conferences. Allowing the Board member to register his wife provides an incentive to do so.

It should be noted, that the LaPorte Municipal Airport Authority does not avail itself of the authority permitted by Indiana Code 8-22-3-8 to receive compensation. By contrast, Board members are completely uncompensated. It would, of course, be easy to circumvent the current position of the State Board of Accounts by compensating members or paying a per diem. The LaPorte Municipal Airport has chosen not to do so. Rather it makes these modest expenditures in a straight forward manner believing them to be appropriate under Indiana Code 8-22-3-11(29). This procedure also reduces the total cost to the taxpayer.

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September 18, 2007

To: State Board of Accounts

Re: LaPorte Municipal Airport - Examination Results and Comments

The second expenditure, for the zoning attorney, seems clearly appropriate. He was requested by the airport to attend the conference to familiarize himself with zoning issues pertaining to airports and to attend several specific sessions dealing with zoning matters. He did not receive a fee for attending this conference. Registration for the conference was in lieu of any other fee.

The expenditure for the zoning attorney is appropriate under the analysis set forth above, i.e. being within the power of the Board to promote air commerce at the airport. The expenditure is also appropriate under the provisions of Indiana Code 8-22-3-11(17) which allows the airport to retain counsel for airport business. Again, the airport could easily have circumvented the current position of the State Board of Accounts by paying the attorney his usual hourly fee to attend the conference. Obviously that would have been much greater than the \$60.00 expenditure noted in the audit report. We believe the Airport Authority acted prudently in utilizing a compensation structure which substantially reduced the overall expense to the taxpayers.

Thank you for your consideration of these remarks.

Yours very truly,



Edward L. Volk, President
LaPorte Municipal Airport Authority

ELV:bb

cc: James Shearin