

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TERRE HAUTE INTERNATIONAL
AIRPORT AUTHORITY
VIGO COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED
09/26/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Bill McKown (Vacant) William J. Foraker	01-01-13 to 02-05-14 02-06-14 to 02-19-14 02-20-14 to 02-28-15
Office and Finance Manager	Rose M. Overpeck (Vacant)	01-01-13 to 02-20-14 02-21-14 to 07-06-14
Finance and Office Manager	Karen Burger	07-07-14 to 12-31-14
President of the Board	William J. Foraker Darryl Huyett	01-01-13 to 02-19-14 02-20-14 to 06-30-15



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Terre Haute International Airport Authority (Airport Authority), which comprises the financial position and results of operations for the year ended December 31, 2013, and the related notes to the financial statement.

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 a financial statement that is 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 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 statement is free of 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 Airport 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 Airport 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 of the financial statement, the Airport 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 Airport Authority for the year ended December 31, 2013.

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 Airport Authority for the year ended December 31, 2013, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated August 27, 2014, on our consideration of the Airport 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* in considering the Airport Authority's internal control over financial reporting and compliance.


Accompanying Information

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Airport Authority's financial statement. 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 financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Our audit was conducted for the purpose of forming an opinion on the Airport Authority's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, 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

August 27, 2014



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, 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, the financial statement of the Terre Haute International Airport Authority (Airport Authority), which comprises the financial position and results of operations for the year ended December 31, 2013, and the related notes to the financial statement, and have issued our report thereon dated August 27, 2014, wherein we noted the Airport Authority followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Airport Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Airport Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Airport Authority's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2013-001 and 2013-002 to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the Airport Authority's financial statement is 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2013-001 and 2013-002.

Terre Haute International Airport Authority's Response to Findings

The Airport Authority's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The Airport Authority's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Airport Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Airport Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

August 27, 2014

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

TERRE HAUTE INTERNATIONAL AIRPORT AUTHORITY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2013

Fund	Cash and Investments 01-01-13	Receipts	Disbursements	Cash and Investments 12-31-13
General Fund	\$ 1,258,530	\$ 2,718,839	\$ 3,117,506	\$ 859,863
Holding for FAA	544,419	1,192	-	545,611
AIP Funds	87,248	1,461,024	1,483,427	64,845
Cumulative	192,034	144,171	-	336,205
Tif	<u>432,186</u>	<u>560,925</u>	<u>-</u>	<u>993,111</u>
Totals	<u>\$ 2,514,417</u>	<u>\$ 4,886,151</u>	<u>\$ 4,600,933</u>	<u>\$ 2,799,635</u>

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

TERRE HAUTE INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The accompanying financial statement presents the financial information for the Airport 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 which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, county adjusted gross income tax, and other taxes that are set by the Airport Authority.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, financial institution tax received from the state, auto excise surtax received from the state, and commercial vehicle excise tax received from the state.

Charges for services which can include, but are not limited to the following: hangar rental and flight school fees.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution, or court order; internal service receipts; and fiduciary receipts.

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

E. Disbursements

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

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies, which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

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

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The Airport Authority may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the Airport Authority. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Airport Authority. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the Airport 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.

TERRE HAUTE INTERNATIONAL 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 Airport 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 Airport 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 March 1 (lien date) 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 Airport 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.

Note 5. Risk Management

The Airport 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 Airport 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.

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

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is 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 this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the Airport Authority the 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 members' contributions, set by state statute at 3 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.

INPRS 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. That report may be obtained by contacting:

Indiana Public Retirement System
 1 North Capitol Street, Suite 001
 Indianapolis, IN 46204
 Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

Note 7. Restatements

For the year ended December 31, 2013, certain changes have been made to some of the beginning balances of the financial statement to more appropriately reflect financial activity of the Airport Authority. The following schedule presents a summary of restated beginning balances.

Fund Name	Balance as of December 31, 2012	New Fund	Prior Period Adjustment	Balance as of January 1, 2013
General Fund	\$ 1,364,966		\$ (106,436)	\$ 1,258,530
Cumulative	282,645		(90,611)	192,034
TIF	608,662		(176,476)	432,186
		AIP Funds	87,248	87,248

Note 8. Combined Funds

The fund related to the federal projects was reported individually in the current financial statement but was combined with the General fund in the prior financial statement.

SUPPLEMENTARY INFORMATION - UNAUDITED

For additional financial information, the Airport Authority's Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the Airport Authority which is 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 supplementary information presented was approved by management of the Airport Authority. It is presented as intended by the Airport Authority.

TERRE HAUTE INTERNATIONAL AIRPORT AUTHORITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013

	General Fund	Holding for FAA	AIP Funds	Cumulative	Tif	Totals
Cash and investments - beginning	\$ 1,258,530	\$ 544,419	\$ 87,248	\$ 192,034	\$ 432,186	\$ 2,514,417
Receipts:						
Taxes	1,545,097	-	-	129,214	560,496	2,234,807
Intergovernmental	402,698	-	1,346,230	14,780	-	1,763,708
Charges for services	717,587	-	114,794	-	-	832,381
Other receipts	53,457	1,192	-	177	429	55,255
Total receipts	<u>2,718,839</u>	<u>1,192</u>	<u>1,461,024</u>	<u>144,171</u>	<u>560,925</u>	<u>4,886,151</u>
Disbursements:						
Personal services	1,037,489	-	-	-	-	1,037,489
Supplies	181,048	-	-	-	-	181,048
Other services and charges	542,634	-	-	-	-	542,634
Debt service - principal and interest	149,310	-	-	-	-	149,310
Capital outlay	985,863	-	1,270,280	-	-	2,256,143
Other disbursements	221,162	-	213,147	-	-	434,309
Total disbursements	<u>3,117,506</u>	<u>-</u>	<u>1,483,427</u>	<u>-</u>	<u>-</u>	<u>4,600,933</u>
Excess (deficiency) of receipts over disbursements	<u>(398,667)</u>	<u>1,192</u>	<u>(22,403)</u>	<u>144,171</u>	<u>560,925</u>	<u>285,218</u>
Cash and investments - ending	<u>\$ 859,863</u>	<u>\$ 545,611</u>	<u>\$ 64,845</u>	<u>\$ 336,205</u>	<u>\$ 993,111</u>	<u>\$ 2,799,635</u>

TERRE HAUTE INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2013

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 17,143</u>	<u>\$ 95,955</u>

TERRE HAUTE INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF LEASES AND DEBT
December 31, 2013

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Ally	2012 GMC Acadia	\$ 4,477	7/18/2012	9/27/2015
Cannon	Copy Machine	3,491	11/1/2012	10/31/2017
Ford Credit	2012 Ford Edge Vehicle	<u>4,625</u>	7/19/2012	7/18/2015
Total governmental activities		<u>12,593</u>		
Total of annual lease payments		<u>\$ 12,593</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
Notes and loans payable	Hangar Building Loan	\$ 612,786	\$ 32,846
Notes and loans payable	Snow Removal Building Loan	<u>519,870</u>	<u>116,463</u>
Total governmental activities		<u>1,132,656</u>	<u>149,309</u>
Totals		<u>\$ 1,132,656</u>	<u>\$ 149,309</u>

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for the Major Federal Program

We have audited the Terre Haute International Airport Authority's (Airport Authority) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2013. The Airport Authority's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Airport Authority's major federal program based on our audit of the types of compliance requirements referred to above. 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 Airport 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the Airport Authority's compliance.

Opinion on the Major Federal Program

In our opinion, the Airport Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2013.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2013-004, 2013-005 and 2013-006. Our opinion on the major federal program is not modified with respect to these matters.

The Airport Authority's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Airport Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance


Management of the Airport Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Airport Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Airport Authority's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2013-003 to be material weaknesses.

The Airport Authority's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Airport Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

August 27, 2014

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTE

The Schedule of Expenditures of Federal Awards and accompanying note presented were approved by management of the Airport Authority. The schedule and note are presented as intended by the Airport Authority.

TERRE HAUTE INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>Department of Transportation</u>				
Airport Improvement Program	Direct Grant			
AIP 35		20.106	3-18-0082-035	\$ 31,728
AIP 38		20.106	3-18-0082-038	978,133
AIP 39		20.106	3-18-0082-039	193,078
AIP 40		20.106	3-18-0082-040	125,730
AIP 41		20.106	3-18-0082-041	<u>10,800</u>
Total - Airport Improvement Program				<u>1,339,469</u>
Total - Department of Transportation				<u>1,339,469</u>
Total federal awards expended				<u>\$ 1,339,469</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 Airport Authority and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

TERRE HAUTE INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes

Identification of Major Program:

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? no

Section II - Financial Statement Findings

FINDING 2013-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the Airport Authority related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Airport Authority to reduce risks to the achievement of financial reporting objectives. The Airport Authority has not separated incompatible activities related to receipts, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

TERRE HAUTE INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2. **Preparing Financial Statements:** Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the Airport Authority's audited financial statement and then determining how those identified risks should be managed. The Airport Authority has not identified risks to the preparation of a reliable financial statement and as a result has failed to design effective controls over the preparation of the financial statement to prevent, or detect material misstatements, including notes to the financial statement. The failure to establish these controls and perform the control activities resulted in the financial statement containing material errors.
3. **Preparing the Schedule of Expenditures of Federal Awards:** The Airport Authority did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The Airport Authority should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected. During the audit of the SEFA, we noted the following errors: The federal expenditures reported on the SEFA were overstated by \$409,067. Also, the name of the federal program was incorrect.
4. **Monitoring of Controls:** Effective internal control over financial reporting requires the Airport Authority Board to monitor and assess the quality of the Airport Authority's system of internal control. The Airport Authority Board has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the Airport Authority at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent, or detect material misstatements in a timely manner. Additionally, the Airport Authority Board has no process to identify or communicate corrective actions to improve controls.

Audit adjustments were proposed, accepted by the Airport Authority, and made to the Financial Statement and to the SEFA presented in this report.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

TERRE HAUTE INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

FINDING 2013-002 - INTERNAL CONTROLS OVER DISBURSEMENTS

The Airport Authority established the following system of internal control over disbursements. Supporting documentation was to be attached to each Accounts Payable Voucher. Each Accounts Payable Voucher was to be listed on an Accounts Payable Voucher Register and approved by the Airport Authority Board at the monthly meeting. These controls were not effective. The former Office Manager made personal purchases with the Airport Authority's credit cards. She also made personal purchases by check. These purchases were not detected by the internal control system.

Ineffective internal controls may result in material misstatements in the financial statement which could remain undetected and uncorrected.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

TERRE HAUTE INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

Section III - Federal Award Findings and Questioned Costs

FINDING 2013-003 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO AIRPORT IMPROVEMENT PROGRAM

Federal Agency: Department of Transportation
Federal Program: Airport Improvement Program
CFDA Number: 20.106

Federal Award Number and Year (or Other Identifying Number): 3-18-0082-035, 3-18-0082-038,
3-18-0082-039, 3-18-0082-040,
3-18-0082-041

Pass-Through Entity: Direct

Management of the Airport Authority has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and all of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: Activities Allowed, Allowable Costs, Cash Management, Matching, Period of Availability, Reporting, and Special Tests and Provisions. The failure to establish an effective internal control system places the Airport Authority at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

Activities Allowed, Allowable Costs, Period of Availability

Airport Authority management relied upon a paid consultant to approve the disbursements for the federal projects. An Accounts Payable Voucher was not prepared for federal project disbursements and the disbursements were not reviewed and approved by someone other than the person making the disbursement.

Establishing controls to ensure vendor invoices are reviewed by someone other than the preparer would assist the Airport Authority management to ensure payments were made for allowable activities and within the period of availability for the grant.

Cash Management, Matching

Airport Authority management relied upon a paid consultant to prepare requests for reimbursements of federal funds for airport federal projects. Preparing these claims included calculating matching amounts for state and local funds. The reimbursement requests were not reviewed or approved by knowledgeable Airport Authority staff.

Establishing controls to ensure reimbursement requests are reviewed by a knowledgeable employee of the Airport Authority would assist the Airport management to ensure reimbursements were claimed for allowable expenses at the correct federal percentage.

TERRE HAUTE INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Reporting

Airport Authority management relied upon a paid consultant to prepare reports required by the federal agency. The reports were not reviewed or approved by knowledgeable Airport Authority staff.

Establishing controls to ensure reports are reviewed by a knowledgeable employee of the Airport Authority would assist the Airport Authority management to ensure reports are prepared accurately and completely.

Special Tests and Provisions

Airport Authority management had controls in place to ensure that revenue was used only for operating and capital activities; however, the controls were not effective.

Proper segregation of duties would assist Airport Authority management in ensuring that one employee did not have the opportunity to spend revenue for nonairport purposes.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the Airport Authority.

We recommended that the Airport Authority management establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect to the program.

FINDING 2013-004 - CASH MANAGEMENT

Federal Agency: Department of Transportation

Federal Program: Airport Improvement Program

CFDA Number: 20.106

Federal Award Number and Year (or Other Identifying Number): 3-18-0082-38, 3-18-0082-40

Pass-Through Entity: Direct

The Airport Authority was required to pay vendors prior to claiming amounts for reimbursement. The Airport Authority received 27 reimbursements for various Airport Improvement projects during 2013 and for 10 of those, the Airport Authority did not pay the vendors prior to receiving the reimbursements.

TERRE HAUTE INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

49 CFR 18.21(b) states: "Basic standard. Methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee, in accordance with Treasury regulations at 31 CFR part 205."

31 CFR 205.12(b)(5) states: "Reimbursable funding means that a Federal Program Agency transfers Federal funds to a State after that State has already paid out the funds for Federal assistance program purposes."

Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funding.

We recommended that officials review compliance requirements related to cash management requirements to ensure compliance.

FINDING 2013-005 - REPORTING

Federal Agency: Department of Transportation
Federal Program: Airport Improvement Program
CFDA Number: 20.106
Federal Award Number and Year (or Other Identifying Number): 3-18-0082-035
Pass-Through Entity: Direct

The Federal Financial Report (SF-425) is required to be filed annually by the Airport Authority. The report requires a listing of cumulative disbursements as of the end of the grant year (September 30, 2013) by grant award. One project was omitted from the report. Project 3-18-0082-035 only had one disbursement in 2013, but the cumulative total should have been included in the report.

49 CFR 18.20 Standards for financial management systems states in part:

"(b) The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant."

Lack of submission of complete and accurate required financial reports could inhibit the Airport Authority's ability to receive further federal financial assistance.

We recommended that the Airport Authority prepare accurate and complete reports in accordance with the federal guidelines.

FINDING 2013-006 - SPECIAL TESTS AND PROVISIONS

Federal Agency: Department of Transportation
Federal Program: Airport Improvement Program
CFDA Number: 20.106
Federal Award Number and Year (or Other Identifying Number): 3-18-0082-35, 3-18-0082-38,
3-18-0082-39, 3-18-0082-40,
3-18-0082-41
Pass-Through Entity: Direct

TERRE HAUTE INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The Airport Authority was not in compliance with the Special Tests and Provisions requirement regarding Revenue Diversion during 2013.

The former Office and Finance Manager used numerous Airport Authority credit cards to charge personal expenditures. Personal items such as food, clothing, nails, gasoline, internet, cell phone monthly bills, airplane tickets, RV camping fees, and shoes were all charged to various Airport Authority credit cards. She also spent Airport Authority funds by check on personal package shipping and personal clothing.

The former Office and Finance Manager also used Airport Authority funds to make purchases at Lowe's Home Improvement Store for appliances. Those purchases are considered personal and unrelated to the operation of the Airport Authority.

All federal funds were accounted for and were not used to make these personal purchases. However, it could not be determined if the source of the funds used to make the personal purchases was property tax receipts or other generated revenue.

The total amount of purchases for 2013 that are considered to constitute unlawful revenue diversion was \$16,945.21.

Federal Register Vol. 64, No. 30 states in part:

"Section IV - Statutory Requirements for the Use of Airport Revenue

C. Application of 49 U.S.C. § 47133

1. Section 47133 imposes the same requirements on all airports, privately owned or publicly-owned, that are the subject of Federal assistance. Subsection 47133(a) states that:

Local taxes on aviation fuel (except taxes in effect on December 30, 1987) or the revenues generated by an airport that is the subject of Federal assistance may not be expended for any purpose other than the capital or operating costs of—

(a) the airport;

(b) The local airport system; or

(c) Other local facilities owned or operated by the person or entity that owns or operates the airport that is directly and substantially related to the air transportation of persons or property."

We recommended that the Airport Authority implement procedures to minimize the risk of fraudulent or other illegal use of revenue.

AUDITEE PREPARED DOCUMENT

The subsequent document was provided by management of the Airport Authority. The document is presented as intended by the Airport Authority.



CORRECTIVE ACTION PLAN

FINDING 2013-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Contact Person Responsible for Corrective Action: Bill Foraker / Executive Director
Contact Phone Number: 812-877-2524

Description of Corrective Action Plan:

Administrative and accounting duties have been segregated among the staff. There are also a variety of reviews/approvals required by staff in order to perform functions. The Airport Authority is in the process of revising their Personnel Policy manual and a variety of financial policies which are listed below.

Financial Policies will include the following topics:

- Documentation required with claims submitted to the Board
- Financial statements, fund reports, credit card statements and other reports to the Board
- Define the purposes and personnel approved for Signature stamp use
- Define uses for Airport credit cards and specific documentation required
- Elimination of Petty cash
- Bank reconciliation requirements reporting and review
- Bank deposits made within 24 business hours of receipt with proper documentation
- Definition of Payroll procedures and improved documentation to the board
- Review all financial procedures and implement specific segregation of duties
- Federal Projects procedures including approval, claims, pay requests, record keeping and tracking

Financial statements are going to be prepared on a monthly basis and will be reviewed and approved by Director before being presented to the Board.

The internal control procedures will be evaluated periodically to confirm they are being followed and are adequate in following the rules set forth by the State Board of Accounts.

Anticipated Completion Date: 12/31/14

FINDING 2013-002 - MANAGEMENT OVERRIDE OF CONTROLS

Contact Person Responsible for Corrective Action: Bill Foraker / Executive Director
Contact Phone Number: 812-877-2524

Description of Corrective Action Plan:

The former Office and Finance Manager was terminated and the Executive Director at that time has also resigned. Since new personnel have assumed those roles there are new internal controls have been

established that include additional approvals of accounting information by a variety of staff, and the Airport Authority is in the process of updating their financial policies.

Anticipated Completion Date: 12/31/14

FINDING 2013-003 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO AIRPORT IMPROVEMENT PROGRAM

Contact Person Responsible for Corrective Action: Bill Foraker / Executive Director
Contact Phone Number: 812-877-2524

Description of Corrective Action Plan:

The former Office and Finance Manager was terminated and the Executive Director at that time has also resigned. Since new personnel have assumed those roles there are new internal controls have been established that include additional approvals of accounting information by a variety of staff.

The Airport Authority is developing policies and procedures for the Federal Projects that include being more involved in the review, claims, multiple layers of approval, and a more detailed internal record keeping for overall projects and reimbursements.

Administrative and accounting duties have been segregated among the staff. Internal control procedures have been put into place in order to prevent an individual from overriding the system.

Anticipated Completion Date: 12/31/14

FINDING 2013-004 - CASH MANAGEMENT

Contact Person Responsible for Corrective Action: Bill Foraker / Executive Director
Contact Phone Number: 812-877-2524

Description of Corrective Action Plan:

The Airport Authority will pay vendors prior to claiming amounts for reimbursement.

Anticipated Completion Date: 8/22/14

FINDING 2013-005 - REPORTING

Contact Person Responsible for Corrective Action: Bill Foraker / Executive Director
Contact Phone Number: 812-877-2524

Description of Corrective Action Plan:

The Airport Authority is developing a new policy and procedure for Federal Projects that includes a more comprehensive internal tracking of grants, pay requests and reimbursements. This procedure will help in the final review before submitting the annual report and aid in omissions and errors moving forward.

Anticipated Completion Date: 12/31/14

FINDING 2013-006 - SPECIAL TESTS AND PROVISIONS

Contact Person Responsible for Corrective Action: Bill Foraker / Executive Director
Contact Phone Number: 812-877-2524

Description of Corrective Action Plan:

The former Office and Finance Manager was terminated and the Executive Director at that time has also resigned. Since new personnel have assumed those roles there are new internal controls have been established that include additional approvals of accounting information by a variety of staff. The Airport Authority is in the process of revising their Personnel Policy manual and a variety of financial policies which are listed below.

Financial Policies will include the following topics:

- Documentation required with claims submitted to the Board
- Financial statements, fund reports, credit card statements and other reports to the Board
- Define the purposes and personnel approved for Signature stamp use
- Define uses for Airport credit cards and specific documentation required
- Elimination of Petty cash
- Bank reconciliation requirements reporting and review
- Bank deposits made within 24 business hours of receipt with proper documentation
- Definition of Payroll procedures and improved documentation to the board
- Review all financial procedures and implement specific segregation of duties
- Federal Projects procedures including approval, claims, pay requests, record keeping and tracking

Anticipated Completion Date: 12/31/14



(Signature)

EXECUTIVE DIRECTOR

(Title)

8-22-14

(Date)

OTHER REPORT

In addition to this report, a Supplemental Compliance Report has been issued for the Airport Authority. That report can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.