

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

FINANCIAL STATEMENT AUDIT REPORT

OF

FRANKFORT CLINTON COUNTY AIRPORT AUTHORITY

CLINTON COUNTY, INDIANA

January 1, 2015 to December 31, 2015



**FILED**  
10/24/2018



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Cathy Hamilton	01-01-15 to 12-31-18
President of the Airport Authority Board	Alan Dunn	01-01-15 to 12-31-18



**STATE OF INDIANA**  
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STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE FRANKFORT CLINTON COUNTY  
AIRPORT AUTHORITY, CLINTON COUNTY, INDIANA

**Report on the Financial Statement**

We have audited the accompanying financial statement of the Frankfort Clinton County Airport Authority (Authority), which comprises the financial position and results of operations for the year ended December 31, 2015, and the related notes to the financial statement as listed in the Table of Contents.

***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As discussed in Note 1 to the financial statement, the 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 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 the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Authority for the year ended December 31, 2015.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Authority for the year ended December 31, 2015, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

***Other Matters***

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the Authority's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis and Schedule of Leases and Debt, 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 auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

  
Paul D. Joyce, CPA  
State Examiner

September 12, 2018

## FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

FRANKFORT CLINTON COUNTY AIRPORT AUTHORITY  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
For the Year Ended December 31, 2015

Fund	Cash and Investments 01-01-15	Receipts	Disbursements	Cash and Investments 12-31-15
Rainy Day	\$ 30,054	\$ 104,369	\$ 66,196	\$ 68,227
Levy Excess	15	-	-	15
DEBT SERVICE	22,546	175,051	110,915	86,682
AIRPORT AUTHORITY	262,980	587,218	434,998	415,200
CUMULATIVE AIRPORT BLDG	87,742	48,117	-	135,859
2012 General Obligation Bond Fund	23,316	-	23,316	-
Real Estate Sale Proceeds	21,000	115,000	-	136,000
REHAB LIGHTING AIP 17	-	-	79,931	(79,931)
TERMINAL APRON AIP 16	-	-	32,471	(32,471)
TAXIWAY B REHA AIP 18	-	103,980	128,118	(24,138)
Totals	<u>\$ 447,653</u>	<u>\$ 1,133,735</u>	<u>\$ 875,945</u>	<u>\$ 705,443</u>

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

FRANKFORT CLINTON COUNTY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENT

**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 a governing board.

The accompanying financial statement presents the financial information for the 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:

*Taxes.* Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's 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.* Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions 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.* Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable TV receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

FRANKFORT CLINTON COUNTY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Other receipts.* Amounts received from various sources, including, but 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 statement. The aggregate disbursements include the following uses:

*Supplies.* Amounts disbursed for 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, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

*Other services and charges.* Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

*Debt service - principal and interest.* Amounts disbursed for fixed obligations resulting from financial transactions previously entered into by the Authority. It includes all expenditures for the reduction of the principal and interest of the Authority's general obligation indebtedness.

*Capital outlay.* Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

*Other disbursements.* Amounts disbursed for various other purposes including, but 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, make transfers 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 amounts 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 amounts 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.

FRANKFORT CLINTON COUNTY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENT  
(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 lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) 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, the following: 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 statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

FRANKFORT CLINTON COUNTY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 6. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. This is a result of funds being set up for reimbursable grants. The reimbursements for expenditures made by the Authority were not received by December 31, 2015.

**Note 7. Subsequent Events**

On September 3, 2015, the Authority was awarded \$1,274,083 by the Department of Transportation - Federal Aviation Administration (FAA) in Airport Improvement Program grant funds. The grant term, unless explicitly stated otherwise in an amendment from the FAA, is four years from the date of formal grant acceptance. The grant project transactions were accounted for in the TAXIWAY B REHA AIP 18 fund, and a substantial portion of this project was completed in 2016.

On September 1, 2016, the Authority was awarded \$617,659 by the Department of Transportation - Federal Aviation Administration (FAA) in Airport Improvement Program grant funds. The grant term, unless explicitly stated otherwise in an amendment from the FAA, is four years from the date of formal grant acceptance.

On November 21, 2016, the Authority entered into a loan contract in the amount of \$1,520,000 with The Farmers Bank. The proceeds of this loan were to be used for construction projects as part of the land contract entered into by the Authority on March 7, 2014, with Centurion Solutions, LLC. The repayment schedule of the loan consists of six monthly payments of interest only beginning May 1, 2017, and 179 consecutive principal and interest payments of \$10,904 each, beginning November 1, 2017.

On August 4, 2017, the Authority was awarded \$104,400 by the Department of Transportation - Federal Aviation Administration (FAA) in Airport Improvement Program grant funds. The grant term, unless explicitly stated otherwise in an amendment from the FAA, is four years from the date of formal grant acceptance.

#### OTHER INFORMATION - UNAUDITED

The Authority's Annual Financial Report information can be found on the Indiana Gateway for Government Units 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 Authority's Annual Financial Report 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 other information presented was approved by management of the Authority. It is presented as intended by the Authority.

FRANKFORT CLINTON COUNTY AIRPORT AUTHORITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2015

	Rainy Day	Levy Excess	DEBT SERVICE	AIRPORT AUTHORITY	CUMULATIVE AIRPORT BLDG	2012 General Obligation Bond Fund
Cash and investments - beginning	\$ 30,054	\$ 15	\$ 22,546	\$ 262,980	\$ 87,742	\$ 23,316
Receipts:						
Taxes	-	-	163,894	296,541	44,823	-
Intergovernmental receipts	-	-	11,157	161,896	3,294	-
Charges for services	-	-	-	114,018	-	-
Other receipts	104,369	-	-	14,763	-	-
Total receipts	104,369	-	175,051	587,218	48,117	-
Disbursements:						
Supplies	-	-	-	2,391	-	-
Other services and charges	-	-	-	233,110	-	-
Debt service - principal and interest	66,196	-	110,915	48,925	-	-
Capital outlay	-	-	-	16,203	-	-
Other disbursements	-	-	-	134,369	-	23,316
Total disbursements	66,196	-	110,915	434,998	-	23,316
Excess (deficiency) of receipts over disbursements	38,173	-	64,136	152,220	48,117	(23,316)
Cash and investments - ending	\$ 68,227	\$ 15	\$ 86,682	\$ 415,200	\$ 135,859	\$ -

FRANKFORT CLINTON COUNTY AIRPORT AUTHORITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2015

	Real Estate Sale Proceeds	REHAB LIGHTING AIP 17	TERMINAL APRON AIP 16	TAXIWAY B REHA AIP 18	Totals
Cash and investments - beginning	\$ 21,000	\$ -	\$ -	\$ -	\$ 447,653
Receipts:					
Taxes	-	-	-	-	505,258
Intergovernmental receipts	-	-	-	103,980	280,327
Charges for services	-	-	-	-	114,018
Other receipts	115,000	-	-	-	234,132
Total receipts	115,000	-	-	103,980	1,133,735
Disbursements:					
Supplies	-	-	-	-	2,391
Other services and charges	-	-	-	-	233,110
Debt service - principal and interest	-	-	-	-	226,036
Capital outlay	-	-	-	-	16,203
Other disbursements	-	79,931	32,471	128,118	398,205
Total disbursements	-	79,931	32,471	128,118	875,945
Excess (deficiency) of receipts over disbursements	115,000	(79,931)	(32,471)	(24,138)	257,790
Cash and investments - ending	\$ 136,000	\$ (79,931)	\$ (32,471)	\$ (24,138)	\$ 705,443

FRANKFORT CLINTON COUNTY AIRPORT AUTHORITY  
 SCHEDULE OF LEASES AND DEBT  
 December 31, 2015

Description of Debt		Ending	Principal and
Type	Purpose	Principal	Interest Due
		Balance	Within One
			Year
Governmental activities:			
General obligation bonds	PROPERTY PURCHASE	\$ 1,230,000	\$ 175,423
Notes and loans payable	RESTRUCTURED DEBT CITY OF FRANKOFRT	80,426	80,426
		<u>1,310,426</u>	<u>255,849</u>
Total governmental activities		<u>1,310,426</u>	<u>255,849</u>
Totals		<u>\$ 1,310,426</u>	<u>\$ 255,849</u>

#### OTHER REPORTS

In addition to this report, other reports may have been issued for the Authority. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.