

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

AUDIT REPORT

OF

FRANKFORT AIRPORT AUTHORITY

CLINTON COUNTY, INDIANA

January 1, 2009 to December 31, 2010



**FILED**  
04/14/2011



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards .....	3-4
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 .....	5-6
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Activities and Net Assets – Cash and Investment Basis .....	7-8
Fund Financial Statements:	
Governmental Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Governmental Funds .....	9-10
Notes to Financial Statements .....	11-17
Supplementary Information:	
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Other Governmental Funds.....	18-19
Schedule of Capital Assets.....	20
Schedule of Long-Term Debt .....	21
Audit Results and Comments:	
Internal Controls over Financial Transactions and Reporting .....	22
Loan Repayment .....	22
Supplemental Audit of Federal Awards:	
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.....	24-25
Schedule of Expenditures of Federal Awards .....	26
Note to Schedule of Expenditures of Federal Awards.....	27
Schedule of Findings and Questioned Costs .....	28-29
Auditee Prepared Schedules:	
Summary Schedule of Prior Audit Findings .....	30
Corrective Action Plan.....	31-32
Exit Conference.....	33

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Marilyn Chittick	01-01-09 to 12-31-11
President of the Board	Michael Nichols	01-01-09 to 12-31-11



**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 FRANKFORT AIRPORT AUTHORITY, CLINTON COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Frankfort Airport Authority (Airport Authority), as of and for the years ended December 31, 2009 and 2010, 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 the governmental activities, each major fund, and the aggregate remaining fund information of the Airport Authority as of December 31, 2009 and 2010, 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 March 1, 2011, 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.

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

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. 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, Schedules of Funding Progress, Schedule of Contributions From the Employer and Other Contributing Entities, 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.

STATE BOARD OF ACCOUNTS

March 1, 2011



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 FRANKFORT AIRPORT AUTHORITY, CLINTON COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Frankfort Airport Authority (Airport Authority), as of and for the years ended December 31, 2009 and 2010, which collectively comprise the Airport Authority's basic financial statements and have issued our report thereon dated March 1, 2011. 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 item 2010-1 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies 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, of the significant deficiencies described above, we consider item 2010-1 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 no 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 section of the report entitled 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, the Airport Authority 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

March 1, 2011

FRANKFORT 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>Program Receipts</u>			<u>Net (Disbursement) Receipt and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>
					<u>Governmental Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 1,217,495	\$ 1,642	\$ 38,431	\$ 1,121,948	\$ (55,474)
Interest on long-term debt	<u>23,511</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(23,511)</u>
Total governmental activities	<u>\$ 1,241,006</u>	<u>\$ 1,642</u>	<u>\$ 38,431</u>	<u>\$ 1,121,948</u>	<u>(78,985)</u>
General receipts:					
Property taxes					29,054
Other local sources					38,491
Reimbursements					6,241
Rent					35,523
Unrestricted investment earnings					<u>161</u>
Total general receipts					<u>109,470</u>
Change in net assets					30,485
Net assets - beginning					<u>39,850</u>
Net assets - ending					<u>\$ 70,335</u>
 <u>Assets</u>					
Cash and investments					<u>\$ 70,335</u>
Total assets					<u>\$ 70,335</u>
 <u>Net Assets</u>					
Unrestricted					<u>\$ 70,335</u>
Total net assets					<u>\$ 70,335</u>

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

FRANKFORT AIRPORT AUTHORITY  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2010

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>			<u>Net (Disbursement) Receipt and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>
					<u>Governmental Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 1,449,825	\$ 1,668	\$ 20,396	\$ 1,146,787	\$ (280,974)
Interest on long-term debt	<u>30,319</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,319)</u>
Total governmental activities	<u>\$ 1,480,144</u>	<u>\$ 1,668</u>	<u>\$ 20,396</u>	<u>\$ 1,146,787</u>	<u>(311,293)</u>
General receipts:					
Property taxes					189,996
Other local sources					53,348
Reimbursements					35,837
Rent					49,970
Unrestricted investment earnings					<u>118</u>
Total general receipts, special items, and transfers					<u>329,269</u>
Change in net assets					17,976
Net assets - beginning					<u>70,335</u>
Net assets - ending					<u>\$ 88,311</u>
 <u>Assets</u>					
Cash and investments					<u>\$ 88,311</u>
Total assets					<u>\$ 88,311</u>
 <u>Net Assets</u>					
Unrestricted					<u>\$ 88,311</u>
Total net assets					<u>\$ 88,311</u>

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

FRANKFORT 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	Other Governmental Funds	Totals
Receipts:			
Taxes	\$ 67,545	\$ -	\$ 67,545
Intergovernmental	1,160,380	-	1,160,380
Charges for services	11,641	-	11,641
Other	31,925	-	31,925
	<u>1,271,491</u>	<u>-</u>	<u>1,271,491</u>
Total receipts			
Disbursements:			
General government	94,686	2,331	97,017
Debt service:			
Principal	51,104	-	51,104
Interest	23,511	-	23,511
Capital outlay	1,069,374	-	1,069,374
	<u>1,238,675</u>	<u>2,331</u>	<u>1,241,006</u>
Total disbursements			
Excess (deficiency) of revenue over disbursements	<u>32,816</u>	<u>(2,331)</u>	<u>30,485</u>
Other financing sources (uses):			
Transfers in	3,251	274	3,525
Transfers out	(274)	(3,251)	(3,525)
	<u>2,977</u>	<u>(2,977)</u>	<u>-</u>
Total other financing sources (uses)			
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>35,793</u>	<u>(5,308)</u>	<u>30,485</u>
Cash and investment fund balance - beginning	<u>34,542</u>	<u>5,308</u>	<u>39,850</u>
Cash and investment fund balance - ending	<u>\$ 70,335</u>	<u>\$ -</u>	<u>\$ 70,335</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	<u>\$ 70,335</u>	<u>\$ -</u>	<u>\$ 70,335</u>
Total cash and investment assets - December 31	<u>\$ 70,335</u>	<u>\$ -</u>	<u>\$ 70,335</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Unrestricted	<u>\$ 70,335</u>	<u>\$ -</u>	<u>\$ 70,335</u>
Total cash and investment fund balance - December 31	<u>\$ 70,335</u>	<u>\$ -</u>	<u>\$ 70,335</u>

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

FRANKFORT 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, 2010

	General	Other Governmental Funds	Totals
Receipts:			
Taxes	\$ 243,346	\$ -	\$ 243,346
Intergovernmental	1,167,183	-	1,167,183
Charges for services	1,668	-	1,668
Other	<u>85,924</u>	<u>-</u>	<u>85,924</u>
Total receipts	<u>1,498,121</u>	<u>-</u>	<u>1,498,121</u>
Disbursements:			
General government	144,554	-	144,554
Debt service:			
Principal	74,296	-	74,296
Interest	30,319	-	30,319
Capital outlay	<u>1,230,976</u>	<u>-</u>	<u>1,230,976</u>
Total disbursements	<u>1,480,145</u>	<u>-</u>	<u>1,480,145</u>
Excess (deficiency) of revenue over disbursements	<u>17,976</u>	<u>-</u>	<u>17,976</u>
Other financing sources (uses):			
Transfers in	-	3,005	3,005
Transfers out	<u>(3,005)</u>	<u>-</u>	<u>(3,005)</u>
Total other financing sources (uses)	<u>(3,005)</u>	<u>3,005</u>	<u>-</u>
Excess of receipts and other financing sources over disbursements and other financing uses	14,971	3,005	17,976
Cash and investment fund balance - beginning	<u>70,335</u>	<u>-</u>	<u>70,335</u>
Cash and investment fund balance - ending	<u>\$ 85,306</u>	<u>\$ 3,005</u>	<u>\$ 88,311</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	<u>\$ 85,306</u>	<u>\$ 3,005</u>	<u>\$ 88,311</u>
Total cash and investment assets - December 31	<u>\$ 85,306</u>	<u>\$ 3,005</u>	<u>\$ 88,311</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Unrestricted	<u>\$ 85,306</u>	<u>\$ 3,005</u>	<u>\$ 88,311</u>
Total cash and investment fund balance - December 31	<u>\$ 85,306</u>	<u>\$ 3,005</u>	<u>\$ 88,311</u>

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

FRANKFORT 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: Frankfort 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. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary 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.

FRANKFORT AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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. 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 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.

FRANKFORT AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) 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 and Interfund 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.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

FRANKFORT AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

4. Interfund loans – Flow of assets from one fund to another where repayment is expected is reported as interfund loans.

Government-Wide Financial Statements

Interfund activity, if any, is eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund loans and services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

G. Rounding Differences

The financial statements may contain immaterial differences due to rounding of amounts when the statements were compiled. These differences are considered trivial and do not affect the overall presentation of the financial statements.

II. Stewardship, Compliance and Accountability

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.

FRANKFORT AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

III. Detailed Notes on All Funds

A. Deposits and Investments

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. IC 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, 2010, the Airport Authority had deposit balances in the amount of \$229,374.

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.

Statutory Authorization for Investments

IC 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.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the Airport Authority and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust have a stated final maturity of one day.

Additionally, the Airport Authority may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the Airport Authority's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

FRANKFORT AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Airport Authority does not have a formal investment policy for custodial credit risk for investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Airport Authority must follow state statute and limit the stated final maturities of the investments to no more than two years. The Airport Authority does not have a formal investment policy for interest rate risk for investments.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Airport Authority does not have a formal investment policy for credit risk for investments.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Airport Authority does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

Foreign Currency Risk

The Airport Authority does not have a formal policy in regards to foreign currency risk.

B. Interfund Transfers

Interfund transfers for the years ended December 31, 2009 and 2010, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2009</u>	<u>2010</u>
General Fund	Other Governmental Funds	\$ 274	\$ 3,005
Other Governmental Funds	General Fund	<u>3,251</u>	<u>-</u>
Totals		<u>\$ 3,525</u>	<u>\$ 3,005</u>

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

FRANKFORT 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; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; 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.

FRANKFORT 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

	<u>Excess Levy</u>	<u>Rainy Day</u>	<u>Totals</u>
Receipts:			
Intergovernmental	\$ -	\$ -	\$ -
Disbursements:			
General government	-	2,331	2,331
Deficiency of revenue over disbursements	-	(2,331)	(2,331)
Other financing sources (uses):			
Transfers in	-	274	274
Transfers out	(3,251)	-	(3,251)
Total other financing sources (uses)	(3,251)	274	(2,977)
Deficiency of receipts and other financing sources over disbursements and other financing uses	(3,251)	(2,057)	(5,308)
Cash and investment fund balance - beginning	3,251	2,057	5,308
Cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ -	\$ -	\$ -
Total cash and investment assets - December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Unrestricted	\$ -	\$ -	\$ -
Total cash and investment fund balance - December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

FRANKFORT 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, 2010

	<u>Excess Levy</u>	<u>Rainy Day</u>	<u>Totals</u>
Receipts:			
Intergovernmental	\$ -	\$ -	\$ -
Disbursements:			
General government	-	-	-
Excess (deficiency) of revenue over disbursements	-	-	-
Other financing sources:			
Transfers in	309	2,696	3,005
Transfers out	-	-	-
Total other financing sources	<u>309</u>	<u>2,696</u>	<u>3,005</u>
Excess of receipts and other financing sources over disbursements and other financing uses	<u>309</u>	<u>2,696</u>	<u>3,005</u>
Cash and investment fund balance - beginning	-	-	-
Cash and investment fund balance - ending	<u>\$ 309</u>	<u>\$ 2,696</u>	<u>\$ 3,005</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	<u>\$ 309</u>	<u>\$ 2,696</u>	<u>\$ 3,005</u>
Total cash and investment assets - December 31	<u>\$ 309</u>	<u>\$ 2,696</u>	<u>\$ 3,005</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Unrestricted	<u>\$ 309</u>	<u>\$ 2,696</u>	<u>\$ 3,005</u>
Total cash and investment fund balance - December 31	<u>\$ 309</u>	<u>\$ 2,696</u>	<u>\$ 3,005</u>

FRANKFORT AIRPORT AUTHORITY  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 December 31, 2010

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	\$ 1,355,798
Infrastructure	5,033,953
Buildings	1,093,332
Improvements other than buildings	273,501
Machinery and equipment	<u>386,821</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 8,143,405</u>

FRANKFORT AIRPORT AUTHORITY  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2010

The Airport Authority has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Land note payable	\$ 289,466	\$ 74,615
Loans payable	<u>120,426</u>	<u>20,000</u>
Total governmental activities debt	<u>\$ 409,892</u>	<u>\$ 94,615</u>

FRANKFORT AIRPORT AUTHORITY  
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the airport authority related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the airport authority administration to reduce risks to achievement of financial reporting objectives. The airport authority has not separated incompatible activities related to receipts, disbursements, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to 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 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.

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 Special Districts, Chapter 10)

LOAN REPAYMENT

As of December 31, 2008, the Airport Authority was indebted to the City of Frankfort in the amount of \$140,425.84 for loan and vendor payments paid by the City on behalf of the Airport Authority. The Airport Authority Board and the Frankfort City Council agreed to a repayment schedule with yearly payments ranging from \$10,000 to \$20,425.84 through 2015. A \$20,000.00 payment due to the City in 2009 was not made by the Airport Authority.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

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 FRANKFORT AIRPORT AUTHORITY, CLINTON COUNTY, INDIANA

Compliance

We have audited the compliance of the Frankfort 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, 2009 and 2010. 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, 2009 and 2010.

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 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.

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)

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

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. We consider the deficiencies in internal control over compliance described in item 2010-2 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

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. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider item 2010-2, to be a material weakness.

The Airport Authority's response to the findings identified in our audit is described in the accompanying 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, the Airport Authority 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

March 1, 2011

FRANKFORT AIRPORT AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended December 31, 2009 and 2010

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-09	Total Federal Awards Expended 12-31-10
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Direct Grant				
Airport Improvement Program	20.106	3-18-0026-12	\$ 52,281	\$ 25,882
		3-18-0026-13	94,644	13,182
		3-18-0026-11	915,944	23,164
		3-18-0026-14	-	1,085,507
			<u>1,062,869</u>	<u>1,147,735</u>
Total federal awards expended			<u>\$ 1,062,869</u>	<u>\$ 1,147,735</u>

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

FRANKFORT 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 Frankfort 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.

FRANKFORT 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?	no

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	yes
Significant deficiencies identified that are not considered to be material weaknesses?	no

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? yes

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

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the airport authority related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the airport authority administration to reduce risks to achievement of financial reporting objectives. The airport authority has not separated incompatible activities related to receipts, disbursements, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to undetected.

FRANKFORT AIRPORT AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

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 Special Districts, Chapter 10)

Section III – Federal Award Findings and Questioned Costs

FINDING 2010-2, INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Federal Agency: U.S. Department of Transportation

Federal Program: Airport Improvement Program

CFDA Number: 20.106

Federal Award Number and Year: 3-18-0026-12, 3-18-0026-13, 3-18-0026-11, 3-18-0026-14

Direct Grant:

Auditee Contact Person: Marilyn Chittick

Title of Contact Person: Treasurer

Phone Number of Contact Person: (765) 654-6870

We noted several deficiencies in the internal control system of the airport authority related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the airport authority administration to reduce risks to achievement of financial reporting objectives. The airport authority has not separated incompatible activities related to receipts, disbursements, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to undetected.

Circular A133 Subpart C Section .300(b) states the auditee shall: "Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

We recommended the Airport Authority develop internal control procedures properly segregating accounting activities in the administration office.

FRANKFORT AIRPORT AUTHORITY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

Frankfort Airport Authority  
3009 West State Road 28  
Frankfort, Indiana 46041

CORRECTIVE ACTION PLAN –  
SECTION II FINDING 2010-1 - LACK OF SEGREGATION OF DUTIES

The management of the Frankfort Airport Authority has reviewed financial statement finding 2010-1 Internal Controls over Financial Transactions and Reporting, related to their audit for the period January 1, 2009 through December 31, 2010. We offer the corrective actions:

Lack of Segregation of Duties – The Airport Authority will review their office procedures and attempt to institute duties that would involve, at least on a sample basis, reviews of the work being performed by the Treasurer. However, the Airport Authority is a very small governmental unit and management has determined that the cost associated with employing the additional staff necessary to properly segregate the duties in the business office would outweigh the benefits of a stronger internal controls structure. Management acknowledges and assumes the risk inherent with the current design of their business office.



\_\_\_\_\_  
President of the Airport Authority Board



\_\_\_\_\_  
Treasurer

Frankfort Airport Authority  
3009 West State Road 28  
Frankfort, Indiana 46041

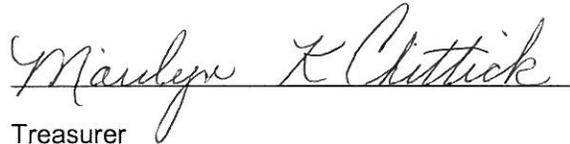
CORRECTIVE ACTION PLAN –  
SECTION III FINDING 2010-2 - LACK OF SEGREGATION OF DUTIES

The management of the Frankfort Airport Authority has reviewed financial statement finding 2010-1 Internal Controls over Financial Transactions and Reporting, related to their audit for the period January 1, 2009 through December 31, 2010. We offer the corrective actions:

Lack of Segregation of Duties – The Airport Authority will review their office procedures and attempt to institute duties that would involve, at least on a sample basis, reviews of the work being performed by the Treasurer. However, the Airport Authority is a very small governmental unit and management has determined that the cost associated with employing the additional staff necessary to properly segregate the duties in the business office would outweigh the benefits of a stronger internal controls structure. Management acknowledges and assumes the risk inherent with the current design of their business office.



\_\_\_\_\_  
President of the Airport Authority Board



\_\_\_\_\_  
Treasurer

FRANKFORT AIRPORT AUTHORITY  
EXIT CONFERENCE

The contents of this report were discussed on March 9, 2011, with Michael Nichols, President of the Board; and Marilyn Chittick, Treasurer. The officials concurred with our audit findings.