

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

ANNUAL FINANCIAL REPORT

2008

EVANSVILLE-VANDEBURGH AIRPORT AUTHORITY DISTRICT

A COMPONENT UNIT OF

VANDEBURGH COUNTY, INDIANA



FILED
08/10/2009

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Manager	Robert H. Working	01-01-08 to 12-31-09
Treasurer	Doug Joest	01-01-08 to 12-31-09
President of the Airport Authority Board	H. C. Farmer	01-01-08 to 12-31-09



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, 2008. 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, 2008, 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 July 6, 2009, 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

July 6, 2009



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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, 2008, and have issued our report thereon dated July 6, 2009. 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

July 6, 2009

EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT
STATEMENT OF NET ASSETS
December 31, 2008

Assets

Current assets:	
General fund cash and cash equivalents	\$ 296,658
Golf course cash and cash equivalents	5,452
Interest receivable	38,687
Accounts receivable	182,621
Prepaid items	31,678
Inventory	<u>15,102</u>
Total current assets	<u>570,198</u>
Noncurrent assets:	
Loan receivable	861,089
Restricted cash, cash equivalents and investments:	
Cumulative building cash and cash equivalents	3,480,242
Passenger facility charge cash and cash equivalents	547,266
Interest receivable	<u>45,926</u>
Total restricted assets	<u>4,934,523</u>
Deferred charges	<u>16,116</u>
Capital assets:	
Land, improvements to land and construction in progress	10,768,008
Other capital assets (net of accumulated depreciation)	<u>36,790,702</u>
Total capital assets	<u>47,558,710</u>
Total noncurrent assets	<u>52,509,349</u>
Total assets	<u>53,079,547</u>

Liabilities

Current liabilities:	
Accounts payable	130,400
Accrued payroll and withholdings payable	106,404
Compensated absences payable	310,274
Taxes payable	279
Current liabilities payable from restricted assets:	
Contracts payable	351,320
Retainage payable	286,995
Intrastate vouchers payable	13,280
Loan payable	<u>82,449</u>
Total current liabilities	<u>1,281,401</u>
Noncurrent liabilities:	
Loan payable	2,827,746
Compensated absences	<u>161,810</u>
Total noncurrent liabilities	<u>2,989,556</u>
Total liabilities	<u>4,270,957</u>

Net Assets

Invested in capital assets, net of related debt	44,664,631
Restricted for capital projects	4,073,434
Unrestricted	<u>70,525</u>
Total net assets	<u>\$ 48,808,590</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, 2008

Operating revenues:	
Airline income	\$ 1,843,136
Parking lot	1,193,937
Car rental agency	797,436
Rent - other	602,431
Fuel flowage fees	73,473
Golf course	593,604
Other	<u>84,884</u>
 Total operating revenues	 <u>5,188,901</u>
Operating expenses:	
Personal services:	
Salaries and wages	2,424,955
Employee pensions and benefits	481,705
Contractual services:	
Communications and transportation	255,268
Utilities	445,493
Instruction	11,872
Printing and advertising	3,106
Repairs	26,760
Other contractual services	434,885
Supplies:	
Garage and motor	11,252
Institutional and medical	20,440
Safety supplies	3,627
Office supplies	12,046
Other	87,110
Materials:	
Repair parts	32,733
Other	191
Current charges:	
Insurance	745,614
Refunds, awards and indemnities	225
Subscriptions and dues	10,188
Golf course	628,610
Depreciation	<u>3,168,503</u>
 Total operating expenses	 <u>8,804,583</u>
 Operating loss	 <u>(3,615,682)</u>
Nonoperating revenues (expenses):	
Passenger facility charge revenue	739,670
Interest on investments	225,996
Interest expense	<u>(22,863)</u>
 Total nonoperating revenues (expenses)	 <u>942,803</u>
 Loss before contributions and transfers	 (2,672,879)
Capital contributions	<u>4,282,592</u>
 Change in net assets	 1,609,713
Total net assets - beginning	<u>47,198,877</u>
Total net assets - ending	<u>\$ 48,808,590</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, 2008

Cash flows from operating activities:	
Receipts from customers and users	\$ 5,234,384
Payments to suppliers and contractors	(2,751,587)
Payments to employees	<u>(2,842,746)</u>
Net cash provided by operating activities	<u>(359,949)</u>
Cash flows from capital and related financing activities:	
Capital contributions	2,122,593
Acquisition and construction of capital assets	(3,689,268)
Loan payment received	6,922
Principal paid on loan	(78,788)
Interest paid on loan	(125,720)
Passenger facility charges	739,670
Deferred charge payments	<u>(8,466)</u>
Net cash provided by capital and related financing activities	<u>(1,033,057)</u>
Cash flows from investing activities:	
Interest received	<u>240,577</u>
Net cash provided by investing activities	<u>240,577</u>
Net increase in cash and cash equivalents	(1,152,429)
Cash and cash equivalents, January 1	<u>5,482,047</u>
Cash and cash equivalents, December 31	<u>\$ 4,329,618</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	<u>\$ (3,615,682)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	3,168,503
(Increase) decrease in assets:	
Accounts receivable	45,483
Prepaid items	(9,910)
Increase (decrease) in liabilities:	
Accounts payable	83,780
Wages, deductions and retirements payable	53,056
Contracts payable	137,952
Retainage payable	(219,166)
Taxes payable	279
Compensated absence payable	10,858
Inventory	<u>(15,102)</u>
Total adjustments	<u>3,255,733</u>
Net cash provided by operating activities	<u>\$ (359,949)</u>
Noncash investing, capital and financing activities:	
Capital assets transferred from construction in progress	\$ 9,692,762
Capital assets donated	2,160,000

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. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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 assets are restricted by virtue of Cumulative Building and Passenger Facility Charge regulations and are classified as restricted assets on the Statement of Net Assets 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:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
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

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

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.

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 \$125,719. Of the amount, \$102,856 was included as part of the cost of capital assets under construction of the east perimeter road, security fence, and detention basin in order to facilitate the development of the industrial park.

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.
8. The Airport Authority owns and operates a golf course located near the airport. Golf course cash balances, revenues and expenses are included in these financial statements.

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

II. Detailed Notes on All Funds

A. Deposits and Investments

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

B. Capital Assets

Capital asset activity for the year ended December 31, 2008, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 6,685,905	\$ 2,301,741	\$ -	\$ 8,987,646
Construction in progress	<u>7,759,500</u>	<u>3,713,624</u>	<u>9,692,762</u>	<u>1,780,362</u>
 Total capital assets, not being depreciated	 <u>14,445,405</u>	 <u>6,015,365</u>	 <u>9,692,762</u>	 <u>10,768,008</u>
Capital assets, being depreciated:				
Improvements other than buildings	9,093,048	-	-	9,093,048
Buildings	27,545,531	312,273	-	27,857,804
Runways, taxiways, and ramps	28,893,195	7,845,216	-	36,738,411
Machinery and equipment	<u>3,854,323</u>	<u>1,472,032</u>	<u>-</u>	<u>5,326,355</u>
 Totals	 <u>69,386,097</u>	 <u>9,629,521</u>	 <u>-</u>	 <u>79,015,618</u>
Less accumulated depreciation for:				
Improvements other than buildings	8,357,058	440,677	-	8,797,735
Buildings	11,378,340	868,773	-	12,247,113
Runways, taxiways, and ramps	17,037,452	1,575,747	-	18,613,199
Machinery and equipment	<u>2,288,613</u>	<u>278,256</u>	<u>-</u>	<u>2,566,869</u>
 Totals	 <u>39,061,463</u>	 <u>3,163,453</u>	 <u>-</u>	 <u>42,224,916</u>
 Total capital assets, being depreciated, net	 <u>30,324,634</u>	 <u>6,466,068</u>	 <u>-</u>	 <u>36,790,702</u>
 Total capital assets, net	 <u>\$ 44,770,039</u>	 <u>\$ 12,481,433</u>	 <u>\$ 9,692,762</u>	 <u>\$ 47,558,710</u>

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

C. Construction Commitments

Construction work in progress is composed of the following:

Project	Total Project Authorized	Expended to December 31, 2008	Committed	Required Future Funding
Buildings and runway improvements	\$ 3,247,149	\$ 1,780,362	\$ 1,466,786	\$ -

D. Long-Term Liabilities

1. Loans Payable

The Airport Authority has entered into two loans. Annual debt service requirements to maturity for the loans, including interest of \$396,717, are as follows:

2009	\$ 203,088
2010	202,995
2011	2,452,994
2012	112,319
2013	112,320
2014-2015	<u>223,196</u>
Total	<u>\$ 3,306,912</u>

2. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Loans payable	\$ 2,988,983	\$ -	\$ 78,788	\$ 2,910,195	\$ 82,449
Compensated absences	<u>461,226</u>	<u>10,858</u>	<u>-</u>	<u>472,084</u>	<u>310,274</u>
Total long-term liabilities	<u>\$ 3,450,209</u>	<u>\$ 10,858</u>	<u>\$ 78,788</u>	<u>\$ 3,382,279</u>	<u>\$ 392,723</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 2008.

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 authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at three percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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

Funding Policy 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)

	PERF
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	PERF
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%

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

Three Year Trend Information

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PERF	06-30-05	\$ 94,220	115%	\$ (61,259)
	06-30-06	118,564	89%	(48,294)
	06-30-07	133,633	87%	(30,382)

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:

2009	\$	753,415
2010		793,771
2011		576,616
2012		572,643
2013		455,163
Thereafter		<u>5,089,635</u>
 Total	 \$	 <u><u>8,241,243</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, 2008, is \$861,089.

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. During 2008, the Airport Authority received \$760,551 from thirty-nine separate airlines. The Airport Authority is authorized to receive a maximum of \$1,270,789 for PFC Application No. 1. As of December 31, 2008, the Airport Authority had received a total of \$1,107,713.

PFC Application No. 2 authorizing a maximum of \$3,983,706 was approved on December 1, 2008, for the purpose of installing a perimeter road, fence, drainage basin and administrative costs; however, no monies were received on Application No. 2 during 2008.

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

G. Establishment of a Tax Incremental Financing Allocation Area and an Airport Development Zone

Effective February 25, 2008, the Airport Authority designated all of its property as a Tax Incremental Financing Allocation Area (TIF District) and an Airport Development Zone pursuant to Indiana Code 8-22-3.5. The designated area does not include any property acquired by the Airport Authority after this date, including the golf course property acquired in March 2008. The purpose of the TIF District is to capture incremental property taxes on improvements within the District. These funds will be used for future improvements within the defined area or to service debt incurred for such improvements.

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-VANDERBURGH AIRPORT AUTHORITY DISTRICT
SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES
As Of And For The Year Ended December 31, 2008

Cash balance, as restated, January 1	<u>\$ 258,221</u>
Receipts:	
Passenger facility charge collections	760,551
Interest	<u>7,599</u>
Total receipts	<u>768,150</u>
Disbursements:	
Administrative costs	139
Video security system	74,642
Reimbursement of prior projects	<u>404,324</u>
Total disbursements	<u>479,105</u>
Cash balance, December 31	<u><u>\$ 547,266</u></u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO 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, 2008. 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 passenger facility charge program and 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 to its major federal program for the year ended December 31, 2008.

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 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 the passenger facility charge program and on its 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 the Guide and the 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 the passenger facility charge program and to its 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

July 6, 2009

EVANSVILLE VANDERBURGH AIRPORT AUTHORITY DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2008

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	\$ 27,312
		AIP-3-18-0020-42	412,252
		AIP-3-18-0020-43	<u>540,804</u>
Total for Federal Grantor Agency			<u>980,368</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Direct Grant			
Law Enforcement Officer Reimbursement Agreement Program	97.090	HSTS0208HSLR138	<u>119,562</u>
Total for Federal Grantor Agency			<u>119,562</u>
Total Federal Awards Expended			<u>\$ 1,099,930</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT
NOTE 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.

EVANSVILLE-VANDEBURGH 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-VANDERBURGH AIRPORT AUTHORITY DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on July 6, 2009, with Robert H. Working, Manager; Doug Joest, Treasurer; Pete Popham, Board member; and Steve Angermeier, Accountant. Our audit disclosed no material items that warrant comment at this time.