

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

RISING SUN - OHIO COUNTY PORT AUTHORITY

OHIO COUNTY, INDIANA

January 1, 2010 to December 31, 2012



**FILED**  
04/24/2014



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Secretary	Ann McMurray	01-01-10 to 09-14-11
	Angie Turner	09-15-11 to 06-25-13
	(Vacant)	06-26-13 to 07-14-13
	Peggy Fehrenbach	07-15-13 to 12-31-14
President of the Board	Clayton Lamkin	01-01-10 to 01-17-10
	Gary L. Brett	01-18-10 to 05-13-10
	Larry Gipson	05-14-10 to 12-31-13
	Tim Lambert	01-01-14 to 12-31-14



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE RISING SUN - OHIO COUNTY  
PORT AUTHORITY, OHIO COUNTY, INDIANA

We have examined the accompanying financial statement of the Rising Sun - Ohio County Port Authority (Port Authority), for the period of January 1, 2010 to December 31, 2012. The financial statement is the responsibility of the Port Authority's management. Our responsibility is to express an opinion on the financial statement 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 statement 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 Port Authority prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana 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 effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. The basis noted above is a different basis than that used in the prior period.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Port Authority for the period of January 1, 2010 to December 31, 2012.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Port Authority for the period of January 1, 2010 to December 31, 2012, on the basis of accounting described in Note 1.

Our examination was conducted for the purpose of forming an opinion on the Port Authority's financial statement. 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 statement. They have not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

January 28, 2014

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## FINANCIAL STATEMENT

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

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RISING SUN - OHIO COUNTY PORT AUTHORITY  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For The Years Ended December 31, 2010, 2011, And 2012

-7-

Fund	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10	Receipts	Disbursements	Cash and Investments 12-31-11	Receipts	Disbursements	Cash and Investments 12-31-12
General Fund	<u>\$ 264,165</u>	<u>\$ 25,072</u>	<u>\$ 7,584</u>	<u>\$ 281,653</u>	<u>\$ 20,546</u>	<u>\$ 12,735</u>	<u>\$ 289,464</u>	<u>\$ 123,133</u>	<u>\$ 60,327</u>	<u>\$ 352,270</u>

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

RISING SUN - OHIO COUNTY PORT AUTHORITY  
NOTES TO FINANCIAL STATEMENT

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

*A. Reporting Entity*

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

The accompanying financial statement presents the financial information for the Port Authority.

*B. Basis of Accounting*

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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 statement. 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: riverboat receipts received from the city and county.

Charges for services which can include, but are not limited to the following: docking permit fees.

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; and transfers authorized by statute.

*E. Disbursements*

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

RISING SUN - OHIO COUNTY PORT AUTHORITY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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 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 Port 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 Port 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 Port 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 Port 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. The Port Authority has only one fund which is the General Fund.

**Note 2. 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 Port Authority to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

RISING SUN - OHIO COUNTY PORT AUTHORITY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 3. Risk Management**

The Port 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 Port Authority to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. 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 Port Authority's Annual Reports for years prior to 2011 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 Port Authority's Annual Report information for years 2011 and later can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Reports of the Port 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 Port Authority. It is presented as intended by the Port Authority.

RISING SUN - OHIO COUNTY PORT AUTHORITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010

	General Fund
Cash and investments - beginning	\$ 264,165
Receipts:	
Intergovernmental	20,168
Other receipts	4,904
Total receipts	25,072
Disbursements:	
Personal services	4,728
Supplies	375
Other services and charges	490
Other disbursements	1,991
Total disbursements	7,584
Excess of receipts over disbursements	17,488
Cash and investments - ending	\$ 281,653

RISING SUN - OHIO COUNTY PORT AUTHORITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011

	General Fund
Cash and investments - beginning	\$ 281,653
Receipts:	
Other receipts	20,546
Total receipts	20,546
Disbursements:	
Personal services	3,440
Other services and charges	4,670
Other disbursements	4,625
Total disbursements	12,735
Excess of receipts over disbursements	7,811
Cash and investments - ending	\$ 289,464

RISING SUN - OHIO COUNTY PORT AUTHORITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012

	<u>General Fund</u>
Cash and investments - beginning	\$ <u>289,464</u>
Receipts:	
Charges for services	1,530
Other receipts	<u>121,603</u>
Total receipts	<u>123,133</u>
Disbursements:	
Personal services	4,532
Other services and charges	14,012
Capital outlay	41,150
Other disbursements	<u>633</u>
Total disbursements	<u>60,327</u>
Excess of receipts over disbursements	<u>62,806</u>
Cash and investments - ending	<u><u>\$ 352,270</u></u>

RISING SUN - OHIO COUNTY PORT AUTHORITY  
SCHEDULE OF CAPITAL ASSETS  
DECEMBER 31, 2012

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:	
Construction in progress	<u>\$ 41,150</u>

RISING SUN – OHIO COUNTY PORT AUTHORITY  
OTHER REPORT

The report presented herein was prepared in addition to the joint special investigation report covering the City of Rising Sun and the Rising Sun – Ohio County Port Authority for the period October 1, 2011 to June 25, 2013.

RISING SUN - OHIO COUNTY PORT AUTHORITY  
EXAMINATION RESULTS AND COMMENTS

**DEPOSITS**

We noted receipts being deposited from 3 to 51 days later than the receipt of funds. The following are examples of receipts deposited 15 days or more after they were received:

<u>Date Received</u>	<u>Date Deposited</u>	<u>(1) Days Late</u>	<u>Amount</u>
12-29-09	01-22-10	24	\$ 1,860.99
12-29-09	01-22-10	24	1,915.67
10-25-10	12-12-10	50	4,677.74
02-07-11	03-02-11	23	1,505.67
04-19-11	05-09-11	20	1,931.24
10-24-11	12-14-11	51	4,094.33
04-20-12	05-09-12	19	1,685.60
10-03-12	10-22-12	19	1,667.58

Note to Schedule:

(1) Days late does not deduct for non-business days such as weekends and holidays.

Indiana Code 5-13-6-1(c) states in part: ". . . all local officers . . . who collect public funds of their respective political subdivisions shall deposit funds not later than the business day following the receipt of funds on business days of the depository . . ."

**INTERNAL CONTROLS - DISBURSEMENTS**

The following internal control deficiencies related to disbursements were noted:

1. The Port Authority did not use claim forms to document approval of disbursements paid to vendors during the years 2010 and 2011 and for the period January 1, 2012 to July 31, 2012. Accordingly, there was no documentation presented for examination showing that goods or services ordered were received and that disbursements were always approved by a majority of the Board of Directors.

In lieu of using claims to document approval of disbursements by the Board of Directors, a second signature (in addition to the Secretary's signature) by a Board of Director was used on checks that were written or the approval of payment was noted in the minutes of the Board of Directors. However, 56 percent of checks reviewed during the years 2010 and 2011 and the period January 1, 2012 to July 31, 2012, did not include a second signature of a Board of Director on the check or noted as approved in the minutes of the Board of Directors.

Claim form (Form 354) or Accounts Payable Voucher (Form 39) have been prescribed by the Indiana State Board of Accounts for purpose of showing verification that goods and services ordered were received and approval of disbursements by the governing body.

RISING SUN - OHIO COUNTY PORT AUTHORITY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

2. 12 percent of disbursements paid to vendors for the years 2010 and 2011 and the period January 1, 2012 to July 31, 2012, did not have supporting documentation such as an itemized invoice or receipt.
3. The Port Authority did not use the prescribed Payroll Schedule and Voucher (Form 99) or any alternative form during the years 2010 and 2011 and for the period January 1, 2012 to July 31, 2012, to document approval of the Board of Directors of compensation paid.

The Port Authority began using the Accounts Payable Voucher (Form 201) beginning August 1, 2012, for all disbursements including payroll. The use of the prescribed Payroll Schedule and Voucher (Form 99) is the required form to use to document approval for payroll disbursements.

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 for Special District, Chapter 10)

Bylaws of the Rising Sun - Ohio County Port Authority, Article IV, section 4.5 states in part: ". . . No disbursements shall be made from the funds of the Port Authority . . . without the written approval of a quorum of the Port Authority."

Indiana Code 8-10-5-18 states in part: ". . . No disbursements shall be made from such funds except in accordance with rules and regulations adopted by the port authority."

Indiana Code 5-11-10-1(b) states in part: "No warrant or check shall be drawn by a disbursing officer in payment of any claim unless the same has been fully itemized and . . . filed and allowed as provided by law."

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 District, Chapter 10)

### **CONDITION OF RECORDS**

Financial records presented for examination were incomplete. The Port Authority did not record the cash balances and financial activity of their savings account on their financial ledger for the year 2012. The savings account balance at December 31, 2012, was \$222,769. The savings account was reported on the Port Authority's financial statement.

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.

RISING SUN - OHIO COUNTY PORT AUTHORITY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

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 District, Chapter 10)

**COMPENSATION**

Compensation paid to Port Authority officials and employees for the years 2010, 2011, and 2012 in the amounts of \$4,728, \$3,440, and \$4,532, respectively, were not included in a salary schedule. Compensation paid was based on rates of pay approved prior to January 1, 2010.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

**ANNUAL BUDGET**

For the years 2010, 2011, and 2012, annual budgets prepared by the Port Authority Board of Directors were not presented for examination.

Indiana Code 8-10-5-16 states in part: "The board of directors of a port authority shall annually prepare a budget for the port authority."

A similar comment was included in Report B37658.

**OFFICIAL BOND**

Angie Turner, former Secretary, did not obtain bond coverage for the period September 15, 2011 to June 25, 2013.

Indiana Code 8-10-5-18 states in part: "Before receiving any moneys, the secretary of a port authority shall furnish bond in such amount as shall be determined by the port authority, with sureties satisfactory to it . . ."

Peggy Fehrenbach, Secretary, obtained bond coverage approved by Port Authority's Board of Directors effective July 22, 2013.

RISING SUN - OHIO COUNTY PORT AUTHORITY  
EXIT CONFERENCE

The contents of this report were provided to Angie Turner, former Secretary, on January 28, 2014.

The contents of this report were discussed with Peggy Fehrenbach, Secretary, on January 31, 2014, and with Larry Gipson, former President of the Board, on February 5, 2014.

The contents of this report were provided to Tim Lambert, President of the Board, on January 28, 2014.