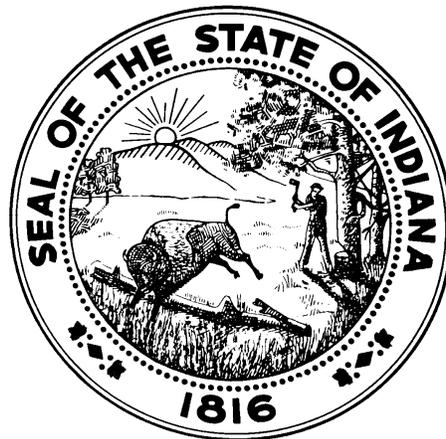


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT

2007

EVANSVILLE-VANDEBURGH
AIRPORT AUTHORITY DISTRICT
A COMPONENT UNIT OF
VANDEBURGH COUNTY, INDIANA



FILED

11/26/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Manager-Treasurer	Robert H. Working	01-01-07 to 02-25-07
Manager	Robert H. Working	02-26-07 to 12-31-08
Treasurer	Doug Joest	02-26-07 to 12-31-08
President of the Airport Authority Board	H. C. Farmer	01-01-07 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS, SUPPLEMENTARY
SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES (PFC),
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE EVANSVILLE-VANDERBURGH AIRPORT
AUTHORITY DISTRICT, VANDERBURGH COUNTY, INDIANA

We have audited the accompanying financial statements of the business-type activities of the Evansville-Vanderburgh Airport Authority District (Airport Authority), as of and for the year ended December 31, 2007. These financial statements are the responsibility of the Airport Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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

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

In accordance with Government Auditing Standards, we have also issued our report dated November 6, 2008, 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, and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS, SUPPLEMENTARY
SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES (PFC),
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Airport Authority taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Airport Authority taken as a whole. The Schedule of Expenditures of Passenger Facility Charges is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Passenger Facility Charges has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements.

STATE BOARD OF ACCOUNTS

November 6, 2008



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE EVANSVILLE-VANDERBURGH AIRPORT
AUTHORITY DISTRICT, VANDERBURGH COUNTY, INDIANA

We have audited the financial statements of the Evansville-Vanderburgh Airport Authority District (Airport Authority), as of and for the year ended December 31, 2007, and have issued our report thereon dated November 6, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Airport Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Airport Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Airport Authority's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

November 6, 2008

EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT
STATEMENT OF NET ASSETS
December 31, 2007

Assets

Current assets:	
Cash and cash equivalents	\$ 603,337
Interest receivable	25,781
Accounts receivable	228,104
Prepaid items	<u>21,768</u>
Total current assets	<u>878,990</u>
Noncurrent assets:	
Loan receivable	868,011
Restricted cash, cash equivalents and investments:	
Cumulative building cash and cash equivalents	4,619,489
Passenger facility charge cash and cash equivalents	258,221
Flex plan account section 125 cash and cash equivalents	1,000
Interest receivable	<u>73,413</u>
Total restricted assets	<u>5,820,134</u>
Deferred charges	<u>12,700</u>
Capital assets:	
Land, improvements to land and construction in progress	14,445,405
Other capital assets (net of accumulated depreciation)	<u>30,324,634</u>
Total capital assets	<u>44,770,039</u>
Total noncurrent assets	<u>50,602,873</u>
Total assets	<u>51,481,863</u>

Liabilities

Current liabilities:	
Accounts payable	46,620
Accrued payroll and withholdings payable	53,348
Compensated absences payable	305,967
Current liabilities payable from restricted assets:	
Contracts payable	213,368
Retainage payable	506,161
Intrastate vouchers payable	13,280
Loan payable	<u>77,826</u>
Total current liabilities	<u>1,216,570</u>
Noncurrent liabilities:	
Loan payable	2,911,157
Compensated absences	<u>155,259</u>
Total noncurrent liabilities	<u>3,066,416</u>
Total liabilities	<u>4,282,986</u>

Net Assets

Invested in capital assets, net of related debt	41,793,756
Restricted for capital projects	4,951,123
Unrestricted	<u>453,998</u>
Total net assets	<u>\$ 47,198,877</u>

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

EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES IN FUND NET ASSETS
As Of And For The Year Ended December 31, 2007

Operating revenues:	
Airline income	\$ 1,736,135
Parking lot	1,310,446
Car rental agency	920,383
Rent - other	554,898
Fuel flowage fees	47,666
Other	<u>63,210</u>
 Total operating revenues	 <u>4,632,738</u>
Operating expenses:	
Personal services	
Salaries and wages	2,280,381
Employee pensions and benefits	440,241
Contractual services	
Communications and transportation	232,026
Utilities	378,101
Instruction	15,092
Printing and advertising	1,232
Repairs	30,630
Other contractual services	396,850
Supplies	
Garage and motor	55,626
Institutional and medical	21,712
Safety supplies	1,778
Office supplies	10,728
Other	81,473
Materials	
Repair parts	32,201
Other	33,106
Current charges	
Insurance	785,510
Refunds, awards and indemnities	1,088
Clothing allowance	20,520
Subscriptions and dues	13,875
Depreciation	<u>3,255,718</u>
 Total operating expenses	 <u>8,087,888</u>
 Operating loss	 <u>(3,455,150)</u>
Nonoperating revenues (expenses):	
Passenger facility charge revenue	258,603
Miscellaneous nonoperating revenue	101,016
Interest on investments	275,931
Gain on sale of asset	9,397
Interest expense	<u>(46,208)</u>
 Total nonoperating revenues (expenses)	 <u>598,739</u>
 Loss before contributions and transfers	 (2,856,411)
 Capital contributions	 <u>4,988,132</u>
 Change in net assets	 2,131,721
Total net assets - beginning	<u>45,067,156</u>
Total net assets - ending	<u>\$ 47,198,877</u>

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

EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
As Of And For The Year Ended December 31, 2007

Cash flows from operating activities:	
Receipts from customers and users	\$ 4,638,198
Payments to suppliers and contractors	(1,858,922)
Payments to employees	(2,715,288)
Other receipts	<u>101,016</u>
Net cash provided by operating activities	<u>165,004</u>
Cash flows from capital and related financing activities:	
Capital contributions	5,030,511
Acquisition and construction of capital assets	(5,991,818)
Loan payment received	6,455
Principal paid on loan	(73,209)
Interest paid on loan	(46,208)
Proceeds from sales of capital assets	9,397
Passenger facility charges and interest	258,603
Proceeds from loan	2,250,000
Deferred charge payments	<u>(12,700)</u>
Net cash provided by capital and related financing activities	<u>1,431,031</u>
Cash flows from investing activities:	
Interest received	<u>263,827</u>
Net cash provided by investing activities	<u>263,827</u>
Net increase in cash and cash equivalents	1,859,862
Cash and cash equivalents, January 1	<u>3,622,185</u>
Cash and cash equivalents, December 31	<u>\$ 5,482,047</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	<u>\$ (3,455,150)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	3,255,718
Nonoperating revenue	101,016
(Increase) decrease in assets:	
Accounts receivable	6,430
Prepaid items	10,478
Increase (decrease) in liabilities:	
Accounts payable	(23,213)
Wages, deductions and retirements payable	(51,817)
Contracts payable	(194,166)
Retainage payable	461,737
Security deposits payable	(2,210)
Compensated absence payable	57,151
Intrastate vouchers payable	<u>(970)</u>
Total adjustments	<u>3,620,154</u>
Net cash provided by operating activities	<u>\$ 165,004</u>
Noncash investing, capital and financing activities:	
Contributions include state grant receivable	\$ 42,379
Capital assets transferred from construction in progress	170,643
Deletion of fully depreciated assets	56,180

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

EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Airport Authority (primary government) was established pursuant to Indiana Code 19-6-3 under the authority granted by the Airport Authority Act of 1959. The Airport Authority is governed by a Board of Trustees, three of which are appointed by the Mayor of the City of Evansville and two of which are appointed by the Board of County Commissioners of Vanderburgh County. The Airport Authority was established for the general purpose of acquiring, maintaining, operating and financing the airport and landing fields in Vanderburgh County, Indiana (County).

The accompanying financial statements present the activities of the Airport Authority. The Airport Authority is fiscally dependent on the County, which approves and can modify the Airport Authority's annual budget. For this reason, the Airport Authority is considered a component unit of Vanderburgh County.

B. Fund Financial Statements

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

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

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

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

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

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

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

EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Nonparticipating certificates of deposit, demand deposits, and similar nonparticipating negotiable instruments that are not reported as cash and cash equivalents are reported as investments at cost.

Debt securities are reported at fair value. Debt securities are defined as securities backed by the full faith and credit of the United States Treasury or fully insured or guaranteed by the United States or any United States government agency.

Open-end mutual funds are reported at fair value.

Money market investments that mature within one year or less at the date of their acquisition are reported at amortized cost. Other money market investments are reported at fair value.

Investment income, including changes in the fair value of investments, is reported as revenue in the operating statement.

2. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

3. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the Statement of Net Assets balance sheet because their use is limited by applicable governing body action.

4. Capital Assets

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

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings	\$ 5,000	Straight-line	10 to 40 years
Improvements other than buildings	5,000	Straight-line	10 to 20 years
Runways, taxiways and ramps	5,000	Straight-line	10 years
Machinery and equipment	1,000	Straight-line	5 to 10 years

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

EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the Airport Authority during the current year was \$0.

5. Compensated Absences

- a. Sick Leave – Airport Authority employees earn sick leave at the rate of 10 days per year. Unused sick leave may be accumulated indefinitely. Accumulated sick leave is paid to employees through cash payments upon retirement.
- b. Vacation Leave – Airport Authority employees earn vacation leave at rates from 10 days to 30 days per year based upon the number of years of service. Vacation leave must be taken in the year following the period in which it was earned and does not accumulate after that year except for Teamster's employees whose unused vacation is converted to sick leave. Accumulated vacation leave earned in the prior year is paid to employees through cash payments upon retirement or termination.
- c. Personal Leave – Airport Authority employees earn personal leave at the rate of 3 days per year. Personal leave does not accumulate from year to year.

Vacation and sick leave is accrued when incurred.

No liability is reported for personal leave.

6. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Loan issuance costs are reported as deferred charges and amortized over the term of the related debt.

7. Property taxes levied are collected by the County Treasurer and are distributed to the Airport Authority in June and in December. State statutes (IC 6-1.1-17-16) require 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% 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 that become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the Airport Authority prior to December 31 of the year collected.

II. Detailed Notes on All Funds

A. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 6,685,905	\$ -	\$ -	\$ 6,685,905
Construction in progress	2,037,339	5,892,804	170,643	7,759,500
				-
Total capital assets, not being depreciated	8,723,244	5,892,804	170,643	14,445,405
Capital assets, being depreciated:				
Improvements other than buildings	9,093,048	-	-	9,093,048
Buildings	27,524,555	20,976	-	27,545,531
Runways, taxiways and ramps	28,893,195	-	-	28,893,195
Machinery and equipment	3,661,822	248,681	56,180	3,854,323
Totals	69,172,620	269,657	56,180	69,386,097
Less accumulated depreciation for:				
Improvements other than buildings	7,916,547	440,511	-	8,357,058
Buildings	10,513,384	864,956	-	11,378,340
Runways, taxiways and ramps	15,335,397	1,702,055	-	17,037,452
Machinery and equipment	2,096,597	248,196	56,180	2,288,613
Totals	35,861,925	3,255,718	56,180	39,061,463
Total capital assets, being depreciated, net	33,310,695	(2,986,061)	-	30,324,634
Total capital assets, net	\$ 42,033,939	\$ 2,906,743	\$ 170,643	\$ 44,770,039

C. Construction Commitments

Construction work in progress is composed of the following:

Project	Total Project Authorized	Expended to December 31, 2007	Committed	Required Future Funding
Buildings and runway improvements	\$ 9,098,542	\$ 7,759,500	\$ 1,339,042	\$ -

EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Long-Term Liabilities

1. Loans Payable

The Airport Authority has entered into two loans. The 2007 loan is a line of credit which established a maximum draw of \$4,000,000. As of December 31, 2007, the loan principal amount drawn was \$2,250,000. Annual debt service requirements to maturity for the 2007 loan will not be determined until draw downs have been completed. Annual debt service requirements to maturity for the original 2005 loan, including interest of \$159,573, are as follows:

2008	\$ 112,320
2009	112,320
2010	112,320
2011	112,320
2012	112,320
2013-2015	<u>336,956</u>
 Total	 <u><u>\$ 898,556</u></u>

2. Changes in Long-Term Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	\$ 404,075	\$ 57,151	\$ -	\$ 461,226	\$ 305,967
Loans payable	<u>812,192</u>	<u>2,250,000</u>	<u>73,209</u>	<u>2,988,983</u>	<u>77,826</u>
 Total long-term liabilities	 <u><u>\$ 1,216,267</u></u>	 <u><u>\$ 2,307,151</u></u>	 <u><u>\$ 73,209</u></u>	 <u><u>\$ 3,450,209</u></u>	 <u><u>\$ 77,826</u></u>

III. Other Information

A. Risk Management

The Airport Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

B. Related Party Transactions

The Airport Authority leases a building and land to the Vanderburgh County Sheriff's Department under an operating lease arrangement calling for a monthly payment of \$10,292. Total rent received under this arrangement was \$123,499 in 2007.

C. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Airport Authority contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the 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 member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

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

Funding Policy and Annual Pension Cost

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

EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 133,144
Interest on net pension obligation	(3,501)
Adjustment to annual required contribution	3,990
Annual pension cost	133,633
Contributions made	115,721
Increase in net pension obligation	17,912
Net pension obligation, beginning of year	(48,294)
Net pension obligation, end of year	\$ (30,382)
Contribution rates:	
Airport Authority	9.25%
Plan members	3%
Actuarial valuation date	07-01-07
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	4 year smoothed market

Actuarial Assumptions

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

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-05	\$ 94,220	115%	\$ (61,259)
	06-30-06	118,564	89%	(48,294)
	06-30-07	113,633	87%	(30,382)

EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Rental Income From Operating Leases

The Airport Authority leases space in the Airport terminal along with other land and buildings on a fixed rental as well as a contingent rental basis. Many of these leases provide for a periodic review and redetermination of the rental amounts.

Minimum future rentals on noncancelable leases to be received in each of the next five years and later years are as follows:

2008	\$ 2,041,679
2009	556,044
2010	462,431
2011	442,221
2012	438,248
Thereafter	<u>5,199,191</u>
Total	<u><u>\$ 9,139,814</u></u>

E. Loan Receivable

In 2005, the Airport Authority loaned Tri-State Aero, Inc., \$880,000 for the purpose of constructing two hangars on Airport property. The loan is to be repaid over 35 years with an interest rate of 7%. The outstanding balance at December 31, 2007, is \$868,011.

F. Passenger Facility Charge

Effective August 1, 2007, a Passenger Facility Charge (PFC) of \$4.50 per ticket was implemented by the approval of the Federal Aviation Administration (FAA) and the Airport Authority. The receipts are to be used to repay the Airport Authority's Cumulative Building Fund for the local share of prior Airport Improvement Projects as well as for the purchase of a video security system. PFC's are collected by the airlines and are recognized as nonoperating revenues by the Airport Authority as they are earned. Interest earned on the PFC account is also recognized as nonoperating revenue. During 2007, the Airport Authority received \$257,163 from 26 separate airlines. The Airport Authority is authorized to receive a maximum of \$1,270,789.

G. Subsequent Events

On March 10, 2008, Vanderburgh County deeded Hamilton Golf Course to the Airport Authority for \$1 for the purpose of protecting the Airport Authority from residential encroachment. The land and building were appraised at a value totaling \$2,400,000.

EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

PERF Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-05	\$ 2,215,466	\$ 2,522,039	\$ (306,573)	88%	\$ 1,967,310	(16%)
07-01-06	2,397,347	2,700,027	(302,680)	89%	2,013,553	(15%)
07-01-07	2,758,065	3,132,698	(374,633)	88%	2,138,730	(18%)

EVANSVILLE-VANDEBURGH AIRPORT AUTHORITY DISTRICT
SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES
As Of And For The Year Ended December 31, 2007

Cash balance, January 1	\$ <u> -</u>
Receipts:	
Passenger facility charge collections	257,163
Interest	<u>1,440</u>
Total receipts	<u>258,603</u>
Cash balance, December 31	<u><u>\$ 258,603</u></u>

EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT
AUDIT RESULTS AND COMMENTS

ANNUAL REPORT

The Airport Authority did not file an Annual Report for 2007.

Indiana Code 5-11-1-4(a) states: "The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. Except as provided by subsection (b), these reports shall be prepared, verified, and filed with the state examiner not later than thirty (30) days after the close of each fiscal year."

CLAIM ITEMIZATION

As stated in several prior audit reports, some claims were not being properly itemized. One vendor did not submit sufficient detailed documentation to allow for verification of the total charges by Airport personnel. In some instances, receipts for business-related expenses were not attached or were not properly detailed.

All claims, invoices, receipts, and accounts payable vouchers, including those presented to the governing body for approval in accordance with Indiana Code 5-11-10, should contain adequate detailed documentation. All claims, invoices, receipts, and accounts payable vouchers regarding reimbursement for meals and expenses for individuals must have specific detailed information including the names of all individuals for which amounts are claimed, and the nature, name, and purpose of the business meeting, to enable the governing body to authorize payment. Payments which do not have proper itemization showing the business nature of the claim may be the personal obligation of the responsible official, employee or other person for whom the claim is made. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO PASSENGER FACILITY CHARGE PROGRAM AND TO MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE PASSENGER FACILITY
CHARGE AUDIT GUIDE FOR PUBLIC AGENCIES AND OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE EVANSVILLE-VANDERBURGH AIRPORT
AUTHORITY DISTRICT, VANDERBURGH COUNTY, INDIANA

Compliance

We have audited the compliance of the Evansville-Vanderburgh Airport Authority District (Airport Authority) with the types of compliance requirements described in the Passenger Facility Charge Audit Guide for Public Agencies (Guide), issued by the Federal Aviation Administration for its passenger facility charge program, and in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2007. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Airport Authority's management. Our responsibility is to express an opinion on the Airport Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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. Our audit does not provide a legal determination of the Airport Authority's compliance with those requirements.

In our opinion, the Airport Authority complied in all material respects with the requirements referred to above that are applicable to its passenger facility charge program and its major federal program for the year ended December 31, 2007.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO PASSENGER FACILITY CHARGE PROGRAM AND TO MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE PASSENGER FACILITY
CHARGE AUDIT GUIDE FOR PUBLIC AGENCIES AND OMB CIRCULAR A-133
(Continued)

Internal Control Over Compliance

The management of the Airport Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to the passenger facility charge program and federal programs. In planning and performing our audit, we considered the Airport Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Airport Authority's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

November 6, 2008

EVANSVILLE VANDERBURGH AIRPORT AUTHORITY DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Year Ended December 31, 2007

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Direct Grant			
Airport Improvement Program	20.106	AIP-3-18-0020-38	\$ 46,503
		AIP-3-18-0020-40	1,294,496
		AIP-3-18-0020-41	1,598,378
		AIP-3-18-0020-43	<u>729,978</u>
Total for program			<u>3,669,355</u>
Payments for Small Community Air Service Development	20.930	2004-8-30	<u>247,808</u>
Total for Federal Grantor Agency			<u>3,917,163</u>
Total Federal Awards Expended			<u>\$ 3,917,163</u>

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

EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Evansville-Vanderburgh Airport Authority District (primary government) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Subrecipient

Of the federal expenditures presented in the schedule, the primary government provided federal awards to subrecipient as follows for the year ended December 31, 2007:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Payments for Small Community Air Service Development	20.930	<u>\$ 149,117</u>

EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
 Material weaknesses identified? no
 Reportable conditions identified that are not considered to be material weaknesses? none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:
 Material weaknesses identified? no
 Reportable conditions identified that are not considered to be material weaknesses? none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
20.106	Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

EVANSVILLE-VANDEBURGH AIRPORT AUTHORITY DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on November 10, 2008, with Robert H. Working, Manager; Doug Joest, Treasurer; H. C. Farmer, President of the Airport Authority Board; Derrick Stewart, Board member; Steve Angermeier, Accountant; and Karen Jenkins, Accounts Payable/Payroll Clerk. The officials concurred with our audit findings.