

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

SEYMOUR MUNICIPAL AIRPORT AUTHORITY  
JACKSON COUNTY, INDIANA

January 1, 2010 to December 31, 2011



**FILED**  
09/05/2012



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Airport Manager	Don R. Furlow	01-01-10 to 12-31-12
President of the Aviation Board	Phillip R. Zickler	01-01-10 to 12-31-12



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE SEYMOUR MUNICIPAL  
AIRPORT AUTHORITY, JACKSON COUNTY, INDIANA

We have audited the accompanying financial statements of the Seymour Municipal Airport Authority (Airport Authority), for the years ended December 31, 2010 and 2011. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Airport Authority's internal control over reporting. Accordingly, we express no such opinion. 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 1, the Airport Authority prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting noted above is a different basis than that used in the prior year.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Airport Authority for the years ended December 31, 2010 and 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated August 8, 2012, 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  
(Continued)

Our audit was conducted for the purpose of forming an opinion on the Airport Authority's 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the Airport Authority's financial statements. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, and Schedule of Capital Assets are presented for additional analysis and are not required parts of the financial statements. They have not been subjected to the auditing procedures applied by us in the audit of the financial statements and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Airport Authority's management, Aviation Board, others within the entity, 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

August 8, 2012



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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 SEYMOUR MUNICIPAL  
AIRPORT AUTHORITY, JACKSON COUNTY, INDIANA

We have audited the financial statements of the Seymour Municipal Airport Authority (Airport Authority), for the years ended December 31, 2010 and 2011, and have issued our report thereon dated August 8, 2012. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1 to be material weaknesses.

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)

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 Aviation Board, others within the entity, 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

August 8, 2012

## FINANCIAL STATEMENTS

The financial statements and accompanying notes were approved by management of the Airport Authority. The financial statements and notes are presented as intended by the Airport Authority.

SEYMOUR MUNICIPAL AIRPORT AUTHORITY  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2010

Fund	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
Aviation Operating	\$ 500,408	\$ 617,101	\$ 616,954	\$ 500,555
Aviation Railroad Spur	27,486	5,200	400	32,286
Petty Cash	100	-	-	100
Airport Authority Concessions	(30)	1,135	1,019	86
Rainy Day Fund	173,035	-	17,000	156,035
Capital Improvement/Replacement Reserve	433,531	-	-	433,531
Grant Holding	-	939,319	939,319	-
Payroll Fund	3,095	265,362	265,707	2,750
Totals	<u>\$ 1,137,625</u>	<u>\$ 1,828,117</u>	<u>\$ 1,840,399</u>	<u>\$ 1,125,343</u>

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

SEYMOUR MUNICIPAL AIRPORT AUTHORITY  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
Aviation Operating	\$ 500,556	\$ 663,682	\$ 685,788	\$ 478,450
Rainy Day Fund	156,035	109,768	79,718	186,085
Grant Holding	-	202,871	202,871	-
Capital Improvement/Replacement Reserve	433,531	-	-	433,531
Airport Authority Concessions	86	1,589	1,238	437
Payroll Fund	2,750	252,998	253,370	2,378
Petty Cash	100	-	-	100
Aviation Railroad Spur	32,286	4,900	400	36,786
Totals	<u>\$ 1,125,344</u>	<u>\$ 1,235,808</u>	<u>\$ 1,223,385</u>	<u>\$ 1,137,767</u>

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

SEYMOUR MUNICIPAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

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

The accompanying financial statements present the financial information for the Authority.

*B. Basis of Accounting*

The financial statements are reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), 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 regulatory 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.

*C. Cash and Investments*

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

*D. Receipts*

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts include the following sources:

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: rental of property and farmland, railroad spur and surcharge, sale of fuel, and concession sales.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

SEYMOUR MUNICIPAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements include the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

*F. Interfund Transfers*

The Authority may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

*G. Fund Accounting*

Separate funds are established, maintained, and reported by the Authority. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Authority. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the Authority in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

SEYMOUR MUNICIPAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**Note 2. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Authority submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

**Note 3. Deposits and Investments**

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the Authority to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

**Note 4. Risk Management**

The Authority may be 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, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the Authority to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the Authority by recording as a disbursement any replacement items purchased.

**Note 5. Pension Plan**

*Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the Authority authority to contribute to the plan. The PERF retirement benefit consists of the pension provided

SEYMOUR MUNICIPAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System  
1 North Capital Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

*Funding Policy and Annual Pension Cost*

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

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## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Airport Authority's 2010 Annual Report can be found on the Indiana Transparency Portal website: [www.in.gov/itp/annual\\_reports/](http://www.in.gov/itp/annual_reports/).

For additional financial information, the Airport Authority's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statements contained in this report and the financial information presented in the Annual Reports of the Airport Authority which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was approved by management of the Airport Authority. It is presented as intended by the Airport Authority.

SEYMOUR MUNICIPAL AIRPORT AUTHORITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010

	Aviation Operating	Aviation Railroad Spur	Petty Cash	Airport Authority Concessions	Rainy Day Fund	Capital Improvement/ Replacement Reserve	Grant Holding	Payroll Fund	Totals
Cash and investments - beginning	\$ 500,408	\$ 27,486	\$ 100	\$ (30)	\$ 173,035	\$ 433,531	\$ -	\$ 3,095	\$ 1,137,625
Receipts:									
Intergovernmental	-	-	-	-	-	-	939,319	-	939,319
Other receipts	617,101	5,200	-	1,135	-	-	-	265,362	888,798
Total receipts	617,101	5,200	-	1,135	-	-	939,319	265,362	1,828,117
Disbursements:									
Personal services	301,771	-	-	-	-	-	-	-	301,771
Supplies	30,709	-	-	-	-	-	-	-	30,709
Other services and charges	154,475	-	-	-	-	-	-	-	154,475
Capital outlay	49,417	-	-	-	-	-	-	-	49,417
Other disbursements	80,582	400	-	1,019	17,000	-	939,319	265,707	1,304,027
Total disbursements	616,954	400	-	1,019	17,000	-	939,319	265,707	1,840,399
Excess (deficiency) of receipts over disbursements	147	4,800	-	116	(17,000)	-	-	(345)	(12,282)
Cash and investments - ending	\$ 500,555	\$ 32,286	\$ 100	\$ 86	\$ 156,035	\$ 433,531	\$ -	\$ 2,750	\$ 1,125,343

SEYMOUR MUNICIPAL AIRPORT AUTHORITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011

	Aviation Operating	Rainy Day Fund	Grant Holding	Capital Improvement/ Replacement Reserve	Airport Authority Concessions	Payroll Fund	Petty Cash	Aviation Railroad Spur	Totals
Cash and investments - beginning	\$ 500,556	\$ 156,035	\$ -	\$ 433,531	\$ 86	\$ 2,750	\$ 100	\$ 32,286	\$ 1,125,344
Receipts:									
Charges for services	587,856	-	-	-	-	-	-	-	587,856
Other receipts	75,826	109,768	202,871	-	1,589	252,998	-	4,900	647,952
Total receipts	663,682	109,768	202,871	-	1,589	252,998	-	4,900	1,235,808
Disbursements:									
Personal services	299,912	-	-	-	-	-	-	-	299,912
Supplies	39,901	-	-	-	-	-	-	-	39,901
Other services and charges	154,025	-	-	-	-	-	-	-	154,025
Capital outlay	42,979	-	-	-	-	-	-	-	42,979
Other disbursements	148,971	79,718	202,871	-	1,238	253,370	-	400	686,568
Total disbursements	685,788	79,718	202,871	-	1,238	253,370	-	400	1,223,385
Excess (deficiency) of receipts over disbursements	(22,106)	30,050	-	-	351	(372)	-	4,500	12,423
Cash and investments - ending	\$ 478,450	\$ 186,085	\$ -	\$ 433,531	\$ 437	\$ 2,378	\$ 100	\$ 36,786	\$ 1,137,767

SEYMOUR MUNICIPAL AIRPORT AUTHORITY  
SCHEDULE OF CAPITAL ASSETS  
December 31, 2011

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>Ending Balance</u>
Governmental activities:	
Land	\$ 790,046
Buildings	1,732,540
Improvements other than buildings	7,773,518
Machinery, equipment and vehicles	<u>718,283</u>
Total capital assets	<u><u>\$ 11,014,387</u></u>

SEYMOUR MUNICIPAL AIRPORT AUTHORITY  
AUDIT RESULT AND COMMENT

***INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

We noted a deficiency in the internal control system of the Airport Authority related to financial transactions and reporting. We believe the following deficiency constitutes a material weakness:

Lack of Segregation of Duties: Control activities were not selected and developed at various levels of the Airport Authority to reduce risks of errors and/or fraud to the financial statements. 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.

One employee is responsible for collection of monies, issuing receipts, preparing and making deposits, posting receipt transactions, and preparing the monthly bank reconciliations. The same employee is also responsible for preparing vendor and payroll checks, and posting the disbursement transactions to the financial records.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

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



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE SEYMOUR MUNICIPAL  
AIRPORT AUTHORITY, JACKSON COUNTY, INDIANA

Compliance

We have audited the compliance of the Seymour Municipal 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 its major federal program for the years ended December 31, 2010 and 2011. The Airport Authority's major federal program is 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 its major federal program 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 its major federal program for the years ended December 31, 2010 and 2011.

Internal Control Over Compliance

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

A deficiency in 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 and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the Airport Authority's management, Aviation Board, others within the entity, 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

August 8, 2012

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## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying note presented were approved by management of the Airport Authority. The schedule and note are presented as intended by the Airport Authority.

SEYMOUR MUNICIPAL AIRPORT AUTHORITY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For The Years Ended December 31, 2010 and 2011

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-10	Total Federal Awards Expended 12-31-11
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Direct Grant				
Airport Improvement Program	20.106			
Taxiway Rehabilitation		AIP 3-18-0076-011-09	\$ 906,268	\$ -
Runway 5-23 Project Design		AIP 3-18-0076-012-10	<u>9,025</u>	<u>199,976</u>
Total for program			<u>\$ 915,293</u>	<u>\$ 199,976</u>

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

SEYMOUR MUNICIPAL 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 Seymour Municipal Airport Authority (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 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.

SEYMOUR MUNICIPAL 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?	no
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified?	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 2011-1 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

We noted a deficiency in the internal control system of the Airport Authority related to financial transactions and reporting. We believe the following deficiency constitutes a material weakness:

Lack of Segregation of Duties: Control activities were not selected and developed at various levels of the Airport Authority to reduce risks of errors and/or fraud to the financial statements. 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.

SEYMOUR MUNICIPAL AIRPORT AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

One employee is responsible for collection of monies, issuing receipts, preparing and making deposits, posting receipt transactions, and preparing the monthly bank reconciliations. The same employee is also responsible for preparing vendor and payroll checks, and posting the disbursement transactions to the financial records.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

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)

We recommended the Airport Authority segregate the duties of collections, preparation of the bank deposits, preparation of the monthly bank reconcilements, preparing vendor and payroll checks, and posting transactions to reduce the risks of errors and/or fraud to the financial statements.

***Section III – Federal Award Findings and Questioned Costs***

No matters are reportable.

SEYMOUR MUNICIPAL AIRPORT AUTHORITY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



# Freeman Municipal Airport

Freeman Field Industrial Park

August 3, 2012

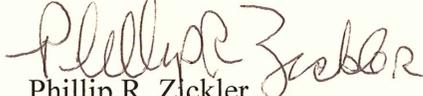
Federal Finding 2011-1, Internal Controls Over Financial Transactions and Reporting

To Whom It May Concern:

The Seymour Municipal Airport Authority acknowledges the recent findings of the bi-annual audit conducted recently by the Indiana State Board of Accounts.

In the findings it was recommended the Authority segregate the duties of collections, posting of transactions, preparation of bank deposits, and monthly bank reconciliations. However, due to the limited number of employees and cost effectiveness, the Authority will accept the possible risks associated with the lack of segregated duties. It has been a priority of the Authority to insure these risks are minimal through monthly inspection and questioning of various collections and disbursements at Board meetings. The Authority may implement daily or weekly monitoring of all financial records and statements by the airport manager to further insure minimal risks.

Respectfully,

  
Phillip R. Zickler  
Authority President

SEYMOUR MUNICIPAL AIRPORT AUTHORITY  
EXIT CONFERENCE

The contents of this report were discussed on August 8, 2012, with Phillip R. Zickler, President of the Aviation Board, and Don R. Furlow, Airport Manager. The officials concurred with our audit finding.