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

AUDIT REPORT  
OF

LOGANSPOUR CASS COUNTY  
AIRPORT AUTHORITY  
CASS COUNTY, INDIANA

January 1, 2008 to December 31, 2009



**FILED**  
06/30/2010



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Timothy M. Dalton	01-01-08 to 12-31-10
Treasurer	Patrick E. McNarny	01-01-08 to 12-31-10
President of the Board	Mark Hildebrandt	01-01-08 to 12-31-10



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE LOGANSPORT CASS COUNTY  
AIRPORT AUTHORITY, CASS COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Logansport Cass County Airport Authority (Airport Authority), as of and for the years ended December 31, 2008 and 2009, which collectively comprise the Airport Authority's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Airport Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

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. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the Airport Authority prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of each major fund, and the aggregate remaining fund information of the Airport Authority as of December 31, 2008 and 2009, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated May 19, 2010, on our consideration of the Airport Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Airport Authority's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
(Continued)

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 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.

The Airport Authority has not presented Management's Discussion and Analysis, or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Airport Authority's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The Airport Authority's response to the Audit Results and Comments identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the Airport Authority's response and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

May 19, 2010



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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

TO: THE OFFICIALS OF THE LOGANSPORT CASS COUNTY  
AIRPORT AUTHORITY, CASS COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Logansport Cass County Airport Authority (Airport Authority), as of and for the years ended December 31, 2008 and 2009, which collectively comprise the Airport Authority's basic financial statements and have issued our report thereon dated May 19, 2010. 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 Airport Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Airport Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Airport Authority's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in items 2009-1 of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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  
(Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we consider the significant deficiency described in item 2009-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Airport 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Airport Authority's response to the findings identified in our audit is described in the accompanying sections of the report entitled Official Response and Corrective Action Plan. We did not audit the Airport Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Airport Authority's management, Aviation Board, 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. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

May 19, 2010

LOGANSPOUR CASS COUNTY AIRPORT AUTHORITY  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2008

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Capital Grants and Contributions</u>	<u>Net (Disbursement) Receipt and Changes in Net Assets Primary Government</u>
			<u>Governmental Activities</u>
Primary government:			
Governmental activities:			
General government	\$ 867,148	\$ -	\$ (867,148)
Debt service	110,000	-	(110,000)
Capital outlay	1,360,701	368,334	(992,367)
Interest on long-term debt	59,435	-	(59,435)
	<u>\$ 2,397,284</u>	<u>\$ 368,334</u>	<u>(2,028,950)</u>
Total primary government			
General receipts:			
Property taxes			329,628
Other local sources			5,737
Grants and contributions not restricted to specific programs			<u>125,253</u>
Total general receipts			<u>460,618</u>
			Change in net assets (1,568,332)
			<u>Net assets - beginning 1,924,085</u>
			<u>Net assets - ending \$ 355,753</u>
 <u>Assets</u>			
Cash and investments			\$ 119,373
Restricted assets:			
Cash and investments			<u>236,380</u>
Total assets			<u>\$ 355,753</u>
 <u>Net Assets</u>			
Restricted for:			
Capital outlay			\$ 165,572
Debt service			(4,553)
Other purposes			75,361
Unrestricted			<u>119,373</u>
Total net assets			<u>\$ 355,753</u>

The notes to the financial statements are an integral part of this statement.

LOGANSPOUR CASS COUNTY AIRPORT AUTHORITY  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2008

	General	Capital Bond	Debt Service	Other Governmental Funds	Totals
<b>Receipts:</b>					
Taxes	\$ 246,459	\$ -	\$ 83,169	\$ 5,737	\$ 335,365
Intergovernmental	-	337,478	-	30,856	368,334
Other	85,022	2,011	-	38,220	125,253
<b>Total receipts</b>	<b>331,481</b>	<b>339,489</b>	<b>83,169</b>	<b>74,813</b>	<b>828,952</b>
<b>Disbursements:</b>					
General government	866,416	-	-	732	867,148
Debt service:					
Principal	-	-	110,000	-	110,000
Interest	-	-	59,435	-	59,435
Capital outlay:					
Runways and other capital projects	-	1,360,018	-	683	1,360,701
<b>Total disbursements</b>	<b>866,416</b>	<b>1,360,018</b>	<b>169,435</b>	<b>1,415</b>	<b>2,397,284</b>
Excess (deficiency) of receipts over disbursements	(534,935)	(1,020,529)	(86,266)	73,398	(1,568,332)
<b>Other financing sources (uses):</b>					
Transfers in	-	-	-	32,136	32,136
Transfers out	(32,136)	-	-	-	(32,136)
<b>Total other financing sources (uses)</b>	<b>(32,136)</b>	<b>-</b>	<b>-</b>	<b>32,136</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(567,071)	(1,020,529)	(86,266)	105,534	(1,568,332)
Cash and investment fund balance - beginning	686,444	1,308,212	81,713	(152,284)	1,924,085
Cash and investment fund balance - ending	<u>\$ 119,373</u>	<u>\$ 287,683</u>	<u>\$ (4,553)</u>	<u>\$ (46,750)</u>	<u>\$ 355,753</u>
<b><u>Cash and Investment Assets - December 31</u></b>					
Cash and investments	\$ 119,373	\$ -	\$ -	\$ -	\$ 119,373
Restricted assets:					
Cash and investments	-	287,683	(4,553)	(46,750)	236,380
<b>Total cash and investment assets - December 31</b>	<b><u>\$ 119,373</u></b>	<b><u>\$ 287,683</u></b>	<b><u>\$ (4,553)</u></b>	<b><u>\$ (46,750)</u></b>	<b><u>\$ 355,753</u></b>
<b><u>Cash and Investment Fund Balance - December 31</u></b>					
Restricted for:					
Capital outlay	\$ -	\$ 287,683	\$ -	\$ (122,111)	\$ 165,572
Debt service	-	-	(4,553)	-	(4,553)
Other purposes	-	-	-	75,361	75,361
Unrestricted	119,373	-	-	-	119,373
<b>Total cash and investment fund balance - December 31</b>	<b><u>\$ 119,373</u></b>	<b><u>\$ 287,683</u></b>	<b><u>\$ (4,553)</u></b>	<b><u>\$ (46,750)</u></b>	<b><u>\$ 355,753</u></b>

The notes to the financial statements are an integral part of this statement.

LOGANSPORT CASS COUNTY AIRPORT AUTHORITY  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For The Year Ended December 31, 2008

	Agency Funds
Additions:	
Agency fund additions	\$ 90,580
Deductions:	
Agency fund deductions	91,699
Excess (deficiency) of total additions over total deductions	(1,119)
Cash and investment fund balance - beginning	1,158
Cash and investment fund balance - ending	\$ 39

The notes to the financial statements are an integral part of this statement.

LOGANSPORT CASS COUNTY AIRPORT AUTHORITY  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2009

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Capital Grants and Contributions</u>	<u>Net (Disbursement) Receipt and Changes in Net Assets</u>
			<u>Primary Government</u>
			<u>Governmental Activities</u>
Primary government:			
Governmental activities:			
General government	\$ 663,647	\$ -	\$ (663,647)
Debt service	110,000	-	(110,000)
Capital outlay	1,908,209	1,875,849	(32,360)
Interest on long-term debt	56,135	-	(56,135)
	<u>\$ 2,737,991</u>	<u>\$ 1,875,849</u>	<u>(862,142)</u>
Total primary government			
General receipts:			
Property taxes			838,822
Grants and contributions not restricted to specific programs			<u>100,726</u>
Total general receipts			<u>939,548</u>
Change in net assets			77,406
Net assets - beginning			<u>355,753</u>
Net assets - ending			<u>\$ 433,159</u>
 <u>Assets</u>			
Cash and investments			\$ 302,436
Restricted assets:			
Cash and investments			<u>130,723</u>
Total assets			<u>\$ 433,159</u>
 <u>Net Assets</u>			
Restricted for:			
Capital outlay			\$ 50,557
Debt service			16,701
Other purposes			63,465
Unrestricted			<u>302,436</u>
Total net assets			<u>\$ 433,159</u>

The notes to the financial statements are an integral part of this statement.

LOGANSPOUR CASS COUNTY AIRPORT AUTHORITY  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2009

	General	Capital Bond	Debt Service	Other Governmental Funds	Totals
<b>Receipts:</b>					
Taxes	\$ 730,126	\$ -	\$ 104,734	\$ 3,962	\$ 838,822
Intergovernmental	-	1,875,849	-	-	1,875,849
Other	48,423	-	-	52,303	100,726
<b>Total receipts</b>	<b>778,549</b>	<b>1,875,849</b>	<b>104,734</b>	<b>56,265</b>	<b>2,815,397</b>
<b>Disbursements:</b>					
General government	591,280	-	-	72,367	663,647
Debt service:					
Principal	-	55,000	55,000	-	110,000
Interest	-	27,655	28,480	-	56,135
Capital outlay:					
Runways and other Capital Projects	-	1,908,209	-	-	1,908,209
<b>Total disbursements</b>	<b>591,280</b>	<b>1,990,864</b>	<b>83,480</b>	<b>72,367</b>	<b>2,737,991</b>
Excess (deficiency) of receipts over disbursements	187,269	(115,015)	21,254	(16,102)	77,406
<b>Other financing sources (uses):</b>					
Transfers in	-	-	-	4,206	4,206
Transfers out	(4,206)	-	-	-	(4,206)
<b>Total other financing sources (uses)</b>	<b>(4,206)</b>	<b>-</b>	<b>-</b>	<b>4,206</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	183,063	(115,015)	21,254	(11,896)	77,406
Cash and investment fund balance - beginning	119,373	287,683	(4,553)	(46,750)	355,753
Cash and investment fund balance - ending	<u>\$ 302,436</u>	<u>\$ 172,668</u>	<u>\$ 16,701</u>	<u>\$ (58,646)</u>	<u>\$ 433,159</u>
<b><u>Cash and Investment Assets - December 31</u></b>					
Cash and investments	\$ 302,436	\$ -	\$ -	\$ -	\$ 302,436
Restricted assets:					
Cash and investments	-	172,668	16,701	(58,646)	130,723
<b>Total cash and investment assets - December 31</b>	<b><u>\$ 302,436</u></b>	<b><u>\$ 172,668</u></b>	<b><u>\$ 16,701</u></b>	<b><u>\$ (58,646)</u></b>	<b><u>\$ 433,159</u></b>
<b><u>Cash and Investment Fund Balance - December 31</u></b>					
Restricted for:					
Capital projects	\$ -	\$ 172,668	\$ -	\$ (122,111)	\$ 50,557
Debt service	-	-	16,701	-	16,701
Other purposes	-	-	-	63,465	63,465
Unrestricted	302,436	-	-	-	302,436
<b>Total cash and investment fund balance - December 31</b>	<b><u>\$ 302,436</u></b>	<b><u>\$ 172,668</u></b>	<b><u>\$ 16,701</u></b>	<b><u>\$ (58,646)</u></b>	<b><u>\$ 433,159</u></b>

The notes to the financial statements are an integral part of this statement.

LOGANSPORT CASS COUNTY AIRPORT AUTHORITY  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For The Year Ended December 31, 2009

	Agency Funds
Additions:	
Agency fund additions	\$ 89,227
Deductions:	
Agency fund deductions	87,403
Excess of total additions over total deductions	1,824
Cash and investment fund balance - beginning	39
Cash and investment fund balance - ending	\$ 1,863

The notes to the financial statements are an integral part of this statement.

LOGANSPORT CASS COUNTY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Airport Authority was established under the laws of the State of Indiana. The Airport Authority operates under an appointed governing board.

The Airport Authority's financial reporting entity is composed of the following:

Primary Government: Logansport Cass County Airport Authority

In determining the financial reporting entity, the Airport Authority complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the Airport Authority has not established any enterprise funds.

The Airport Authority reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The capital bond fund finances all major construction projects at the airport.

The debt service fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest.

Additionally, the Airport Authority reports the following fund type:

Agency funds account for assets held by the Airport Authority as an agent for other governmental entities.

LOGANSPORT CASS COUNTY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the Airport Authority utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The Airport Authority does not have any enterprise funds.

When both restricted and unrestricted resources are available for use, the Airport Authority's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash and Investment Balances

1. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to enabling legislation.

2. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

3. Property Taxes

Normally, property taxes levied are collected by the County Treasurer and are distributed to the Airport Authority in June and in 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

LOGANSPORT CASS COUNTY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

installments which may become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the Airport Authority on or prior to December 31 of the year collected.

4. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

5. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as a liability in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

6. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. Receipts and Disbursements

Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, and (2) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

F. Internal Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity in the fund financial statements have been eliminated or reclassified.

LOGANSPORT CASS COUNTY AIRPORT AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

Fund Financial Statements

Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the Airport Authority submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. Prior to November 1, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the Airport Authority receives approval of the Indiana Department of Local Government Finance.

The Airport Authority's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Cash and Investment Balance Deficits

At December 31, 2008 and 2009, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines as authorized by state statute:

Fund	2008	2009
Debt Service	\$ (4,553)	\$ -
AIP 3-18-0051-10	(7,534)	(7,534)
AIP 3-18-0051-11	(114,577)	(114,577)

Cash deficits arose in the AIP funds because some federal expenditures related to the unit's Airport Improvement Projects have not been reimbursed by year end.

The Debt Service was underfunded due to a property tax distribution in December of 2008, posted, incorrectly to the General Fund, in January of 2009.

LOGANSPORT CASS COUNTY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The Airport Authority does not have a deposit policy for custodial credit risk. At December 31, 2009, the Airport Authority had deposit balances in the amount of \$686,626.

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

As of December 31, 2009, the Airport Authority had no investments.

Statutory Authorization for Investments

Indiana Code 5-13-9 authorizes the Airport Authority to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the Airport Authority to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

B. Interfund Transfers

Interfund transfers for the years ended December 31, 2008 and 2009, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2008</u>	<u>2009</u>
General Fund	Other governmental funds	<u>\$ 32,136</u>	<u>\$ 4,206</u>

The Airport Authority typically uses transfers for cash flow purposes as provided by various statutory provisions.

LOGANSPORT CASS COUNTY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

IV. Other Information

Risk Management

The Airport Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, and dependents; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; job related illnesses or injuries to employees; medical benefits to employees, and dependents; and natural disasters are covered by commercial insurance from independent third parties.

Settled claims from risks covered by commercial insurance have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

LOGANSPORT CASS COUNTY AIRPORT AUTHORITY  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2008

	AIP 3-18-0051-10	AIP 3-18-0051-11	Aviation Fuels Rotary	Rainy Day	Totals
Receipts:					
Taxes	\$ -	\$ -	\$ -	\$ 5,737	\$ 5,737
Intergovernmental	-	30,856	-	-	30,856
Other	-	-	38,220	-	38,220
<b>Total receipts</b>	<b>-</b>	<b>30,856</b>	<b>38,220</b>	<b>5,737</b>	<b>74,813</b>
Disbursements:					
General government	-	-	-	732	732
Capital outlay:					
Runways and other capital projects	683	-	-	-	683
<b>Total disbursements</b>	<b>683</b>	<b>-</b>	<b>-</b>	<b>732</b>	<b>1,415</b>
Excess (deficiency) of receipts over disbursements	(683)	30,856	38,220	5,005	73,398
Other financing sources:					
Transfers in	-	-	-	32,136	32,136
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(683)	30,856	38,220	37,141	105,534
Cash and investment fund balance - beginning	(6,851)	(145,433)	-	-	(152,284)
Cash and investment fund balance - ending	<u>\$ (7,534)</u>	<u>\$ (114,577)</u>	<u>\$ 38,220</u>	<u>\$ 37,141</u>	<u>\$ (46,750)</u>
<u>Cash and Investment Assets - December 31</u>					
Restricted assets:					
Cash and investments	<u>\$ (7,534)</u>	<u>\$ (114,577)</u>	<u>\$ 38,220</u>	<u>\$ 37,141</u>	<u>\$ (46,750)</u>
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
Capital outlay	\$ (7,534)	\$ (114,577)	\$ -	\$ -	\$ (122,111)
Other purposes	-	-	38,220	37,141	75,361
<b>Total cash and investment fund balance - December 31</b>	<u><b>\$ (7,534)</b></u>	<u><b>\$ (114,577)</b></u>	<u><b>\$ 38,220</b></u>	<u><b>\$ 37,141</b></u>	<u><b>\$ (46,750)</b></u>

LOGANSPOUR CASS COUNTY AIRPORT AUTHORITY  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2009

	AIP 3-18-0051-10	AIP 3-18-0051-11	Aviation Fuels Rotary	Rainy Day	Totals
Receipts:					
Taxes	\$ -	\$ -	\$ -	\$ 3,962	\$ 3,962
Other	-	-	52,303	-	52,303
Total receipts	-	-	52,303	3,962	56,265
Disbursements:					
General government	-	-	72,367	-	72,367
Excess (deficiency) of receipts over disbursements	-	-	(20,064)	3,962	(16,102)
Other financing sources (uses):					
Transfers in	-	-	-	4,206	4,206
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(20,064)	8,168	(11,896)
Cash and investment fund balance - beginning	(7,534)	(114,577)	38,220	37,141	(46,750)
Cash and investment fund balance - ending	<u>\$ (7,534)</u>	<u>\$ (114,577)</u>	<u>\$ 18,156</u>	<u>\$ 45,309</u>	<u>\$ (58,646)</u>
<u>Cash and Investment Assets - December 31</u>					
Restricted assets:					
Cash and investments	<u>\$ (7,534)</u>	<u>\$ (114,577)</u>	<u>\$ 18,156</u>	<u>\$ 45,309</u>	<u>\$ (58,646)</u>
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
Capital outlay	\$ (7,534)	\$ (114,577)	\$ -	\$ -	\$ (122,111)
Other purposes	-	-	18,156	45,309	63,465
Total cash and investment fund balance - December 31	<u>\$ (7,534)</u>	<u>\$ (114,577)</u>	<u>\$ 18,156</u>	<u>\$ 45,309</u>	<u>\$ (58,646)</u>

LOGANSPORT CASS COUNTY AIRPORT AUTHORITY  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 For The Year Ended December 31, 2009

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.

General infrastructure assets (those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 218,760
Infrastructure	1,256,254
Buildings	1,952,158
Improvements other than buildings	9,845
Machinery and equipment	<u>410,981</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 3,847,998</u>

LOGANSPORT CASS COUNTY AIRPORT AUTHORITY  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2009

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Bonds payable:		
General obligation bonds:		
Airport improvements (operations center, t-hangars, runway extension)	\$ 1,280,000	\$ 167,697

LOGANSPORT CASS COUNTY AIRPORT AUTHORITY  
AUDIT RESULTS AND COMMENTS

OVERDRAWN FUND BALANCES

The Debt Service Fund was overdrawn at December 31, 2008. The AIP 3-18-0051-10 Fund and AIP 3-18-0051-11 Fund have been overdrawn since 2006.

The balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

SALES TAX

Purchases were observed for which sales tax was paid.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

SERVICE AND TIME RECORDS

Employee time, attendance, or service records were not presented for audit. Verification of time worked could not be made.

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)

FUND SOURCES AND USES

The July 2009 bond and interest payment of \$82,655 was posted to the Airport's Capital Bond Fund instead of the Debt Service Fund.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

LACK OF SUPPORT/UNALLOWABLE DISBURSEMENTS

The Airport Authority paid ninety-seven accounts payable vouchers, totaling \$136,310.19, which either were not supported by appropriate vendor invoices or were for items unrelated to the operation of the Airport. The Airport Director was given several weeks to produce the documentation necessary to support these expenditures. He produced supporting documentation for eighty-three of the accounts payable vouchers in question; however, he could not produce adequate documentation for the remaining fourteen.

The fourteen accounts payable vouchers questioned above, totaling \$5,247.38, were paid directly to the Airport Director, Timothy M. Dalton. The accounts payable vouchers indicated that the payments were for reimbursement of expenses for items such as gasoline and miscellaneous supplies. These accounts payable vouchers were all paid without adequate supporting documentation. An extended review

LOGANSPORT CASS COUNTY AIRPORT AUTHORITY  
AUDIT RESULTS AND COMMENTS  
(Continued)

was conducted on all accounts payable vouchers paid from January 1, 2010 to February 15, 2010. This review produced an additional undocumented accounts payable voucher, paid directly to Timothy M. Dalton, in the amount of \$1,500.00. Mr. Dalton indicated these payments were cash advances to allow him to make cash purchases on behalf of the Airport Authority. This amount, net of acceptable receipts, was deposited back to the Airport Authority bank account on May 4, 2010. The Airport Authority provided an estimated calculation of gasoline expenses necessary to mow the airport during the time in question. We reviewed this calculation and determined an allowance of \$ 1,485.00 to be reasonable. We requested that Mr. Dalton reimburse the Airport Authority the remaining undocumented reimbursements of \$2,262.38 identified in this paragraph. This amount was repaid to the Airport Authority on May 18, 2010. (See Summary, page 47)

Seventeen of the ninety-seven accounts payable vouchers questioned above totaling \$986.75 were for items that were personal in nature. These items included such things as boots, socks, an MP3 player, a Nikon camera and a memory card. We also noted instances where the description on the accounts payable voucher did not agree with the item purchased. For example, on July 8, 2009, per accounts payable voucher 1626, Mr. Dalton purchased a Nikon camera and memory card from Staples. The accounts payable voucher presented to the Board for approval indicated the payment was for "newsletter, posters and miscellaneous supplies." Many of the vouchers questioned also indicated the Airport Authority had paid penalties and interest for late payments totaling \$188.56. We have requested that Mr. Dalton, reimburse the Airport Authority \$1,175.31 for the personal items and penalties paid. This amount was repaid to the Airport Authority on May 18, 2010. (See Summary, page 47)

IC 5-11-10-1.6(c) states in part:

"The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim . . ."

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines for Special Districts, Chapter 10)

Additionally, 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 for Special Districts, Chapter 10)

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 unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines for Special Districts, Chapter 10)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance by any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines for Special Districts, Chapter 10)

LOGANSPORT CASS COUNTY AIRPORT AUTHORITY  
AUDIT RESULTS AND COMMENTS  
(Continued)

BACK-DATED CHECK FOR AIRPLANE PURCHASE

An airplane was purchased for \$69,100 with check #2645 dated December 31, 2009. This check had actually been written in 2010, but back-dated and posted in 2009.

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)

RECEIPT/DEPOSIT ISSUES

Revenues were tested and the following deficiencies related to local property tax distributions were revealed.

1. There were no receipts in the Receipt file for three distributions made in October, November, and December 2008. These distributions were posted to the records.
2. Deposits were not made timely. All distributions were deposited between 11 and 88 days after distribution by the County Auditor. The average deposit was made 45 days after distribution.
3. All distributions were posted as indicated to the General Fund, the Debt Service Fund, or the Rainy Day Fund, but not always in the proper ratios as indicated by the County Auditor.

IC 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. . . ."

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the Logansport Cass County Airport Authority related to financial transactions and reporting.

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Airport Authority to reduce risks to achievement of financial reporting objectives. The Airport Authority has not separated incompatible activities

LOGANSPORT CASS COUNTY AIRPORT AUTHORITY  
AUDIT RESULTS AND COMMENTS  
(Continued)

related to receipts, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to go undetected.

2. **Monitoring of Controls:** Effective internal control over financial reporting requires the Aviation Board to monitor and assess the quality of the Airport Authority's system of internal control. The Aviation Board has not performed either an ongoing or separate evaluation of their system of internal controls. The failure of the board to exercise their oversight responsibility places the Airport Authority at risk that errors or irregularities of a material nature may go undetected. Additionally, the Authority has no process to identify or communicate corrective actions to improve controls.

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 objections, 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.

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE LOGANSPORT CASS COUNTY  
AIRPORT AUTHORITY, CASS COUNTY, INDIANA

Compliance

We have audited the compliance of the Logansport Cass County Airport Authority (Airport 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 each of its major federal programs for the years ended December 31, 2008 and 2009. The Airport Authority's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Airport Authority's management. Our responsibility is to express an opinion on the Airport 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 Airport 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 Airport Authority's compliance with those requirements.

In our opinion, the Airport Authority complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2008 and 2009.

Internal Control Over Compliance

The management of the Airport Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Airport 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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

compliance, 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 Airport Authority's internal control over compliance.

A control deficiency in an Airport Authority's 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

The Airport Authority's response to the findings identified in our audit is described in the accompanying Official Response and Corrective Action Plan. We did not audit the Airport Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Airport Authority's management, Aviation Board, 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. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

May 19, 2010

LOGANSPORT CASS COUNTY AIRPORT AUTHORITY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For The Years Ended December 31, 2008 and 2009

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-08	Total Federal Awards Expended 12-31-09
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Airport Improvement Program	20.106			
AIP 3-18-0051-14			\$ 1,183	\$ -
AIP 3-18-0051-15			<u>-</u>	<u>1,818,574</u>
Total federal awards expended			<u>\$ 1,183</u>	<u>\$ 1,818,574</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

LOGANSPOUR CASS COUNTY AIRPORT AUTHORITY  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Logansport Cass County Airport Authority (Airport Authority) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of Airport Authorities shall be conducted biennially. Such audits shall include both years within the biennial period.

LOGANSPORT CASS COUNTY AIRPORT AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	yes
Significant deficiencies identified that are not considered to be material weaknesses?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
20.106	Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FINDING 2009-01, INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the Logansport Cass County Airport Authority related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

LOGANSPORT CASS COUNTY AIRPORT AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Airport Authority to reduce risks to achievement of financial reporting objectives. The Airport Authority has not separated incompatible activities related to receipts, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to go undetected.
2. Monitoring of Controls: Effective internal control over financial reporting requires the Aviation Board to monitor and assess the quality of the Airport Authority's system of internal control structure. The Aviation Board has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to establish and monitor appropriate control activities places the Airport Authority at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the Authority has no process to identify or communicate corrective actions to improve controls.
3. Management Override of Control Activities: Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the Airport Authority's audited financial statements, then, determining how those identified risks should be managed. The State of Indiana has prescribed a number of internal control procedures to be followed by the Authority management to address these risks. The Authority management has failed to properly adhere to a number of the prescribed internal control procedures established by the State. Failure to adhere to these procedures could enable a material misstatement or irregularity to go undetected.

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 objections, 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.

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

LOGANSPORT CASS COUNTY AIRPORT AUTHORITY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters were reportable.

Board of Directors

Mark Hildebrandt  
C.L. "Tad" Wilkinson  
Robert J. Barr  
Patrick E. McNarny  
David Ingram  
Stephen Plank

May 28, 2010

Indiana State Board of Accounts  
302 West Washington Street  
4<sup>th</sup> Floor, Room E418  
Indianapolis IN 46204

3735 S. Airport Road  
P.O. Box 747  
Logansport, Indiana 46947

(574) 735-3082 Office  
(574) 753-4300 Fax

[www.LCCAA.info](http://www.LCCAA.info)

RE: OFFICIAL RESPONSE TO:  
LOGANSPORT CASS COUNTY AIRPORT AUTHORITY  
AUDIT RESULTS AND COMMENTS

The purpose of this letter is to advise officials of the Indiana State Board of Accounts (SBOA) of both immediate actions taken as well as actions planned for future implementation, which constitute efforts to improve operations of the Logansport Cass County Airport Authority (LCCAA). These improvements are a direct result of recent audit findings for the period of January 1, 2008 through December 31, 2009.

The first action taken has been implementation of an official "Expenditures Policy" for the LCCAA, which was unanimously approved by the LCCAA Board of Directors (BOD) at the regularly scheduled meeting conducted May 11, 2010. A copy of the new policy is included with this correspondence.

The next action taken is preparation of copies of the **ACCOUNTING AND UNIFORM COMPLIANCE GUIDELINES MANUAL FOR SPECIAL DISTRICTS, STATE OF INDIANA** published by the Indiana SBOA as reissued 2006. This document will be issued to all LCCAA board members at our June 8, 2010 regular meeting.

It is recognized that the LCCAA currently lacks recommended internal controls over financial transactions and reporting. Due to the relatively small size of the LCCAA, segregation of duties is difficult to accomplish, as the LCCAA employs one full-time professional, the Airport Manager, who reports directly to the LCCAA BOD.

Consequently, the next action planned is to seek LCCAA BOD approval to retain an outside financial consultant to provide regular, monthly, financial review services and policy and procedures guidance on a part-time basis. This individual will report directly to the LCCAA BOD. The LCCAA Treasurer and I have interviewed one candidate as of the date of this letter, and our goal is to have a qualified individual to recommend for approval by the LCCAA BOD at our regular June 8, 2010 meeting.

As President of the LCCAA, I pledge to the Indiana SBOA, that the LCCAA BOD will do everything reasonable and allowable to comply with guidelines established in the **ACCOUNTING AND UNIFORM COMPLIANCE GUIDELINES MANUAL FOR SPECIAL DISTRICTS, STATE OF INDIANA.**

As a relatively new entity, established in July 2005, the LCCAA BOD and Management have been unaware of both the manual and contents of the manual up until the time of the current audit. Our first experience with the Indiana State Board of Accounts was an exam for the period of January 1, 2005 through December 31, 2007, filed 10/15/2008. As the Examination Report for this period did not identify any deficiencies or irregularities, no actions to change procedures or policies to management of operations were considered or implemented.

We appreciate the professional manner of the Indiana SBOA auditors who conducted this audit. Their input and counsel will result in a better managed, more accountable organization as far as operations and management of the LCCAA is concerned.

Sincerely,

Mark Hildebrandt  
President, LCCAA

LOGANSPOUR CASS COUNTY AIRPORT AUTHORITY  
EXIT CONFERENCE

The contents of this report were discussed on May 19, 2010, with Timothy M. Dalton, Director; Mark Hildebrandt, President of the Board; and Patrick E. McNary, Treasurer. The official response has been made a part of this report and may be found on pages 40 through 46.

Board of Directors

Mark Hildebrandt  
C.L. "Tad" Wilkinson  
Robert J. Barr  
Patrick E. McNarny  
David Ingram  
Stephen Plank

May 26, 2010

Indiana State Board of Accounts  
302 West Washington Street  
4<sup>th</sup> Floor, Room E418  
Indianapolis IN 46204

3735 S. Airport Road  
P.O. Box 747  
Logansport, Indiana 46947

(574) 735-3082 Office  
(574) 753-4300 Fax

[www.LCCAA.info](http://www.LCCAA.info)

RE: OFFICIAL RESPONSE TO:

LOGANSPORT CASS COUNTY AIRPORT AUTHORITY AUDIT RESULTS AND COMMENTS, including  
FINDING 2009-01, INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

The purpose of this letter is to advise officials of the Indiana State Board of Accounts (SBOA), as well as federal officials, of both immediate actions taken as well as actions planned for future implementation, which constitute efforts to address recent audit findings for the period of January 1, 2008 through December 31, 2009, discussed at an exit conference May 19, 2010.

The first action taken has been implementation of an official "Expenditures Policy" for the LCCAA (Logansport Cass County Airport Authority), which was unanimously approved by the LCCAA Board of Directors (BOD) at the regularly scheduled meeting conducted May 11, 2010. A copy of the new policy is included with this correspondence.

The next action is providing copies of the **ACCOUNTING AND UNIFORM COMPLIANCE GUIDELINES MANUAL FOR SPECIAL DISTRICTS; STATE OF INDIANA** published by the Indiana SBOA as reissued 2006 to all LCCAA board members at our June 8, 2010 regular meeting.

LCCAA appreciates the bases for the findings that it previously lacked recommended internal controls over financial transactions and reporting. Due to the relatively small size of the LCCAA, segregation of duties is difficult to accomplish, as the LCCAA employs one full-time professional, the Airport Manager, who reports directly to the LCCAA BOD.

Consequently, the next action planned is to seek LCCAA BOD approval to retain an outside financial consultant to provide regular, monthly, financial review services and policy and procedures guidance on a part-time basis. This individual will report directly to the LCCAA BOD. The LCCAA Treasurer and I have interviewed one candidate as of the date of this letter, and our goal is to have a qualified individual to recommend for approval by the LCCAA BOD at our regular June 8, 2010 meeting.

As President of the LCCAA, I pledge to the Indiana SBOA, that the LCCAA BOD will do everything reasonable and allowable to comply with guidelines established in the **ACCOUNTING AND UNIFORM COMPLIANCE GUIDELINES MANUAL FOR SPECIAL DISTRICTS, STATE OF INDIANA.**

As a relatively new entity, established in July 2005, the LCCAA BOD and Management have been unaware of both the manual and contents of the manual up until the time of the current audit. Our first experience with the Indiana State Board of Accounts was an exam for the period of January 1, 2005 through December 31, 2007, filed 10/15/2008. As the Examination Report for this period did not identify any deficiencies or irregularities, no actions to change procedures or policies were considered or implemented.

We appreciate the professional manner of the Indiana SBOA auditors who conducted this audit. Their input and counsel will result in a better managed, more accountable organization.

Sincerely,



Mark Hildebrandt  
President, LCCAA

Cc: LCCAA Board of Directors  
LCCAA Airport Manager  
Don Tribbett

## Logansport Cass County Airport Authority (LCCAA) Expenditures Policy

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### **Purpose**

This policy establishes minimum procedures and guidelines for employees of the Logansport and Cass County Airport Authority when procuring and paying for goods and/or services.

The intent of this policy is to establish a system of checks and balances that will yield financial and accounting practices and records that conform to *Accounting And Uniform Compliance Guidelines For Special Districts* as adopted and administered by the *Indiana State Board of Accounts*.

### **Policy**

- 1) Capital expenditures of any type must be approved and authorized by a majority of members of the LCCAA Board of Directors, before a purchase is made or a contract is executed. In general, a capital expenditure is defined as an outlay of money to acquire or improve capital assets such as buildings, machinery and vehicles, and any other item that must be depreciated as prescribed by generally Accepted Accounting practices (GAAP), according to guidelines established by the Indiana State Board of Accounts (ISBOA). In most cases, expenditures below \$ 1,000 (One thousand dollars) will be considered non-capital expenses, and those above \$ 1,000 (One thousand dollars) will be considered capital expenditures.
- 2) Expenditures for goods or services that are not capital expenses must be approved and authorized by a majority of members of the LCCAA Board of Directors, before a purchase is made when the cost including all applicable taxes and additional charges exceed \$ 500 (five hundred dollars). Under no circumstances should an expenditure be made or authorized to be made if it does not conform to an established line item category within the approved/governing LCCAA budget.

## Logansport Cass County Airport Authority (LCCAA) Expenditures Policy

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- 3) Exceptions to the policy for expenditures for goods or services that are not capital expenses are purchases necessary to address an emergency such as a condition that would result in a loss of an LCCAA asset or revenue, or a condition that creates a hazard to human health/welfare of patrons, contractors, or employees on LCCAA property. In the case of an exception, the LCCAA Airport Manager will contact both the LCCAA President and Treasurer to describe the nature of the exception and the amount of funds requested to mitigate the exception. In the event that the President and/or Treasurer are not able to be reached, the LCCAA Airport Manager will contact two of the four remaining LCCAA Board Members for approval of an exceptional expense. Upon oral approval by both the President and Treasurer, or other LCCAA Board Members in the event the President and/or treasurer cannot be reached, the LCCAA Airport Manager will record and document in writing, the date, time, identity of LCCAA Board Members granting approval, and the explicit oral approval given, prior to making the exceptional purchase. The resulting written documentation will then be presented by the LCCAA Airport Manager at the next regularly scheduled LCCAA Board of Directors meeting for discussion and inclusion in the minutes of the meeting.
- 4) Multiple quotes should be procured for all purchases whenever possible. Quote specifications and terms must be uniform for all parties quoting. Small purchase provisions defined in IC 5-22-8 must be followed.
- 5) Method of payment for all expenditures should be by LCCAA check with two LCCAA Board Member signatures, or credit or debit card, whenever possible. As a general rule, cash transactions should be avoided, and if necessary, should be minimized.

## Logansport Cass County Airport Authority (LCCAA) Expenditures Policy

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- 6) Issuance and use of authorized credit or debit card is governed as follows. The LCCAA Board of Directors will authorize a designated bank or authorized entity to issue a single credit or debit card, for the sole use by the LCCAA Airport Manager, exclusively for purchases and/or payments that are authorized LCCAA expenditures. Under no circumstances can any charges be made to this credit card for any expenditures which are personal in nature. Total credit available on any credit card at any given time may be determined and adjusted accordingly by the LCCAA Board of Directors, but shall never exceed \$ 2,000 (Two thousand dollars). Available funds for payment for purchases using any debit card may be determined and adjusted accordingly by the LCCAA Board of Directors, but shall never exceed \$ 1,000 (One thousand dollars) on any single given day and withdrawals of cash shall never exceed \$ 100 (One hundred dollars) on any single given day.
  
- 7) Monthly reconciliation of credit or debit card statement will be performed within five (5) business days from the receipt of the statement, by the LCCAA Airport Manager. Reconciliation shall include but not be limited to confirming that all charges are correct with regard to dollar amount, sales tax, date, and specification of what was purchased. Upon completion of reconciliation, all packing lists, bills of lading, and receipts for goods and/or services charged to the credit or debit card for the subject month shall be scanned electronically with the statement in a single document.
  
- 8) Presentation of expenditures documentation and payables by the LCCAA Airport Manager to the LCCAA Board of Directors for approval shall be accomplished as follows. The original credit or debit card statement with all supporting (receipt) documentation attached, along with written documentation of any cash expenditures, and an accounts payable register, shall be presented by the LCCAA

## Logansport Cass County Airport Authority (LCCAA) Expenditures Policy

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Airport Manager at the next regularly scheduled LCCAA Board of Directors meeting for discussion and consideration for approval by the LCCAA Board of Directors.

Special reference to the following provision contained in section 10-10 of the *Indiana Accounting And Uniform Compliance Guidelines Manual For Special Districts* shall be noted:

### Expense Reimbursement Itemization

All claims, invoices, receipts, accounts payable vouchers, including those presented to the governing body for approval in accordance with IC 5-11-10, should contain adequate detailed documentation. All claim invoices, receipts, and accounts payable vouchers regarding reimbursement for meals and expenses for individuals must have specific detailed information of the names of all individuals for which amounts are claimed, including the nature, name, and purpose of the business meeting, to enable the governing body to authorize payment. Payments which do not have proper itemization showing the business nature of the claim, may be the personal obligation of the responsible official, employee or other person for whom the claim is made.

- 9) Disallowed expenses will be the sole responsibility of the LCCAA Airport Manager, who will reimburse the full amount of the disallowed expense to the LCCAA within (15) business days, along with acceptable documentation of the reimbursement made.
  
- 10) Expense records retained shall include but not be limited to, all bid or quote documents received from all vendors/providers solicited; all monthly credit card statements with supporting documentation attached; all disallowed expenses reimbursed records and documentation; all accounts payable registers submitted for approval as well as a record of those approved; acceptable documentation of any and all cash expenditures/disbursements; any other applicable expense related documents or records. These records and documents will be maintained in an organized filing system, chronologically by year, in order to produce records for exam or audit by authorized regulatory agencies as required.

## Logansport Cass County Airport Authority (LCCAA) Expenditures Policy

- 11) Requests for approval to pay for expenditures, or any other financial transactions shall be communicated to, and be made available to each member of the LCCAA Board of Directors not less than two (2) business days prior to the LCCAA Board meeting when approval is considered. All information of this nature presented to LCCAA Board Members prior to a meeting shall be complete and correct in order that LCCAA Board members may take appropriate action at the meeting.
- 12) Discrepancies and questions that may arise as a result of adoption of this LCCAA Expenditures Policy shall be remedied according to applicable provisions contained within the *Indiana Accounting And Uniform Compliance Guidelines Manual For Special Districts* as published by the *Indiana State Board of Accounts*, as reissued 2006.
- 13) Violation of policy provisions must be reported. In the event that any LCCAA Board Member or employee becomes aware that provisions of this Expenditure Policy have been violated by any LCCAA official or employee, it is the responsibility for that individual to notify both the President and Treasurer of the LCCAA Board of Directors of the violation as soon as practical.
- 14) Changes to this policy may be made by a majority vote of the LCCAA Board of Directors at any regularly or specially scheduled meeting provided that the changes proposed and the resulting (draft) policy in its newly drafted form shall be made available to each member of the LCCAA Board of Directors not less than five (5) business days prior to the LCCAA Board meeting at which the changes will be considered.

***This policy adopted by unanimous vote by all members of the LCCAA Board of Directors at the regular LCCAA board meeting conducted May 11, 2010.***

LOGANSPORT CASS COUNTY AIRPORT AUTHORITY  
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Timothy M. Dalton, Director: Lack of Support/Unallowable Disbursements, pages 24 and 25	\$ 3,437.69	\$ 3,437.69	\$ -
	<u>                    </u>	<u>                    </u>	<u>                    </u>