

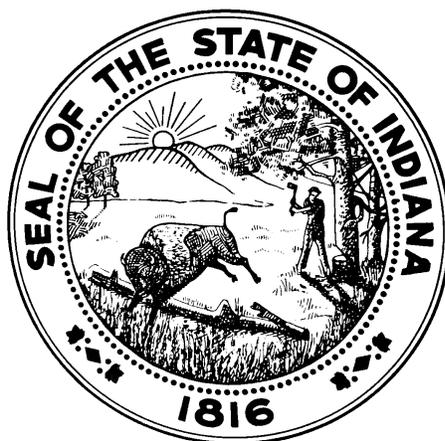
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT

2007

TERRE HAUTE INTERNATIONAL AIRPORT AUTHORITY

VIGO COUNTY, INDIANA



FILED
05/14/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Comptroller	Deborah Kearschner	01-01-07 to 12-31-08
Director	Dennis Dunbar	01-01-07 to 06-29-07
	Ed Price (Interim)	06-30-07 to 07-08-07
	John Van Etten (Interim)	07-09-07 to 09-03-07
	Thomas Long	09-04-07 to 12-31-08
President of the Authority Board of Directors	John Van Etten	07-01-06 to 07-08-07
	Vacant	07-09-07 to 09-03-07
	John Van Etten	09-04-07 to 06-30-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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**INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

TO: THE OFFICIALS OF THE TERRE HAUTE INTERNATIONAL
AIRPORT AUTHORITY, VIGO COUNTY, INDIANA

We have audited the accompanying financial statements of the business-type activities of the Terre Haute International Airport Authority (Authority), as of and for the year ended December 31, 2007. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion 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 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated March 27, 2008, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

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

STATE BOARD OF ACCOUNTS

March 27, 2008



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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 TERRE HAUTE INTERNATIONAL
AIRPORT AUTHORITY, VIGO COUNTY, INDIANA

We have audited the financial statements of the business-type activities of the Terre Haute International Airport Authority (Authority), as of and for the year ended December 31, 2007, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated March 27, 2008. 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 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 Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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)

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.

This report is intended solely for the information and use of the Authority's management and 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

March 27, 2008

TERRE HAUTE INTERNATIONAL AIRPORT AUTHORITY
STATEMENT OF NET ASSETS
December 31, 2007

Assets

Current assets:	
Cash and cash equivalents	\$ 972,772
Accounts receivable (net of allowance)	<u>18,636</u>
 Total current assets	 <u>991,408</u>
Noncurrent assets:	
Restricted cash and cash equivalents:	
Cumulative building cash and cash equivalents	341,539
Debt service cash and cash equivalents	13,069
Tax increment financing cash and cash equivalents	1,058,729
Air show cash and cash equivalents	94,236
Airport improvement program No. 27 cash and cash equivalents	60,260
Airport improvement program No. 30 cash and cash equivalents	954
Restricted accounts receivable	<u>237,076</u>
 Total restricted assets	 <u>1,805,863</u>
 Capital assets, net of depreciation	 <u>26,188,863</u>
 Total noncurrent assets	 <u>27,994,726</u>
 Total assets	 <u>28,986,134</u>

Liabilities

Current liabilities:	
Accounts payable	14,284
Hangar deposits payable	21,350
Payroll withholdings payable	61,867
Capital leases payable	272,082
Notes and loans payable	364,034
Current liabilities payable from restricted assets:	
Accounts payable	36,197
Sales tax payable	<u>2,984</u>
 Total current liabilities	 <u>772,798</u>
Noncurrent liabilities:	
Capital leases payable	2,034,105
Notes and loans payable	<u>202,160</u>
 Total noncurrent liabilities	 <u>2,236,265</u>
 Total liabilities	 <u>3,009,063</u>

Net Assets

Invested in capital assets, net of related debt	23,316,482
Restricted for debt service	13,069
Restricted for improvements	395,384
Restricted for tax increment financing projects	1,058,729
Restricted for air show	94,236
Unrestricted	<u>1,099,171</u>
 Total net assets	 <u>\$ 25,977,071</u>

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

TERRE HAUTE INTERNATIONAL AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS
As Of And For The Year Ended December 31, 2007

Operating revenues:	
Leasing and rentals	\$ 520,641
Sale of fuel	1,487,931
Fixed base operations	1,078,263
Air show	389,557
Landing fees	2,107
Other	<u>1,846,548</u>
 Total operating revenues	 <u>5,325,047</u>
Operating expenses:	
Employee compensation and benefits	1,774,504
Contractual services	264,967
Liability insurance	331,639
Air show	424,798
Fixed base operations	467,333
Purchase of fuel	1,346,428
Supplies, utilities and other	1,115,976
Depreciation	<u>2,749,046</u>
 Total operating expenses	 <u>8,474,691</u>
 Operating loss	 <u>(3,149,644)</u>
Nonoperating revenues (expenses):	
Taxes	1,672,852
Interest and investment revenue	7,956
Interest expense	<u>(141,792)</u>
 Total nonoperating revenues (expenses)	 <u>1,539,016</u>
 Loss before contributions	 (1,610,628)
Capital contributions	<u>605,737</u>
 Change in net assets	 (1,004,891)
Total net assets - beginning	<u>26,981,962</u>
Total net assets - ending	<u>\$ 25,977,071</u>

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

TERRE HAUTE INTERNATIONAL AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
As Of And For The Year Ended December 31, 2007

Cash flows from operating activities:	
Receipts from general operations	\$ 2,411,875
Receipts from fixed based operations	2,928,287
Receipts from air show	396,622
Payments from general operations	(2,700,494)
Payments from fixed based operations	(3,028,854)
Payments from air show	<u>(424,798)</u>
Net cash used by operating activities	<u>(417,362)</u>
Cash flows from noncapital financing activities:	
Property taxes	<u>1,672,852</u>
Cash flows from capital and related financing activities:	
Capital contributions	605,737
Acquisition and construction of capital assets	(899,835)
Principal paid on capital debt	(284,621)
Interest paid on capital debt	<u>(141,792)</u>
Net cash used by capital and related financing activities	<u>(720,511)</u>
Cash flows from investing activities:	
Interest received	<u>7,956</u>
Net increase in cash and cash equivalents	542,935
Cash and cash equivalents, January 1	<u>1,998,624</u>
Cash and cash equivalents, December 31	<u>\$ 2,541,559</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	<u>\$ (3,149,644)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	2,749,046
(Increase) decrease in assets:	
Accounts receivable	(35,636)
Prepaid items	117,005
Increase (decrease) in liabilities:	
Accounts payable	(141,162)
Hangar deposits payable	10,050
Payroll withholdings payable	40,913
Sales taxes payable	<u>(7,934)</u>
Total adjustments	<u>2,732,282</u>
Net cash used by operating activities	<u>\$ (417,362)</u>

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

TERRE HAUTE INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Authority (primary government) was established under the laws of the State of Indiana. The Authority operates under an appointed board of directors' form of government and provides aviation services.

The accompanying financial statements present the activities of the Authority. There are no significant component units which require inclusion.

B. Fund Financial Statements

Business-type activity financial statements consist of the Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Fund Net Assets; and the Statement of Cash Flows. Business-type activities rely to a significant extent on fees and charges for support.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounts of the business-type activity are maintained and the financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Proprietary funds distinguish operating revenues from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statute (IC 5-13-9) authorizes 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.

Investment income is reported as revenue in the operating statement.

2. Restricted Assets

Certain assets of the Authority are classified as restricted assets on the statement of net assets balance sheet because their use is restricted by state statute.

TERRE HAUTE INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the financial statements.

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.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) have not been formalized. Depreciation methods and estimated useful lives of capital assets are as follows:

	Depreciation Method	Estimated Useful Life
Land, runways and aprons	Straight-line	20 years
Buildings and improvements	Straight-line	40 years
Equipment	Straight-line	10 years
Intangibles	Straight-line	40 years

For depreciated assets, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

4. Compensated Absences

- a. Sick Leave – Authority employees earn sick leave at the rate of 3.3 hours per month. Unused sick leave may be accumulated indefinitely. Accumulated sick leave is not paid to employees upon termination.
- b. Vacation Leave – Authority employees earn vacation leave at rates from 80 hours to 160 hours per year based upon the number of years of service. Vacation leave may be accumulated to a maximum of 200 hours. Accumulated vacation leave is paid to employees upon termination.
- c. Personal Leave – Authority employees earn personal leave at the rate of 2 days per year. Personal leave does not accumulate from year to year.

No liability is reported for vacation leave as it is currently an immaterial amount.

5. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

TERRE HAUTE INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

II. Detailed Notes on All Funds

A. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were 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.

B. Capital Assets

Capital asset activity for the year ended December 31, 2007, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Land, runways and aprons	\$ 46,803,198	\$ -	\$ -	\$ 46,803,198
Buildings and improvements	28,834,628	-	-	28,834,628
Equipment and other	6,450,108	899,835	-	7,349,943
Intangibles	611,066	-	-	611,066
Totals	82,699,000	899,835	-	83,598,835
Less accumulated depreciation for:				
Land, runways and aprons	32,537,206	1,879,189	-	34,416,395
Buildings and improvements	17,303,351	652,088	-	17,955,439
Equipment and other	4,520,916	202,491	-	4,723,407
Intangibles	299,453	15,278	-	314,731
Totals	54,660,926	2,749,046	-	57,409,972
Total capital assets, net	\$ 28,038,074	\$ (1,849,211)	\$ -	\$ 26,188,863

C. Leases

1. Operating Leases

The Authority has entered into an operating lease having initial or remaining noncancelable terms exceeding one year for a copy machine. Rental expenditures for this lease were \$2,940. The following is a schedule by years of future minimum rental payments as of December 31, 2007:

2008	\$ 2,940
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TERRE HAUTE INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Capital Leases

The Authority has entered into various capital leases for mowers, airplanes, a fuel truck, buildings and vehicles. Future minimum lease payments and present values of the net minimum lease payments under these capital leases as of December 31, 2007, are as follows:

2008	\$ 294,569
2009	255,158
2010	649,854
2011	268,443
2012	170,100
2013-2017	<u>1,369,394</u>
 Total minimum lease payments	 3,007,518
 Less amount representing interest	 <u>701,331</u>
 Present value of net minimum lease payments	 <u>\$ 2,306,187</u>

Assets acquired through capital leases still in effect are as follows:

Buildings	\$ 2,330,000
Machinery and equipment	36,256
Transportation	<u>1,034,453</u>
 Total	 <u>\$ 3,400,709</u>

D. Long-Term Liabilities

1. Notes and Loans Payable

The Authority has entered into various notes/loans. Annual debt service requirements to maturity for the notes/loans, including interest of \$31,321, are as follows:

2008	\$ 377,008
2009	45,622
2010	45,622
2011	45,622
2012	45,622
2013-2017	<u>38,019</u>
 Total	 <u>\$ 597,515</u>

TERRE HAUTE INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital leases	\$ 2,492,876	\$ -	\$ 186,689	\$ 2,306,187	\$ 272,082
Notes and loans	664,126	-	97,932	566,194	364,034
Total long-term liabilities	<u>\$ 3,157,002</u>	<u>\$ -</u>	<u>\$ 284,621</u>	<u>\$ 2,872,381</u>	<u>\$ 636,116</u>

E. Restricted Assets

The balances of restricted asset accounts are as follows:

Cumulative building cash and cash equivalents	\$ 341,539
Debt service cash and cash equivalents	13,069
Tax increment financing cash and cash equivalents	1,058,729
Air show cash and cash equivalents	94,236
Airport improvement program No. 27 cash and cash equivalents	60,260
Airport improvement program No. 30 cash and cash equivalents	954
Accounts receivable	<u>237,076</u>
Total restricted assets	<u>\$ 1,805,863</u>

III. Other Information

A. Risk Management

The Authority is 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; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

B. Subsequent Event

On May 1, 2006, Brown Flying School, Inc., filed a Complaint for Declaratory Judgment and Permanent Injunction against the Authority. The complaint seeks to require the Authority to sell its current fleet of aircraft and to stop running its flight school in competition with Brown Flying School. In short, the Complaint alleges that the Authority's activities related to aviation training violated Indiana Code 8-22-3-11. In addition, the Complaint seeks to permanently enjoin (prohibit) the Authority from conducting an annual air show.

TERRE HAUTE INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

The lawsuit is presently in litigation. Brown Flying School's Complaint for Declaratory Judgment and Permanent Injunction and its following amendments have been answered. Discovery in the form of written interrogations, request for production of documents, and request for admissions have been served and responded to by the parties. In addition, an initial round of depositions has been taken. Further, a depository motion in the form of an Indiana Trial Rule 56, motion for summary judgment, together with supporting brief and designation of evidence, has been prepared and filed and is pending before the Vigo Superior Court, Division 5.

The Authority continues to vigorously defend this pending action. The Authority's attorney believes that the dispositive motion that has been filed is well reasoned, meritorious and will be successful. The Authority's attorney also believes that this matter will be successfully defended.

C. Conduit Debt Obligation

The Authority has issued revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The Authority, the State, and any political subdivision thereof are not obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2007, one series of revenue bonds was outstanding with an aggregate principal amount payable of \$681,659.

D. Pension Plan

Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

The Authority contributes to the Indiana Public Employees' Retirement Fund (PERF), 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 the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF 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 by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at three 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.

PERF 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. The report may be obtained by contacting:

TERRE HAUTE INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The Authority's annual pension cost and related information, as provided by the actuary, is presented in this note.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 42,554
Interest on net pension obligation	(3,320)
Adjustment to annual required contribution	3,783
Annual pension cost	43,017
Contributions made	30,899
Increase in net pension obligation	12,118
Net pension obligation, beginning of year	(45,790)
Net pension obligation, end of year	\$ (33,672)
Contribution rates:	
Authority	3.50%
Plan members	3%
Actuarial valuation date	07-01-06
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	4 year smoothed market

Actuarial Assumptions

Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

TERRE HAUTE INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-04	\$ 21,592	136%	\$ (38,512)
	06-30-05	24,573	148%	(45,790)
	06-30-06	43,017	126%	(33,672)

TERRE HAUTE INTERNATIONAL AIRPORT AUTHORITY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess AAL as a Percentage of Covered Payroll ((a-b)/c)
07/01/01	\$ 611,281	\$ 470,347	\$ 140,934	130%	\$ 613,715	23%
07/01/02	605,334	530,967	74,367	114%	556,746	13%
07/01/03	605,939	492,567	113,372	123%	691,983	16%
07/01/04	613,578	504,818	108,760	122%	751,235	14%
07/01/05	638,673	633,214	5,459	101%	935,727	1%
07/01/06	733,776	735,206	(1,430)	100%	957,952	(0%)

TERRE HAUTE INTERNATIONAL AIRPORT AUTHORITY
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The cash balance of the Fixed Base Operation Fund was materially overdrawn in 2007.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

FINANCE CHARGES

The Airport Authority incurred, and subsequently paid, financial charges for delinquent payment of vendor invoices during 2007.

Late payment fees of \$7,691 were paid in 2007 for the Airport Authority's capital leases and notes. In addition, \$417 in late payment fees, purchase finance charges, and over the credit limit fees were paid in 2007 on the Airport Authority's credit cards.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. 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)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE TERRE HAUTE INTERNATIONAL
AIRPORT AUTHORITY, VIGO COUNTY, INDIANA

Compliance

We have audited the compliance of the Terre Haute International Airport Authority (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 each of its major federal programs for the year ended December 31, 2007. The Authority's major federal programs are 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 each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the 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 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 Authority's compliance with those requirements.

In our opinion, the Authority complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

The management of the 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 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, 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 Authority's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A control deficiency in an Authority's internal control over compliance exists when the design or operation of a control does not allow management or its employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of the Authority's management and 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

March 27, 2008

TERRE HAUTE INTERNATIONAL AIRPORT AUTHORITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Year Ended December 31, 2007

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Direct Grant			
Airport Improvement Program	20.106	AIP - 30 AIP - 31	\$ 147,788 <u>432,673</u>
Total federal awards expended			<u>\$ 580,461</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

TERRE HAUTE INTERNATIONAL 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 Terre Haute International Airport Authority (primary government) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

TERRE HAUTE INTERNATIONAL 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?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	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? yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

TERRE HAUTE INTERNATIONAL AIRPORT AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

TERRE HAUTE INTERNATIONAL AIRPORT AUTHORITY
EXIT CONFERENCE

The contents of this report were discussed on March 27, 2008, with Thomas Long, Director; John Van Etten, President of the Authority Board of Directors; and Deborah Kearschner, Comptroller. The officials concurred with our audit findings.