



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B52412

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

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

March 27, 2019

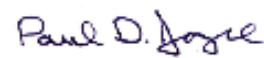
Board of Directors
Terre Haute International Airport
581 S Airport St
Terre Haute, IN 47803

As authorized under Indiana Code 5-11-1, we engaged private examiners under our review to perform the audit of Terre Haute International Airport. We have reviewed the audit report opined upon by Katz, Sapper & Miller, Independent Public Accountants, for the period January 1, 2017 to December 31, 2017. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of Terre Haute International Airport as of December 31, 2017, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Katz, Sapper & Miller prepared the audit report in accordance with the guidelines established by the State Board of Accounts.

In addition to the report presented herein, a Supplemental Report for Terre Haute International Airport was prepared in accordance with the guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.


Paul D. Joyce, CPA
State Examiner

TERRE HAUTE REGIONAL AIRPORT AUTHORITY

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES – REGULATORY BASIS
AND
INDEPENDENT AUDITORS' REPORT WITH OTHER INFORMATION

December 31, 2017

TERRE HAUTE REGIONAL AIRPORT AUTHORITY

CONTENTS

	Page
Schedule of Officials	1
Independent Auditors' Report	2-4
Financial Statement	
Statement of Cash Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	5
Notes to Financial Statement	6-8
Other Supplementary Information – Unaudited	
Combining Schedule of Cash Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	9
Schedule of Payables and Receivables	10
Schedule of Debt	11
Schedule of Capital Assets	12
Other Information	
Independent Auditors' 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 <i>Governmental Auditing Standards</i>	13-14
Schedule of Expenditures of Federal Awards	15-16
Independent Auditors' Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance as Required by the Uniform Guidance	17-19
Schedule of Findings and Questioned Costs	20-23
Corrective Action Plan	24-26

SCHEDULE OF OFFICIALS

Office	Official	Term
Executive Director	Jeffrey Hauser	01-01-16 to 12-31-18
Finance/Office Manager	Peggy Arnold	01-01-17 to 12-31-17
President of the Board	Darryl Huyett	07-01-15 to 12-31-18

Independent Accountants' Report

Board of Directors
Terre Haute Regional Airport Authority

Report on the Financial Statement

We have audited the accompanying financial statement of the Terre Haute Regional Airport Authority (the Airport Authority), which comprises the statement of cash receipts, disbursements, and cash and investment balances – regulatory basis, as of and for the year ended December 31, 2017, 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 permitted 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.

Auditors' 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Uniform Compliance Guidelines for Audit of Hospitals and State and Local Governments by Authorized Independent Public Accountants*, issued by the Indiana State Board of Accounts. Those standards and guidelines 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 auditors' 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 auditors consider internal control relevant to the entity'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 entity'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.

Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

As described in Note 1, the financial statement is prepared by the Airport Authority on the financial reporting provisions of the Indiana State Board of Accounts as permitted 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 American, although not reasonably determinable, are presumed to be material.

Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

In our opinion, because of the matter discussed in the Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America paragraph, the financial statement referred to in the first paragraph does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Airport Authority as of December 31, 2017, or the results of its operations and cash flows for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to in the first paragraph presents fairly, in all material respects, the cash receipts, disbursements, and cash and investment balances of the Airport Authority as of December 31, 2017, and for the year then ended in accordance with the financial reporting provisions of the Indiana State Board of Accounts as described in Note 1.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Airport Authority's financial statement. The combining schedule of cash receipts, disbursements, and cash and investment balances - regulatory basis, the schedule of payables and receivables, the schedule of debt, and the schedule of capital assets on pages 9 through 12, which are the responsibility of management, are presented for purposes of additional analysis and are not required parts of the basic financial statement. Such information has not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we do not express an opinion or provide any assurance on it. The accompanying schedule of federal awards as required by Title 2 *U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* on pages 15 and 16 are presented for purposes of additional analysis and are not a required part of the basic 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statement taken as a whole in accordance with the financial reporting provisions of the Indiana State Board of Accounts as described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 8, 2019, 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.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
March 8, 2019

FINANCIAL STATEMENT

TERRE HAUTE REGIONAL AIRPORT AUTHORITY

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS**

For the Year Ended December 31, 2017

	<u>Cash and Investments January 1, 2017</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments December 31, 2017</u>
General Fund	\$ 1,617,785	\$ 4,419,640	\$ 4,022,040	\$ 2,015,385
Holding for FAA	549,023	1,560		550,583
AIP Funds	51,235	3,598,377	3,633,828	15,784
Cumulative	195,900	84,435	197,482	82,853
TIF	613,104	600,266	621,363	592,007
TIF Construction Loan		4,145,000		4,145,000
Totals	<u>\$ 3,027,047</u>	<u>\$ 12,849,278</u>	<u>\$ 8,474,713</u>	<u>\$ 7,401,612</u>

See accompanying notes.

TERRE HAUTE REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENT December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Terre Haute Regional Airport Authority (the Airport Authority) was established under the laws of the State of Indiana. The Airport Authority operates under an appointed governing board. The Airport Authority provides aviation services in Terre Haute, Indiana.

Basis of Accounting: The accompanying financial statement is reported on a regulatory basis of accounting in accordance with the financial reporting provisions of the Indiana State Board of Accounts as permitted 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 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. In addition, certain disclosures required by accounting principles generally accepted in the United States of America are not required to be presented in accordance with the regulatory basis.

Estimates: The Airport Authority uses estimates and assumptions in preparing financial statements in accordance with the regulatory basis of accounting. These estimates and assumptions affect the reported amounts of cash and investments and cash receipts and disbursements. Actual results could vary from these estimates.

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of investment.

Receipts are presented in the aggregate on 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, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the 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, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: rental of property and airport operating receipts received from the City of Terre Haute and Vigo County.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Disbursements are presented in the aggregate on 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.

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.

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

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

Income Taxes: The Airport Authority is exempt from federal income taxes under Internal Revenue Code Section 115.

Subsequent Events: The Airport Authority has evaluated the financial statement for subsequent events occurring through March 8, 2019, the date the financial statement was available to be issued.

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 the 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.

NOTE 6 - PENSION PLAN

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is a cost-sharing 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
One North Capitol, 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.

OTHER SUPPLEMENTARY INFORMATION - UNAUDITED

TERRE HAUTE REGIONAL AIRPORT AUTHORITY

**COMBINING SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS**

For the Year Ended December 31, 2017

	<u>General Fund</u>	<u>Holding for FAA</u>	<u>AIP Funds</u>	<u>Cumulative</u>	<u>TIF</u>	<u>TIF Construction Loan</u>	<u>Totals</u>
CASH AND INVESTMENTS AT JANUARY 1, 2017	\$ 1,617,785	\$ 549,023	\$ 51,235	\$ 195,900	\$ 613,104		\$ 3,027,047
Receipts:							
Taxes	2,159,056			73,917	419,733		2,652,706
Intergovernmental	315,213		2,445,399				2,760,612
Charges for services	737,546		128,070				865,616
Other receipts	1,207,825	1,560	1,024,908	10,518	180,533	\$ 4,145,000	6,570,344
Total Receipts	<u>4,419,640</u>	<u>1,560</u>	<u>3,598,377</u>	<u>84,435</u>	<u>600,266</u>	<u>4,145,000</u>	<u>12,849,278</u>
Disbursements:							
Personal services	994,207						994,207
Supplies	281,792						281,792
Other services and charges	1,089,078						1,089,078
Debt service - principal and interest	149,309						149,309
Capital outlay	237,714		2,720,674				2,958,388
Other	1,269,940		913,154	197,482	621,363		3,001,939
Total Disbursements	<u>4,022,040</u>	<u>-</u>	<u>3,633,828</u>	<u>197,482</u>	<u>621,363</u>	<u>-</u>	<u>8,474,713</u>
Excess (deficiency) of receipts over disbursements	<u>397,600</u>	<u>1,560</u>	<u>(35,451)</u>	<u>(113,047)</u>	<u>(21,097)</u>	<u>4,145,000</u>	<u>4,374,565</u>
CASH AND INVESTMENTS AT DECEMBER 31, 2017	<u>\$ 2,015,385</u>	<u>\$ 550,583</u>	<u>\$ 15,784</u>	<u>\$ 82,853</u>	<u>\$ 592,007</u>	<u>\$ 4,145,000</u>	<u>\$ 7,401,612</u>

TERRE HAUTE REGIONAL AIRPORT AUTHORITY
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2017

	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental Activities	<u>\$ 366,488</u>	<u>\$ 119,260</u>

TERRE HAUTE REGIONAL AIRPORT AUTHORITY

**SCHEDULE OF DEBT
December 31, 2017**

<u>Type of Debt</u>	<u>Purpose</u>	<u>Ending Principal Balance</u>	<u>Principal and Interest Due Within One Year</u>
Governmental Activities:			
Notes and loans payable	Hanger Building Loan	\$ 486,063	\$ 31,997
Notes and loans payable	Snow Removal Building Loan	56,931	56,931
Notes and loans payable	TIF Construction Loan	<u>4,160,000</u>	<u>75,000</u>
Total Governmental Activities		<u>4,702,994</u>	<u>163,928</u>
Totals		<u><u>\$ 4,702,994</u></u>	<u><u>\$ 163,928</u></u>

TERRE HAUTE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF CAPITAL ASSETS

December 31, 2017

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.

Governmental Activities:

Land	\$ 1,588,883
Infrastructure	52,883,798
Building	28,964,496
Improvements other than buildings	2,109,808
Machinery, equipment, and vehicles	2,033,016
Construction in progress	687,820
Books and other	938,640
Total Governmental Activities	<u>89,206,461</u>

TOTAL CAPITAL ASSETS

\$ 89,206,461

OTHER INFORMATION

*Independent Auditors' 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*

Board of Directors
Terre Haute Regional Airport Authority

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 Regional Airport Authority (the Airport Authority), which comprises the statement of cash receipts, disbursements, and cash and investment balances – regulatory basis as of December 31, 2017, and for the year then ended and the related notes to the financial statement, and have issued our report thereon dated March 8, 2019, wherein we noted the financial statement is prepared by the Airport Authority on the financial reporting provisions of the Indiana State Board of Accounts as permitted 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.

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.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section 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 have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be a material weakness.

The Airport Authority's Response to Finding

The Airport Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The Airport Authority's response was not subjected to the auditing procedures applied in the engagement to audit the financial statement and, accordingly, we express no opinion on it.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Katy, Sapper & Miller, LLP

Indianapolis, Indiana

March 8, 2019

TERRE HAUTE REGIONAL AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2017

	Federal CFDA Number	Federal Grant Number	Amount Provided to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION				
Airport Improvement Program	20.106	03-18-0082-044-2016 03-18-0082-043-2016	<hr style="width: 100%;"/>	\$ 2,359,129 6,231 <hr style="width: 100%;"/>
			<hr style="width: 100%;"/> \$ -	<hr style="width: 100%;"/> \$ 2,365,360 <hr style="width: 100%;"/>

See accompanying notes to schedule of expenditures of federal awards.

TERRE HAUTE REGIONAL AIRPORT AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2017

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Terre Haute Regional Airport Authority (the Airport Authority) for the year ended December 31, 2017. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Airport Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Airport Authority.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are presented in accordance with the regulatory basis of accounting used in the preparation of the financial statements. Accordingly, expenditures are included in the schedule when the reimbursement is received from the awarding agency. Such expenditures are also recognized following the cost principles in the Uniform Guidance, where certain types of expenditures are not allowed or are limited as to reimbursement.

NOTE 3 - INDIRECT COST RATE

The Airport Authority has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

*Independent Auditors' Report on Compliance
for Each Major Federal Program and on Internal Control
Over Compliance Required by the Uniform Guidance*

Board of Directors
Terre Haute Regional Airport Authority

Report on Compliance for Each Major Federal Program

We have audited Terre Haute Regional Airport Authority's (the Airport Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Airport Authority's major federal programs for the year ended December 31, 2017. The Airport Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Airport Authority's major federal programs 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 qualified opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Airport Authority's compliance.

Basis for Qualified Opinion on the Airport Improvement Program

As described in the accompanying schedule of findings and questioned costs, the Airport Authority did not comply with requirements regarding CFDA 20.106 Airport Improvement Program as described in finding numbers 2017-002 for Special Tests and Provisions – Wage Rate Requirements and 2017-003 for Allowable Cost/Cost Principles. Compliance with these requirements is necessary, in our opinion, for the Airport Authority to comply with requirements applicable to that program.

Qualified Opinion on Each Major Federal Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 each of its major federal programs for the year ended December 31, 2017.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-004 and 2017-005. Our opinion on each 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 schedule of findings and questioned costs and 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 requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, 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 have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 items 2017-002 and 2017-003 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-004 and 2017-005 to be significant deficiencies.

The Airport Authority's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
March 8, 2019

TERRE HAUTE REGIONAL AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2017

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Adverse

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies)? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies)? yes none reported

Type of auditors' report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? yes no

Identification of major programs:

CFDA Number	Agency	Title
20.106	U.S. Department of Transportation	Airport Improvement Program

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

TERRE HAUTE REGIONAL AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended December 31, 2017

Financial Statement Findings

2017-001 Material Weakness in Internal Control Over Financial Reporting

Criteria: Adequate internal controls should be in place to mitigate the risk of material misstatements.

Condition and Context: An effective internal control system was not in place at the Airport Authority over the financial close and reporting process. In addition, there were no controls to ensure that the federal grant income was being tracked in accordance with the regulatory basis of accounting used in the preparation of the financial statement and the schedule of expenditures of federal awards and the Uniform Guidance. This resulted in the cash receipts and disbursements listing having to be created manually by the accountant audit during fieldwork.

Cause and Effect: Management of the Airport Authority had not established a proper system of internal control. The failure to establish controls could have enabled material misstatements to remain undetected and resulted in additional time being required to complete the audit. This also resulted in the posting of a material journal entry related to the proceeds received from a TIF loan.

Recommendation: We recommend that the Airport Authority's management establish controls to ensure accounting records are properly closed and the financial activity in the records are accurately reflected in financial statements. We also recommend that a more appropriate accounting system be implemented to assist the Airport Authority's staff in maintaining an accurate record of receipts and disbursements.

Views of Responsible Officials: Management agrees with the finding and recommendation.

Federal Award Findings and Questioned Costs

U.S. DEPARTMENT OF TRANSPORTATION

2017-002 Airport Improvement Program – CFDA #20.106

Material Weakness in Internal Control Over Compliance and Basis of Qualified Opinion on Compliance – Special Tests and Provisions – Wage Rate Requirements

Criteria: Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), subsection 200.303 states:

“The non-federal entity must:

- (a) Establish and maintain effective internal control over Federal award that provides reasonable assurance that the non-federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the federal award.”

Title 2 U.S. Code of Federal Regulations Part 176, *Wage Rate Requirements Under Section 1606 of the American Recovery and Reinvestment Act of 2009*, subsection 190 states:

- (a) “Section 1606 of the Recovery Act requires that all laborers and mechanics employed by contractors and subcontractors on projects funded directly by or assisted in whole or in part by and through the Federal Government pursuant to the Recovery Act shall be paid wages at rates not less than those prevailing on projects of a character similar in the locality as determined by the Secretary of Labor in accordance with subchapter IV of chapter 31 of title 40, United States Code.

TERRE HAUTE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) Year Ended December 31, 2017

Pursuant to Reorganization Plan No. 14 and the Copeland Act, 40 U.S.C. 3145, the Department of Labor has issued regulations at 29 CFR parts 1, 3, and 5 to implement the Davis-Bacon and related Acts. Regulations in 29 CFR 5.5 instruct agencies concerning application of the standard Davis-Bacon contract clauses set forth in that section. Federal agencies providing grants, cooperative agreements, and loans under the Recovery Act shall ensure that the standard Davis-Bacon contract clauses found in 29 CFR 5.5(a) are incorporated in any resultant covered contracts that are in excess of \$2,000 for construction, alteration or repair (including painting and decorating.)”

Condition and Context: The Airport Authority did not have controls in place to ensure compliance with wage rate requirements as outlined in the compliance supplement and Title 2 *U.S. Code of Federal Regulations* Part 176, *Wage Rate Requirements Under Section 1606 of the American Recovery and Reinvestment Act of 2009*, subsection 190. The lack of controls was systemic issue, occurring throughout the audit period.

Cause and Effect: The Airport Authority had not established an effective internal control structure to ensure compliance with the grant agreement and the Special Tests and Provisions – Wage Rate requirements compliance requirement. The failure to establish an effective internal control system resulted in the Airport Authority lacking evidence of compliance with the wage rate requirements, including not being able to find any of the certified payrolls for one of the two contractors used during the period under audit.

Recommendation: We recommend that the Airport Authority’s management establish controls to ensure compliance with the Special Tests and Provisions – Wage Rate Requirements compliance requirement.

Views of Responsible Officials: Management agrees with the finding and recommendation.

2017-003 Airport Improvement Program – CFDA #20.106

Material Weakness in Internal Control Over Compliance and Basis for Qualified Opinion on Compliance – Allowable Costs/Cost Principles and Reporting

Criteria: Section 200.510, paragraph (b) of the Uniform Guidance requires non-Federal entities to prepare the Schedule of Expenditures of Federal Awards (SEFA) from the underlying accounting records with amount expended determined in accordance with Section 200.502.

Condition and Context: The underlying accounting records were inaccurate and, consequently, the SEFA had to be prepared using a manual listing of cash receipts.

Cause and Effect: The Airport Authority was using an accounting software too complex for the accounting staff. This resulted in the general ledger being unreliable for purposes of preparing the SEFA.

Recommendation: We recommend purchasing a more appropriate software for tracking cash receipts and disbursements. We also recommend training the Airport Authority’s accounting staff on how to use the new software.

Views of Responsible Officials: Management agrees with the finding and recommendation.

TERRE HAUTE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) Year Ended December 31, 2017

2017-004 Airport Improvement Program – CFDA #20.106

Significant Deficiency in Internal Control Over Compliance and Noncompliance – Procurement/ Suspension and Debarment

Criteria: Title 2 U.S. Code of Federal Regulations section 180.300 requires that when a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration, (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity.

Condition and Context: The Airport Authority hired a contractor to manage the Airport Improvement Program in 2017, but did not verify that the contractor was not suspended or debarred.

Cause and Effect: The Airport Authority was unaware of the requirement. This could have resulted in the Airport Authority disbursing federal funds to a contractor that is suspended or debarred and resulted in noncompliance with the requirement.

Recommendation: We recommend that policies and procedures be put in place to verify that all contractors receiving federal funds are not suspended or debarred using one of the methods described above.

Views of Responsible Officials: Management agrees with the finding and recommendation.

2017-005 Airport Improvement Program – CFDA #20.106

Significant Deficiency in Internal Control Over Compliance and Noncompliance – Allowable Costs/Cost Principles and Reporting - Written Policies

Criteria: Uniform Guidance requires non-Federal entities receiving Federal funds to have certain written policies and procedures in place.

Condition and Context: The Airport Authority did not have the written policies in place in accordance with §200.302 Financial Management paragraphs (b)(6) and (b)(7), §200.305 Payment paragraph (b), and §200.430 Compensation – Personal Services paragraph (c).

Cause and Effect: As the policies referenced above were not written, the Airport Authority is not in compliance with the requirements to have these written policies.

Recommendation: We recommend the policies in accordance with §200.302 Financial Management paragraphs (b)(6) and (b)(7), §200.305 Payment paragraph (b), and §200.430 Compensation – Personal Services paragraph (c) be written by the Airport Authority, approved by the Board of Directors and included in the permanent files of the Airport Authority.

Views of Responsible Officials: Management agrees with the finding and recommendation.



U. S. Department of Transportation

Terre Haute Regional Airport Authority (the Airport Authority) respectively submits the following corrective action plan for the year ended December 31, 2017.

Name and address of independent public accounting firm:

Katz, Sapper & Miller, LLP
800 East 96th Street, Suite 500
Indianapolis, IN 46240

Audit period: Year ended December 31, 2017

The findings from the schedule of findings and questioned costs for the year ended December 31, 2017 are discussed below. The findings are numbered consistently with the numbers assigned in the schedule of findings and questioned costs.

Financial Statement Findings

Finding #2017-001 – Material Weakness in internal Control Over Financial Reporting

Recommendation: The auditors recommend that the Airport Authority's management establish controls to ensure that accounting records were properly closed and that the financial activity in the records are accurately reflected in the financial statements. The auditors also recommend that a more appropriate accounting system be implemented to assist the Airport Authority's staff in maintaining an accurate record of receipts and disbursements.

The Airport Authority Officials agree with the finding.

Planned Corrective Action Plan:

Airport Authority's management will establish controls to ensure that accounting records are properly closed and the financial activity in the records are accurately reflected in the financial statements. The officials have approved a new accounting system to be installed April 2, 2019. The new program, Boyce System's Key Fund, is used throughout the state of Indiana and will maintain an accurate record of receipts and disbursements.

Anticipated Completion Date for Corrective Action: April 30, 2019

Federal Award Findings and Questioned Costs

Finding #2017-002 – Airport Improvement Program – CFDA #20.106

Material Weakness in Internal Control Over Compliance and Basis of Qualified Opinion on Compliance – Special Tests and Provisions – Wage Rate Requirements

Recommendation: The auditors recommend that the Airport Authority's management establish controls to ensure compliance with the Special Tests and Provisions – Wage Rate Requirements compliance requirement.

The Airport Authority Officials agree with the finding.

Planned Corrective Action Plan:

The Airport Authority's Management will establish controls to ensure compliance with the Special Tests and Provisions – Wage Rate Requirements compliance requirement. The Airport Board approved advertising for an airport consultant, as a result, the previously submitted ad was published and the airport interviewed four prospective firms from the responses. There were board members and staff on the selection committee. Each firm was scored in selected categories by each member of the selection team, and Woolpert was selected as a result.

Anticipated Completion Date for Corrective Action: April 30, 2019

Finding #2017-003 – Airport Improvement Program – CFDA #20.106

Material Weakness in Internal Control Over Compliance and Basis of Qualified Opinion on Compliance – Allowable Costs/Cost Principles and Reporting

Recommendation: The auditors recommend purchasing a more appropriate software for tracking cash receipts and disbursements. The auditors also recommend training the Airport Authority's accounting staff on how they use the software.

The Airport Authority Officials agree with the finding.

Planned Corrective Action Plan:

The Airport Authority Officials have approved the installation of a new software system, Boyce Systems Keystone Fund, to be installed April 2, 2019. This system is used throughout the state of Indiana, and it will adequately track cash receipts and cash disbursements. All staff members will receive appropriate training on the new system.

Anticipated Completion Date for Corrective Action: April 30, 2019

Finding #2017-004 – Airport Improvement Program – CFDA #20.106

Significant Deficiency in Internal Control Over Compliance and Noncompliance – Procurement/Suspension and Debarment

Recommendation:

The auditors recommend that policies and procedures be put in place to verify that all contractors receiving federal funds are not suspended or debarred using one of the methods described in Title 2 U. S. Code of Federal Regulations Section 180.300

The Airport Authority Officials agree with the finding.

Planned Corrective Action Plan:

The Airport Authority's Management will establish controls to ensure compliance with the Special Tests and Provisions – Wage Rate Requirements compliance requirement. As in Finding #2017-002, the Airport Board approved advertising for an airport consultant, as a result, the previously submitted ad was published and the airport interviewed four prospective firms from the responses. There were board members and staff on the selection committee. Each firm was scored in selected categories by each member of the selection team, and Woolpert was selected as a result.

Anticipated Completion Date for Corrective Action: April 30, 2019

Finding #2017-005 – Airport Improvement Program – CFDA #20.106

Significant Deficiency in Internal Control Over Compliance and Noncompliance – Allowable Costs/Cost Principles and Reporting – Written Policies

Recommendation:

The auditors recommend the policies in accordance with 200.302 Financial Management paragraphs (b)(6) and (b)(7), 200.305 Payment paragraph (b) and 200.430 Compensation – Personal Services paragraph (c) be written by the Airport Authority, approved by the Board of Directors and included in the permanent files of the Airport Authority.

The Airport Authority Officials agree with the finding.

Planned Corrective Action Plan:

The Airport Authority officials and Board of Directors will implement a written policy to ensure compliance with Allowable Costs/Cost Principles and Reporting Allowable Costs/Cost Principles and Reporting 200.302, 200.305, and 200.430.

Anticipated Completion Date for Corrective Action: April 30, 2019