

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

ANNUAL FINANCIAL REPORT

2010

TERRE HAUTE INTERNATIONAL AIRPORT AUTHORITY

VIGO COUNTY, INDIANA



**FILED**  
05/23/2011



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Comptroller	Deborah Kearschner	01-01-10 to 12-31-11
Director	Dennis Wiss	01-01-10 to 12-31-11
President of the Authority Board of Directors	Darryl Huyett	07-01-09 to 06-30-11



**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, 2010, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions 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 consideration of internal control over financial reporting as a basis for designing 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 over reporting. 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 respective financial position of the business-type activities of the Authority, as of December 31, 2010, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated April 26, 2011, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
(Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. 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.

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 accounting principles generally accepted in the United States of America. 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.

The Authority has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

STATE BOARD OF ACCOUNTS

April 26, 2011



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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, 2010, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated April 26, 2011. 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.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

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)

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 grants 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

April 26, 2011

TERRE HAUTE INTERNATIONAL AIRPORT AUTHORITY  
STATEMENT OF NET ASSETS  
December 31, 2010

Assets

Current assets:	
Cash and cash equivalents	\$ 1,688,051
Accounts receivable (net of allowance)	<u>100,150</u>
Total current assets	<u>1,788,201</u>
Noncurrent assets:	
Restricted cash, cash equivalents and investments:	
Cumulative building cash and cash equivalents	134,672
Tax increment financing cash and cash equivalents	481,076
Airport improvement program No. 31 cash and cash equivalents	39,424
Airport improvement program No. 34 cash and cash equivalents	23,209
Airport improvement program No. 35 cash and cash equivalents	1,136
Airport improvement program No. 37 cash and cash equivalents	<u>2,470</u>
Total restricted assets	<u>681,987</u>
Capital assets, net of depreciation	<u>28,548,569</u>
Total noncurrent assets	<u>29,230,556</u>
Total assets	<u>31,018,757</u>

Liabilities

Current liabilities:	
Accounts payable	11,699
Hangar deposits payable	12,255
Payroll withholdings payable	37,497
Sales tax payable	4,782
Capital leases payable	105,794
Notes and loans payable	94,517
Current liabilities payable from restricted assets:	
Accounts payable	<u>73,068</u>
Total current liabilities	<u>339,612</u>
Noncurrent liabilities:	
Capital leases payable	1,326,994
Notes and loans payable	<u>419,223</u>
Total noncurrent liabilities	<u>1,746,217</u>
Total liabilities	<u>2,085,829</u>

Net Assets

Invested in capital assets, net of related debt	26,602,041
Restricted for improvements	134,672
Restricted for tax increment financing	479,778
Unrestricted	<u>1,716,437</u>
Total net assets	<u>\$ 28,932,928</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, 2010

Operating revenues:	
Leasing and rentals	\$ 493,647
Sale of fuel	1,087,560
Fixed base operations	998,340
Other	<u>1,220,335</u>
 Total operating revenues	 <u>3,799,882</u>
Operating expenses:	
Employee compensation and benefits	1,634,814
Contractual services	179,745
Liability insurance	196,208
Fixed base operations	147,304
Purchase of fuel	871,588
Supplies, utilities, and other	1,887,632
Depreciation	2,189,863
Other	<u>83,018</u>
 Total operating expenses	 <u>7,190,172</u>
 Operating loss	 <u>(3,390,290)</u>
Nonoperating revenues (expenses):	
Taxes	1,675,999
Interest	3,474
Miscellaneous revenue	<u>2,720</u>
 Total nonoperating revenues (expenses)	 <u>1,682,193</u>
 Loss before contributions	 (1,708,097)
Capital contributions	<u>2,760,918</u>
 Change in net assets	 1,052,821
Total net assets - beginning	<u>27,880,107</u>
Total net assets - ending	<u>\$ 28,932,928</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, 2010

Cash flows from operating activities:	
Receipts from general operations	\$ 1,743,024
Receipts from fixed based operations	1,130,847
Receipts from flight school operations	955,052
Payments from general operations	(2,956,276)
Payments from fixed based operations	(1,142,039)
Payments from flight school operations	<u>(1,020,505)</u>
Net cash used by operating activities	<u>(1,289,897)</u>
Cash flows from noncapital financing activities:	
Property taxes	<u>1,675,999</u>
Cash flows from capital and related financing activities:	
Capital contributions	2,760,918
Acquisition and construction of capital assets	(1,243,124)
Principal paid on capital debt	(921,063)
Interest paid on capital debt	<u>(97,709)</u>
Net cash provided by capital and related financing activities	<u>499,022</u>
Cash flows from investing activities:	
Interest received	<u>3,474</u>
Net increase in cash and cash equivalents	888,598
Cash and cash equivalents, January 1	<u>1,481,440</u>
Cash and cash equivalents, December 31	<u>\$ 2,370,038</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	<u>\$ (3,390,290)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	2,189,863
Decrease in assets:	
Accounts receivable	24,499
Increase (decrease) in liabilities:	
Accounts payable	(95,845)
Hangar deposits payable	(55,825)
Payroll withholdings payable	37,498
Taxes payable	<u>203</u>
Total adjustments	<u>2,100,393</u>
Net cash used by operating activities	<u>\$ (1,289,897)</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 Other 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.

Private-sector standards of accounting and financial reporting, issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

When both restricted and unrestricted resources are available for use, the Authority's policy is to use restricted resources first, then unrestricted resources as they are needed.

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.

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

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.

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.

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), depreciation methods and estimated useful lives of capital assets are as follows:

	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
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 accumulated from year to year.

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

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

5. Long-Term Obligations

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

II. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The Authority does not have a deposit policy for custodial credit risk. At December 31, 2010, the Authority had deposit balances in the amount of \$1,481,440.

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

As of December 31, 2010, the Authority did not have any investments.

B. Capital Assets

Capital asset activity for the year ended December 31, 2010 was as follows:

<u>2010</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Land, runways, and aprons	\$ 54,134,363	\$ 2,254,660	\$ -	\$ 56,389,023
Buildings and improvements	29,733,185	-	-	29,733,185
Equipment and other	7,442,920	-	502,648	6,940,272
Intangibles	611,066	-	-	611,066
Totals	<u>91,921,534</u>	<u>2,254,660</u>	<u>502,648</u>	<u>93,673,546</u>
Less accumulated depreciation for:				
Land, runways, and aprons	(37,903,393)	(1,828,619)	-	(39,732,012)
Buildings and improvements	(19,276,485)	(661,009)	-	(19,937,494)
Equipment and other	(5,409,951)	-	(315,042)	(5,094,909)
Intangibles	(345,285)	(15,277)	-	(360,562)
Totals	<u>(62,935,114)</u>	<u>(2,504,905)</u>	<u>(315,042)</u>	<u>(65,124,977)</u>
Total capital assets, net	<u>\$ 28,986,420</u>	<u>\$ (250,245)</u>	<u>\$ 187,606</u>	<u>\$ 28,548,569</u>

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

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 \$2,448. The following is a schedule by years of future minimum rental payments as of December 31, 2010:

	Business-Type Activities
2011	\$ 2,448
2012	2,448
2013	2,448
Total	\$ 7,344

2. Capital Leases

The Authority has entered into various capital leases for airplanes and buildings. Future minimum lease payments and present values of the net minimum lease payments under these capital leases as of December 31, 2010, are as follows:

	Business-Type Activities
2011	\$ 163,915
2012	163,915
2013	163,915
2014	163,915
2015	163,915
2016-2020	518,278
2021-2025	216,983
2026-2030	216,983
2031-2035	86,793
Total minimum lease payments	1,858,612
Less amount representing interest	425,824
Present value of net minimum lease payments	\$ 1,432,788

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

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

Buildings	\$ 2,330,000
Accumulated depreciation	<u>(595,250)</u>
 Total	 <u>\$ 1,734,750</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 \$57,662, are as follows:

	Principal	Interest
2011	\$ 94,517	\$ 17,339
2012	98,006	13,850
2013	94,027	10,230
2014	58,917	7,474
2015	61,153	5,238
Thereafter	<u>107,120</u>	<u>3,531</u>
 Totals	 <u>\$ 513,740</u>	 <u>\$ 57,662</u>

2. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2010, was as follows:

<u>2010</u>	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital leases	\$ 2,084,649	\$ -	\$ 651,861	\$ 1,432,788	\$ 105,794
Notes and loans	<u>374,479</u>	<u>408,462</u>	<u>269,201</u>	<u>513,740</u>	<u>94,517</u>
 Total long-term liabilities	 <u>\$ 2,459,128</u>	 <u>\$ 408,462</u>	 <u>\$ 921,062</u>	 <u>\$ 1,946,528</u>	 <u>\$ 200,311</u>

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

E. Restricted Assets

The balances of restricted asset accounts in the enterprise funds are as follows:

	2010
Cumulative building cash and cash equivalents	\$ 134,672
Tax increment financing cash and cash equivalents	481,076
Airport improvement program No. 31 cash and cash equivalents	39,424
Airport improvement program No. 34 cash and cash equivalents	23,209
Airport improvement program No. 35 cash and cash equivalents	1,136
Airport improvement program No. 37 cash and cash equivalents	2,470
 Total restricted assets	 \$ 681,987

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. Conduit Debt Obligation

The Authority has issued revenue bond 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, 2010, one series of revenue bonds was outstanding with an aggregate principal amount payable of \$554,075.

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

C. 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:

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

Funding Policy

PERF members are required to contribute 3% of their annual covered salary. The Authority is required to contribute at an actuarially determined rate; the current rate is 6% of annual covered payroll. The contribution requirements of plan members and the Authority are established and may be amended by the PERF Board of Trustees.

Annual Pension Cost

For 2009, the Authority's annual pension cost of \$70,993 for PERF was equal to the Authority's required and actual contributions.

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

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 70,759
Interest on net pension obligation	(1,680)
Adjustment to annual required contribution	1,914
Annual pension cost	70,993
Contributions made	65,021
Increase in net pension obligation	5,972
Net pension obligation, beginning of year	(23,172)
Net pension obligation, end of year	\$ (17,200)
Contribution rates:	
Authority	6%
Plan members	3%
Actuarial valuation date	07-01-09
Actuarial cost method	Entry age normal cost
Amortization method	Level dollar, closed amortization period
Amortization period	30 years
Amortization period (from date)	07-01-07
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions	PERF
Investment rate of return	7.25%
Projected future salary increases:	
Total	4.00%
Cost-of-living adjustments	1.50%

Three Year Trend Information				
	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-07	\$ 56,114	72.0%	\$ (18,053)
	06-30-08	46,206	111.0%	(23,172)
	06-30-09	70,993	92.0%	(17,200)

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

Funded Status and Funding Progress for the Above Plan

The funded status of each plan as of July 1, 2009, the most recent actuarial valuation date is as follows:

Retirement Plan	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
PERF	\$ 1,008,909	\$ 1,089,672	\$ 80,763	93%	\$ 1,113,288	7%

The Schedule of Funding Progress, presented as RSI for the above plans following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

D. Subsequent Events

The Authority sold a 2004 Piper Seminole aircraft for \$200,000 on February 18, 2011, to Christiansen Aviation, Inc. Proceeds of the sale were used to pay off a promissory note dated October 2003 with a remaining principal balance of \$115,755. Additional proceeds of \$78,370 were applied to another promissory note dated August 2010. In addition, an unscheduled early payment of \$117,000 was made on the same August 2010 promissory note on January 12, 2011, reducing the principal due. Total early payoff on the August 2010 note was \$195,370.

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 (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
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%)
07-01-07	848,312	795,450	52,862	107%	846,272	6%
07-01-08	928,523	1,016,129	(87,606)	91%	1,010,838	(9%)
07-01-09	1,008,909	1,089,672	(80,763)	93%	1,113,288	(7%)

TERRE HAUTE INTERNATIONAL AIRPORT AUTHORITY  
AUDIT RESULT AND COMMENT

OVERDRAWN FUND BALANCES

The fund balances of the Fixed Based Operations Fund and the Flight School Fund were overdrawn in 2010.

The fund 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)

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO MAJOR PROGRAM AND ON 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 its major federal program for the year ended December 31, 2010. The Authority's major federal program is 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 its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District'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 its major federal program for the year ended December 31, 2010.

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.

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

A control deficiency in the Authority's internal control over compliance 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 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

April 26, 2011

TERRE HAUTE INTERNATIONAL AIRPORT AUTHORITY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For The Year Ended December 31, 2010

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	3-18-0082-031	\$ 162,883
		3-18-0082-034	438,831
		3-18-0082-035	1,647,749
		3-18-0082-037	<u>136,800</u>
Total for federal grantor agency			<u>2,386,263</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Pass-Through Indiana Department of Homeland Security			
Federal Emergency Management Agency			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	1766-DR	<u>5,666</u>
Total federal awards expended			<u>\$ 2,391,929</u>

The accompanying note is 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 conformity with accounting principles generally accepted in the United States of America which is the basis of accounting used in the presentation of the financial statements. 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
Significant deficiencies 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
Significant deficiencies 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
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? no

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 April 26, 2011, with Dennis Wiss, Director, and Deborah Kearschner, Comptroller. The officials concurred with our audit finding.