

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

FULTON COUNTY AIRPORT AUTHORITY

FULTON COUNTY, INDIANA

January 1, 2010 to December 31, 2011



**FILED**  
10/12/2012



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	James R. Ewen Sharon Rogers	01-01-10 to 12-31-11 01-01-12 to 12-31-12
Treasurer	Daniel Funk	01-01-10 to 12-31-12
President of the Board	James Heyde	01-01-10 to 12-31-12



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE FULTON COUNTY AIRPORT  
AUTHORITY, FULTON COUNTY, INDIANA

We have examined the accompanying financial statements of the Fulton County Airport Authority (Authority), for the years ended December 31, 2010 and 2011. The financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on the financial statements based on our examination.

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

As discussed in Note 1, the 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 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 Authority for the years ended December 31, 2010 and 2011, on the basis of accounting described in Note 1.

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

This report is intended solely for the information and use of the Authority's management, Authority's Board, and others within the entity 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 27, 2012

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## FINANCIAL STATEMENTS

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

FULTON COUNTY 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
Operating	\$ 785,153	\$ 893,954	\$ 565,614	\$ 1,113,493
Grant	54,336	31,267	73,539	12,064
Cumulative Capital	<u>78,394</u>	<u>44,649</u>	<u>30,976</u>	<u>92,067</u>
Totals	<u>\$ 917,883</u>	<u>\$ 969,870</u>	<u>\$ 670,129</u>	<u>\$ 1,217,624</u>

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

FULTON COUNTY 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
Operating	\$ 1,113,493	\$ 845,744	\$ 593,179	\$ 1,366,058
Grant	12,064	48,911	60,603	372
Cumulative Capital	<u>92,067</u>	<u>34,137</u>	<u>5,890</u>	<u>120,314</u>
Totals	<u>\$ 1,217,624</u>	<u>\$ 928,792</u>	<u>\$ 659,672</u>	<u>\$ 1,486,744</u>

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

FULTON COUNTY 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.

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:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Authority.

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 include hangar rental fees.

FULTON COUNTY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

*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.

FULTON COUNTY 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. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Authority in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

**Note 4. 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 5. 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.

## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the 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 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 Authority which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

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

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

	<u>Operating</u>	<u>Grant</u>	<u>Cumulative Capital</u>	<u>Totals</u>
Cash and investments - beginning	\$ 785,153	\$ 54,336	\$ 78,394	\$ 917,883
Receipts:				
Taxes	449,985	-	44,649	494,634
Intergovernmental	127,936	31,267	-	159,203
Charges for services	21,825	-	-	21,825
Other receipts	294,208	-	-	294,208
Total receipts	<u>893,954</u>	<u>31,267</u>	<u>44,649</u>	<u>969,870</u>
Disbursements:				
Personal services	146,162	-	-	146,162
Supplies	10,221	-	-	10,221
Other services and charges	130,980	19,513	-	150,493
Capital outlay	113,494	-	30,976	144,470
Other disbursements	164,757	54,026	-	218,783
Total disbursements	<u>565,614</u>	<u>73,539</u>	<u>30,976</u>	<u>670,129</u>
Excess (deficiency) of receipts over disbursements	<u>328,340</u>	<u>(42,272)</u>	<u>13,673</u>	<u>299,741</u>
Cash and investments - ending	<u>\$ 1,113,493</u>	<u>\$ 12,064</u>	<u>\$ 92,067</u>	<u>\$ 1,217,624</u>

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

	<u>Operating</u>	<u>Grant</u>	<u>Cumulative Capital</u>	<u>Totals</u>
Cash and investments - beginning	\$ 1,113,493	\$ 12,064	\$ 92,067	\$ 1,217,624
Receipts:				
Taxes	413,782	-	34,137	447,919
Intergovernmental	90,682	48,911	-	139,593
Charges for services	21,950	-	-	21,950
Other receipts	319,330	-	-	319,330
Total receipts	<u>845,744</u>	<u>48,911</u>	<u>34,137</u>	<u>928,792</u>
Disbursements:				
Personal services	115,110	-	-	115,110
Supplies	5,959	-	-	5,959
Other services and charges	100,028	60,603	-	160,631
Capital outlay	44,345	-	5,890	50,235
Other disbursements	327,737	-	-	327,737
Total disbursements	<u>593,179</u>	<u>60,603</u>	<u>5,890</u>	<u>659,672</u>
Excess (deficiency) of receipts over disbursements	<u>252,565</u>	<u>(11,692)</u>	<u>28,247</u>	<u>269,120</u>
Cash and investments - ending	<u>\$ 1,366,058</u>	<u>\$ 372</u>	<u>\$ 120,314</u>	<u>\$ 1,486,744</u>

FULTON COUNTY 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:	
Buildings	\$ 2,294,500
Machinery, equipment and vehicles	<u>163,463</u>
Total capital assets	<u>\$ 2,457,963</u>

FULTON COUNTY AIRPORT AUTHORITY  
EXAMINATION RESULTS AND COMMENTS

**2010 ANNUAL REPORT**

An annual report for 2010 was not presented to the Aviation Board or filed with the State Board of Accounts as required.

Indiana Code 5-11-1-4 states:

"(a) The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7.

(b) The department of local government finance may not approve the budget of a political subdivision or a supplemental appropriation for a political subdivision until the political subdivision files an annual report under subsection (a) for the preceding calendar year."

Indiana Code 8-22-3-21 states:

"The treasurer shall submit to the board annually, and more often if required by the board, a report of the accounts exhibiting the revenues, receipts, and disbursements and the sources from which the revenues and funds are derived and in what manner they have been disbursed."

**CONDITION OF RECORDS**

The following deficiencies relating to the recordkeeping that were cited in the prior Report B37814, were again present during our period of examination:

1. Record balances were not reconciled to all depository and investment balances during the two year period.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

2. There were a considerable number of posting errors. These errors included deposits not receipted, deposits posted twice, deposits posted up to six months after bank deposit, bank charges not recorded, investment (CD) interest rolled into the investment and not recorded in the unit's ledger, and savings account interest not recorded (2010 only).

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

Interest on investments should not be added automatically to the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 15)

FULTON COUNTY AIRPORT AUTHORITY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

3. Incorrect beginning balances were used when starting the year 2008 on the unit's ledger and, as a result, none of the ledger's ending balances were correct at December 31, 2008, 2009, 2010, and 2011. The fund balances shown on the statements included within this Examination Report have been adjusted to reflect the correct balances for each fund.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

**2011 ANNUAL REPORT**

An Annual Report for 2011 was presented for examination but contained significant errors, including: \$34,137 in property taxes posted to two different funds, a \$156,008.07 bank transfer posted as capital outlay, incorrect fund balances, incorrect ending cash and investment balances, and other less significant errors.

Corrections have been made to the Annual Report and the corrected figures are shown in the Financial Statements included in this Examination Report.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be filed electronically, in a manner prescribed by the state examiner that is compatible with the technology employed by the political subdivision."

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

**PRESCRIBED FORMS**

As noted in the prior Report B37814, the following prescribed or approved form was not in use:

Form 350 Register of Investments.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

**PENALTIES AND INTEREST CHARGES - FEDERAL AND STATE COMPLIANCE**

The Airport Authority paid a total of \$842.91 in penalties and interest to the Internal Revenue Service and Indiana Department of Revenue during the examination period, for the following periods: 4th quarter 2007, 1st and 2nd quarters 2008, 4th quarter 2009, and 2nd quarter 2010.

FULTON COUNTY AIRPORT AUTHORITY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

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

***SUPPORTING DOCUMENTATION***

Payments were made to Capital One credit card services without adequate supporting documentation for all of the individual transactions shown on the statement. Detailed supporting documentation, such as receipts, invoices, and other public records was not always attached to the statement and claim. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

FULTON COUNTY AIRPORT AUTHORITY  
EXIT CONFERENCE

The contents of this report were discussed on August 27, 2012, with Daniel Funk, Treasurer; Sharon Rogers, Director; and Matthew Woods, Assistant Director. The officials concurred with our findings.