

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

EXAMINATION REPORT
OF
HOOSIER HERITAGE PORT AUTHORITY
HAMILTON COUNTY, INDIANA
January 1, 2006 to December 31, 2007



FILED
01/21/2009

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director/Assistant Director	Rhonda Klopfenstein	01-01-06 to 12-31-08
Treasurer	Judy Levine Jae Ebert	01-01-06 to 12-31-07 01-01-08 to 12-31-08
Secretary	Arden Pletzer	01-01-06 to 12-31-08
President of the Board	Steve Cavanaugh Don Seal	01-01-06 to 12-31-07 01-01-08 to 12-31-08



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE HOOSIER HERITAGE
PORT AUTHORITY, HAMILTON COUNTY, INDIANA

We have examined the financial information presented herein of the Hoosier Heritage Port Authority (Port Authority), for the period of January 1, 2006 to December 31, 2007. The Port 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 present fairly, in all material respects, the financial information of the District for the years ended December 31, 2006 and 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

December 29, 2008

HOOSIER HERITAGE PORT AUTHORITY
 SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
 ALL GOVERNMENTAL TYPES
 As Of And For The Years Ended December 31, 2006 And 2007

	<u>Cash and Investments 01-01-06</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-06</u>
Governmental Fund: General	<u>\$ 69,649</u>	<u>\$ 162,075</u>	<u>\$ 103,365</u>	<u>\$ 128,359</u>
	<u>Cash and Investments 01-01-07</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-07</u>
Governmental Fund: General	<u>\$ 128,359</u>	<u>\$ 142,727</u>	<u>\$ 78,273</u>	<u>\$ 192,813</u>

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

HOOSIER HERITAGE PORT AUTHORITY
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Port Authority was established under the laws of the State of Indiana. The Port Authority operates under an appointed governing board and provides general administrative services.

Note 2. Fund Accounting

The Port 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.

Note 4. 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 Port 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.

Note 5. Loan Receivable – Indiana Transportation Museum

On March 11, 1996, the Port Authority acquired a security interest in Indiana Transportation Museum (ITM) equipment valued at \$823,000 from Annex Railroad Builders, Inc., for the purchase price of \$220,000. The total amount of \$220,000 is to be repaid by ITM. As of December 31, 2007, ITM still owed the \$220,000.

HOOSIER HERITAGE PORT AUTHORITY EXAMINATION RESULTS AND COMMENTS

SURETY BOND COVERAGE

No surety bond coverage was provided for the fiscal officers of the Hoosier Heritage Port Authority (Port Authority). The Director, Secretary, and Treasurer did not furnish any type of surety bond coverage.

Indiana Code 5-4-1-5.1(b) states in part:

"Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

Indiana Code 8-10-5-18 states:

"Before receiving any moneys, the secretary of a port authority shall furnish bond in such amount as shall be determined by the port authority, with sureties satisfactory to it, and all funds coming into the hands of said secretary shall be deposited by him to the account of the port authority in one (1) or more depositories as shall be qualified to receive deposits of funds, in the same manner as is done by the city or county creating such port authority, which deposits shall be secured in the same manner as such city or county funds are required to be secured. No disbursements shall be made from such funds except in accordance with rules and regulations adopted by the port authority."

ADVANCE PAYMENTS

The dates of some transactions indicate that payments were made to companies or individuals prior to the receipt of goods or services. This included paying for contracted personal and legal services.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The Port Authority did not report compensation paid to nonemployees to the Internal Revenue Service in accordance with the information reporting requirements.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

HOOSIER HERITAGE PORT AUTHORITY
EXAMINATION RESULTS AND COMMENTS
(Continued)

ACCOUNTS RECEIVABLE SYSTEM AND COLLECTION OF AMOUNTS DUE

The Port Authority did not have an adequate accounts receivable system. The Port Authority bills approximately 50 companies for use of property in the form of lease rental agreements. Several companies were not paying the lease rental amounts and have outstanding balances. This lack of responsiveness has existed for a period of years. Records were not adequate to determine the amount due. It appears the companies continue to receive the benefits from the lease rental agreements without paying for the services.

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 managements' 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 Special Districts, Chapter 10)

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 Special Districts, Chapter 10)

CERTIFIED REPORT OF NAMES, ADDRESSES, DUTIES
AND COMPENSATION OF PUBLIC EMPLOYEES, FORM 100R

The Port Authority did not file the Form 100-R, Certified Report of Names, Addresses, Duties and Compensation of Public Employees. This report must be filed with the State Examiner, State Board of Accounts, 302 West Washington Street, Room E418, Indianapolis, Indiana 46204, on or before January 31. This report has not been submitted for several years.

Indiana Code 5-11-13-1 states in part:

"Every state, county, city, town, township, or school official, elective or appointive, who is the head of or in charge of any office, department, board, or commission of the state or of any county, city, town, or township, and every state, county, city, town, or township employee or agent who is the head of, or in charge of, or the executive officer of any department, bureau, board, or commission of the state, county, city, town, or township, and every executive officer by whatever title designated, who is in charge of any state educational institution or of any other state, county, or city institution, shall during the month of January of each year prepare, make, and sign a written or printed certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents in their respective offices, departments, boards, commissions, and institutions, and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts. However, no more than one (1) report covering the same officers, employees, and agents need be made from the state or any county, city, town, township, or school unit in any one year."

HOOSIER HERITAGE PORT AUTHORITY
EXAMINATION RESULTS AND COMMENTS
(Continued)

OPTICAL IMAGES OF WARRANTS

The financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned only an optical image of the front side of the checks.

Indiana Code 5-15-6-3 concerning optical imaging of checks states in part:

"(a) . . . 'original records' . . . includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . ."

Further, Indiana Code 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise; and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

HOOSIER HERITAGE PORT AUTHORITY
EXIT CONFERENCE

The contents of this report were discussed on December 29, 2008, with Rhonda Klopfenstein, Director/Assistant Director; and Don Seal, President of the Board.