

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

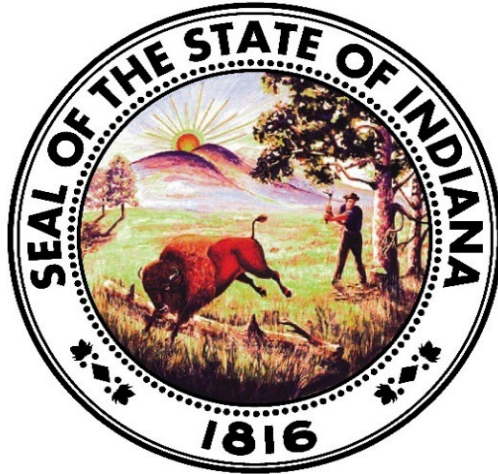
COMPLIANCE ENGAGEMENT REPORT

OF

PUTNAM COUNTY AIRPORT AUTHORITY

PUTNAM COUNTY, INDIANA

January 1, 2019 to December 31, 2023



**FILED**

07/09/2024



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Rex L. Eaton	01-01-19 to 12-31-24
President of the Airport Authority Board	Dr. Perry Wainman	01-01-19 to 12-31-19
	Cathy Tipton	01-01-20 to 12-31-20
	Jim Spore	01-01-21 to 12-31-21
	Bill Newgent	01-01-22 to 01-20-23
	Cathy Tipton	01-21-23 to 12-31-24



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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TO: THE OFFICIALS OF THE PUTNAM COUNTY AIRPORT AUTHORITY, PUTNAM COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Putnam County Airport Authority (Authority), for the period of January 1, 2019 to December 31, 2023. The objective of this engagement was to determine compliance with applicable Indiana laws, regulations, and uniform compliance guidelines (Guidelines) established by the Indiana State Board of Accounts pursuant to Indiana Code 5-11-1-24. The objective of this engagement is not to opine on compliance or financial activity of the Authority as this engagement was not conducted in accordance with any standards established by an authoritative standard setting body, and, as such, we do not provide any opinions on compliance or financial activity.

Management is responsible for preparing and maintaining its accounting records and related documents in accordance with applicable Indiana laws, regulations, and Guidelines. Management's responsibility also includes, but is not limited to, complying with other applicable Indiana laws, regulations, and Guidelines concerning how it operates: authorized sources and uses of funds; what reports are required to be prepared and filed; and what depositories and investment types are allowable.

We fulfilled our responsibility as detailed in the first paragraph, using procedures that verified the appropriate accounting for and reporting of cash, receipts, and disbursements; and the appropriate sources and uses of funds in accordance with applicable Indiana laws, regulations, and Guidelines. Expanding the scope and nature of these procedures can and does occur in specific circumstances.

The Comments contained herein, if any, describe the identified reportable instances of noncompliance found during our engagement. Our procedures were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified. Any Official Response to the Comments incorporated within this report was not verified for accuracy.

The Schedule of Officials and Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis (Statements) are informational only. The Statements have not been subjected to any procedures designed to express an opinion or provide any assurance on them, and, accordingly, we do not express an opinion or provide any assurance on them.

This report is intended solely for the information and use of management, governance, and others within the organization. This restriction is not intended to limit the distribution of this report, which is a matter of public record. Reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>, and the Authority's Annual Financial Reports filed by management can be found on the Indiana Gateway for Government Units financial reporting system website: <http://www.gateway.ifionline.org>.

The contents of this report were communicated to Rex L. Eaton, Treasurer; Doug Miller, Airport Manager; Sonya Swigart, CPA; and Cathy Tipton, President of the Airport Authority Board, on July 1, 2024.



Beth Kelley, CPA, CFE  
Deputy State Examiner

July 1, 2024

PUTNAM COUNTY AIRPORT AUTHORITY  
COMMENTS

**ANNUAL FINANCIAL REPORT**

A similar comment also appeared in prior Report B53536 entitled, *INTERNAL CONTROLS*.

*Condition and Context*

Financial information is required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units financial reporting system. Internal controls were not in place to ensure information was reported accurately. The AFR for 2023 contained the following errors:

*Financial Data (Rec/Disb)*

The receipts and disbursements in the Authority's Grant fund were each understated by \$578,855 due to the netting of grant related reimbursement and expenditure activity for AFR reporting.

*Grant Schedule*

The Authority understated grant funds received and disbursed on the 2023 Grants Schedule portion of the AFR. Grant funds reported as received and disbursed varied from the Authority's grant fund activity in its ledger by \$534,432 and \$533,861, respectively.

*Criteria*

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

"The state examiner shall require from every audited entity 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](#)."

The Annual Financial Report (AFR) required under IC 5-11-1-4(a) shall be filed with the state examiner not later than sixty (60) days after the close of each fiscal year. (Accounting and Uniform Guidelines Compliance Manual for Special Districts, Chapter 1)

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

PUTNAM COUNTY AIRPORT AUTHORITY  
COMMENTS  
(Continued)

**BANK ACCOUNT RECONCILIATIONS AND CONDITION OF RECORDS**

A similar comment also appeared in prior Report B53536 entitled, *INTERNAL CONTROLS*.

*Condition and Context*

Reconciliations of the Authority's bank account balances were performed monthly; however, the Authority did not reconcile its bank accounts to a prescribed funds ledger balance. The resulting variances between the Authority's reported Annual Financial Report (AFR) 2022,ng cash and investment balances and its adjusted bank balances totaled \$11,966 and \$13,294 (cash shorts) as of December 31, 2022, and December 31, 2023, respectively.

In addition, internal controls were not in place to ensure the accuracy of reconciliations provided to the Authority Board for review and approval. Although Authority Board members were signing monthly bank reconciliation reports provided by the Authority's CPA firm, the Authority Board was not verifying that the reconciliations balanced to the Treasurer's fund balances reported in the Indiana Gateway for Government Units financial reporting system.

*Criteria*

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

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**CAPITAL ASSETS**

*Condition and Context*

Internal controls were not in place over capital asset requirements. The Authority did not have a formalized capital asset policy in place during the engagement period. In addition, a bi-annual physical inventory had not been completed since 2021.

PUTNAM COUNTY AIRPORT AUTHORITY  
COMMENTS  
(Continued)

Detailed capital asset records provided agreed to the asset totals reported in the Authority's Annual Financial Reports, except for the capital asset ledger provided did not include \$111,300 in additions reported in 2022 and included \$35,732 in assets below the Authority's self-reported capital asset threshold of \$5,000.

*Criteria*

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

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**PRESCRIBED FORMS**

*Condition and Context*

Internal controls were not in place to ensure the use of prescribed forms by the Authority. The Authority's General Ledger (ledger) was not recorded on a prescribed ledger form approved by the Indiana State Board of Accounts. The ledger provided did not keep a running total of fund balances and transactions (receipts and disbursements) were not posted to a fund in the ledger at the time of transaction.

*Criteria*

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

PUTNAM COUNTY AIRPORT AUTHORITY  
COMMENTS  
(Continued)

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

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**TIMLEY RECORDING AND DEPOSITS**

*Condition and Context*

Internal Controls were not in place to ensure the timely and accurate recording and deposit of the Authority's receipts. A compliance test of 25 receipts was conducted over several sources of Authority receipts including hangar and hotel rental fees, fuel flow collections, and federal grant fund reimbursements. The results of the test were as follows:

- 14 of 25 (56%) receipts tested were not posted to the Authority's ledger at the time of transaction
- 14 of 25 (56%) receipts tested were not deposited timely
- 3 of 25 (12%) receipts tested were not recorded in the Authority's receipt book

Additionally, none of the 25 receipts tested were posted to a fund at the time of transaction.

*Criteria*

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 in the depository or depositories selected by the . . . local boards of finance. . . ."

Indiana Code 5-13-6-1(g) states in part:

"The following are not required to deposit funds on the business day following receipt if the funds on hand do not exceed five hundred dollars (\$500): . . .

- (2) A local officer of a political subdivision required to deposit funds under subsection (c) other than a township trustee. . . ."

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

PUTNAM COUNTY AIRPORT AUTHORITY  
COMMENTS  
(Continued)

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/ resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

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### **TIMELY RECORDING OF DISBURSEMENTS**

#### *Condition and Context*

Internal controls were not in place to ensure timely recording of the Authority's disbursements. Due to the Authority's lack of a prescribed form general funds ledger, we were unable to determine whether disbursements were posted in a timely manner and to the proper fund at the time of transaction.

#### *Criteria*

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

PUTNAM COUNTY AIRPORT AUTHORITY  
COMMENTS  
(Continued)

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STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CASH  
AND INVESTMENT BALANCES - REGULATORY BASIS

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PUTNAM COUNTY AIRPORT AUTHORITY  
 STATEMENT OF RECEIPTS, DISBURSEMENTS,  
 AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Years Ended December 31, 2019 and 2020

Fund	Cash and Investments 01-01-19	Receipts	Disbursements	Cash and Investments 12-31-19	Receipts	Disbursements	Cash and Investments 12-31-20
Airport Operating	\$ 649,301	\$ 768,020	\$ 942,910	\$ 474,411	\$ 935,363	\$ 746,545	\$ 663,229
Rainy Day Fund	174,720	77,406	-	252,126	59,000	-	311,126
Cumulative Building Fund	229,211	265,659	55,847	439,023	231,766	106,560	564,229
Grant Fund	14,928	56,056	-	70,984	367,109	361,128	76,965
COVID-19 Grant/CARES Act Fund	-	-	-	-	30,000	-	30,000
Totals	<u>\$ 1,068,160</u>	<u>\$ 1,167,141</u>	<u>\$ 998,757</u>	<u>\$ 1,236,544</u>	<u>\$ 1,623,238</u>	<u>\$ 1,214,233</u>	<u>\$ 1,645,549</u>

PUTNAM COUNTY AIRPORT AUTHORITY  
 STATEMENT OF RECEIPTS, DISBURSEMENTS,  
 AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Years Ended December 31, 2021 and 2022

Fund	Cash and Investments 01-01-21	Receipts	Disbursements	Cash and Investments 12-31-21	Receipts	Disbursements	Cash and Investments 12-31-22
Airport Operating	\$ 663,229	\$ 795,416	\$ 813,679	\$ 644,966	\$ 820,080	\$ 1,015,430	\$ 449,616
Rainy Day Fund	311,126	-	-	311,126	92,000	-	403,126
Cumulative Building Fund	564,229	247,413	82,560	729,082	227,802	606,560	350,324
Grant Fund	76,965	172,612	172,612	76,965	105,751	105,751	76,965
COVID-19 Grant/CARES Act Fund	30,000	-	30,000	-	-	-	-
ARPA Fund	-	32,000	-	32,000	-	-	32,000
ACRGP/CRSAA Fund	-	13,000	-	13,000	-	-	13,000
Totals	\$ 1,645,549	\$ 1,260,441	\$ 1,098,851	\$ 1,807,139	\$ 1,245,633	\$ 1,727,741	\$ 1,325,031

PUTNAM COUNTY AIRPORT AUTHORITY  
 STATEMENT OF RECEIPTS, DISBURSEMENTS,  
 AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended December 31, 2023

Fund	Cash and Investments 01-01-23	Receipts	Disbursements	Cash and Investments 12-31-23
Airport Operating	\$ 449,616	\$ 895,265	\$ 720,735	\$ 624,146
Rainy Day Fund	403,126	1,838	-	404,964
Cumulative Building Fund	350,324	259,468	406,560	203,232
Grant Fund	76,965	579,432	578,861	77,536
ARPA Fund	32,000	-	32,000	-
ACRGP/CRSAA Fund	13,000	-	13,000	-
Totals	<u>\$ 1,325,031</u>	<u>\$ 1,736,003</u>	<u>\$ 1,751,156</u>	<u>\$ 1,309,878</u>