

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

ANNUAL FINANCIAL REPORT
2010

EVANSVILLE-VANDERBURGH
AIRPORT AUTHORITY DISTRICT

A COMPONENT UNIT OF
VANDERBURGH COUNTY, INDIANA



FILED
08/31/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Manager	Robert H. Working Douglas P. Joest	01-01-10 to 07-16-10 07-17-10 to 12-31-11
Treasurer	Douglas P. Joest David Gunn	01-01-10 to 01-23-11 01-24-11 to 12-31-11
President of the Airport Authority Board	Derrick Stewart	01-01-10 to 12-31-11



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, 2010, which collectively comprise the Airport Authority's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Airport Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Airport Authority's internal control over reporting. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Airport Authority as of December 31, 2010, and the respective changes in financial position and cash flows thereof and for the year ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 16, 2011, 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 and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Airport Authority's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit

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)

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.

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

The 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.

STATE BOARD OF ACCOUNTS

August 16, 2011



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the 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, 2010, which collectively comprise the Airport Authority's basic financial statements and have issued our report thereon dated August 16, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Airport Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Airport Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Airport Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Airport Authority's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Airport Authority's management, the Airport Authority Board, others within the entity, 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

August 16, 2011

EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT
 STATEMENT OF NET ASSETS
 December 31, 2010

Assets

Current assets:	
General fund cash and cash equivalents	\$ 419,261
Golf course cash and cash equivalents	8,223
Accounts receivable	284,299
Prepaid items	31,400
Inventory	<u>57,750</u>
Total current assets	<u>800,933</u>
Noncurrent assets:	
Loan receivable	845,708
Restricted cash, cash equivalents and investments:	
Cumulative building cash and cash equivalents	3,860,202
Passenger facility charge cash and cash equivalents	50
Interest receivable	<u>30,533</u>
Total restricted assets	<u>4,736,493</u>
Deferred charges	<u>4,029</u>
Capital assets:	
Land, improvements to land and construction in progress	14,642,567
Other capital assets (net of accumulated depreciation)	<u>30,119,919</u>
Total capital assets	<u>44,762,486</u>
Total noncurrent assets	<u>49,503,008</u>
Total assets	<u>50,303,941</u>

Liabilities

Current liabilities:	
Accounts payable	59,215
Accrued payroll and withholdings payable	123,752
Compensated absences payable	315,458
Accrued Interest	3,729
Taxes payable	158
Deferred Income	102,690
Current liabilities payable from restricted assets:	
Contracts payable	479,106
Retainage payable	91,026
Loan payable	<u>89,506</u>
Total current liabilities	<u>1,264,640</u>
Noncurrent liabilities:	
Loan payable	1,832,052
Compensated absences	<u>170,852</u>
Total noncurrent liabilities	<u>2,002,904</u>
Total liabilities	<u>3,267,544</u>

Net Assets

Invested in capital assets, net of related debt	42,844,957
Restricted for capital projects	3,890,785
Unrestricted	<u>300,655</u>
Total net assets	<u>\$ 47,036,397</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, 2010

Operating revenues:	
Airline income	\$ 1,812,419
Parking lot	1,160,123
Car rental agency	791,524
Rent - other	604,788
Fuel flowage fees	41,964
Golf course	588,439
Other	<u>26,220</u>
Total operating revenues	<u>5,025,477</u>
Operating expenses:	
Personal services	
Salaries and wages	2,468,791
Employee pensions and benefits	419,101
Contractual services	
Communications and transportation	201,073
Utilities	455,932
Instruction	4,740
Printing and advertising	117
Repairs	21,738
Other contractual services	339,160
Supplies	
Garage and motor	59,600
Institutional and medical	22,466
Safety supplies	2,906
Office supplies	7,572
Other	74,032
Materials	
Repair parts	19,962
Other	10,680
Current charges	
Insurance	821,528
Refunds, awards and indemnities	1,791
Subscriptions and dues	15,028
Golf course	722,891
Depreciation and Amortization	<u>3,373,713</u>
Total operating expenses	<u>9,042,821</u>
Operating loss	<u>(4,017,344)</u>
Nonoperating revenues (expenses):	
Property taxes	927,000
Passenger facility charge revenue	670,713
Interest on investments	116,625
Gain on Sale of Assets	15,000
Interest expense	<u>(97,026)</u>
Total nonoperating revenues (expenses)	<u>1,632,312</u>
Loss before contributions	(2,385,032)
Capital contributions	<u>1,330,316</u>
Change in net assets	(1,054,716)
Total net assets - beginning	<u>48,091,113</u>
Total net assets - ending	<u>\$ 47,036,397</u>

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

EVANSVILLE-VANDEBURGH AIRPORT AUTHORITY DISTRICT
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
As Of And For The Year Ended December 31, 2010

Cash flows from operating activities:	
Receipts from customers and users	\$ 4,764,936
Payments to suppliers and contractors	(2,925,745)
Payments to employees	<u>(2,870,261)</u>
Net cash provided by operating activities	<u>(1,031,070)</u>
Cash flows from capital and related financing activities:	
Capital contributions	1,330,316
Property Taxes	927,000
Acquisition and construction of capital assets	(1,737,519)
Proceeds from Sale of Assets	15,000
Loan payment received	7,967
Principal paid on loan	(565,529)
Interest paid on loan	(95,991)
Passenger facility charges	<u>670,713</u>
Net cash provided by capital and related financing activities	<u>551,957</u>
Cash flows from investing activities:	
Interest received	<u>150,591</u>
Net cash provided by investing activities	<u>150,591</u>
Net increase in cash and cash equivalents	(328,522)
Cash and cash equivalents, January 1	<u>4,616,258</u>
Cash and cash equivalents, December 31	<u>\$ 4,287,736</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (4,017,344)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation and Amortization	3,373,713
(Increase) decrease in assets:	
Accounts receivable	(210,526)
Prepaid items	(5,039)
Inventory	(5,577)
Increase (decrease) in liabilities:	
Accounts payable	(104,988)
Wages, deductions and retirements payable	28,702
Compensated absence payable	(11,073)
Taxes payable	606
Deferred Income	(50,014)
Contracts payable	(120,556)
Retainage payable	<u>91,026</u>
Total adjustments	<u>2,986,274</u>
Net cash provided by operating activities	<u>\$ (1,031,070)</u>
Noncash investing, capital and financing activities:	
Fully depreciated assets written off	\$ 197,247

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 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.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise 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 and administrative costs. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The 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.

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

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.

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:

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

	<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 to 30 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.

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.

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

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

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

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. Golf Course

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.

II. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The Airport Authority does not have a formal policy regarding custodial credit risk for deposits. At December 31, 2010, the Airport Authority had deposit balances in the amount of \$4,285,591.

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

B. Capital Assets

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

<u>2010</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land and land improvements (As restated)	\$ 9,027,335	\$ -	\$ -	\$ 9,027,335
Construction in progress	<u>4,009,444</u>	<u>1,605,788</u>	<u>-</u>	<u>5,615,232</u>
Total capital assets, not being depreciated	<u>13,036,779</u>	<u>1,605,788</u>	<u>-</u>	<u>14,642,567</u>
Capital assets, being depreciated:				
Buildings (As restated)	28,905,804	-	-	28,905,804
Improvements other than buildings (As restated)	9,210,709	11,534	-	9,222,243
Runways, taxiways, and ramps	36,738,411	-	-	36,738,411
Machinery and equipment (As restated)	<u>4,155,432</u>	<u>120,197</u>	<u>197,247</u>	<u>4,078,382</u>
Totals	<u>79,010,356</u>	<u>131,731</u>	<u>197,247</u>	<u>78,944,840</u>

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

<u>2010</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Less accumulated depreciation for:				
Buildings (As restated)	(13,158,196)	(921,596)	-	(14,079,792)
Improvements other than buildings (As restated)	(8,889,312)	(88,278)	-	(8,977,590)
Runways, taxiways, and ramps	(20,779,701)	(2,116,892)	-	(22,896,593)
Machinery and equipment	<u>(2,829,305)</u>	<u>(238,888)</u>	<u>(197,247)</u>	<u>(2,870,946)</u>
Totals	<u>(45,656,514)</u>	<u>(3,365,654)</u>	<u>(197,247)</u>	<u>(48,824,921)</u>
Total capital assets, being depreciated, net	<u>33,353,842</u>	<u>(3,233,923)</u>	<u>-</u>	<u>30,119,919</u>
Total capital assets, net	<u>\$ 46,390,621</u>	<u>\$ (1,628,135)</u>	<u>\$ -</u>	<u>\$ 44,762,486</u>

Depreciation expense was charged to functions/programs of the Airport Authority as follows:

	<u>2010</u>
Airport Authority	<u>\$ 3,361,625</u>
Total depreciation expense	<u>\$ 3,361,625</u>

C. Construction Commitments

Construction work in progress is composed of the following:

	<u>2010</u>	
<u>Project</u>	<u>Expended to December 31,</u>	<u>Committed</u>
Building and runway improvements	<u>\$ 5,615,232</u>	<u>\$ 1,425,286</u>

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 \$221,386, are as follows:

	<u>Principal</u>	<u>Interest</u>
2011	\$ 89,506	\$ 76,809
2012	93,490	72,625
2013	1,526,928	58,948
2014	103,319	9,001
2015	<u>108,315</u>	<u>4,003</u>
Totals	<u>\$ 1,921,558</u>	<u>\$ 221,386</u>

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

2. Changes in Long-Term Liabilities

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

<u>2010</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Loans payable	\$ 2,487,087	\$ -	\$ 565,529	\$ 1,921,558	\$ 89,506
Compensated absences	497,383	-	11,073	486,310	315,458
Total Long-term liabilities	<u>\$ 2,984,470</u>	<u>\$ -</u>	<u>\$ 576,602</u>	<u>\$ 2,407,868</u>	<u>\$ 404,964</u>

The Airport Authority entered into a \$4,000,000 loan agreement with Old National Bank on November 27, 2007. This agreement had an original maturity date of November 1, 2011 and was subsequently modified on March 17, 2011. The modification decreased the interest rate from 4.03% to 3.78% effective March 17, 2011 and extended the maturity date of the loan to November 1, 2013. The outstanding loan balance was \$1,428,437 at year-end and is properly classified on the balance sheet as long-term in compliance with SFAS No. 6 Classification of Short-Term Obligations Expected to Be Refinanced.

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.

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 currently calling for a monthly payment of \$8,600. Total rent received under this arrangement was \$77,402 in 2010.

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

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

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 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
1 North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy

The Airport Authority is required to contribute at an actuarially determined rate; the current rate is 7.25 percent of annual covered payroll. In addition, the Airport Authority is contributing on behalf of PERF members their required 3 percent contribution to the plan. The contribution requirements of plan members and the Airport Authority are established and may be amended by the PERF Board of Trustees.

Annual Pension Cost

For 2010, the Airport Authority's annual pension cost of \$191,519 for PERF was greater than the Airport Authority's required and actual contributions.

Actuarial Information for the Above Plan

		PERF
Annual required contribution	\$	191,329
Interest on net pension obligation		(1,359)
Adjustment to annual required contribution		1,549
		191,519
Annual pension cost		191,519
Contributions made		164,246
Increase in net pension obligation		27,273
Net pension obligation, beginning of year		(18,745)
Net pension obligation, end of year	\$	8,528

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

	PERF
Contribution rates:	
Government	7.25%
Plan members	3%
Actuarial valuation date	06-30-10
Actuarial cost method	Entry Age Normal Cost - Level Percent of Payroll
Amortization method	Unfunded Actuarial Accrued Liability
Amortization period	30 years
Asset valuation method	4-year smoothing of gains/losses on market value

Actuarial Assumptions	PERF
Investment rate of return	7.00%
Projected future salary increases:	
Total	4.00%
Cost-of-living adjustments	1.00%

Three Year Trend Information				
	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-08	149,704	94%	(21,345)
	06-30-09	159,238	98%	(18,745)
	06-30-10	191,519	86%	8,528

Funded Status and Funding Progress for the Above Plan

The funded status of each plan as of June 30, 2010, the most recent actuarial valuation date is as follows:

	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL or (Funding Excess) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL or (Funding Excess) as a Percentage of Covered Payroll ((b-a)/c)
Retirement Plan						
PERF	\$ 2,740,612	\$ 4,013,737	\$ 1,273,125	68%	\$ 2,345,353	54%

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

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

D. 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 non-cancelable leases to be received in each of the next five years and later years are as follows:

2011	\$ 704,243
2012	578,639
2013	558,776
2014	521,892
2015	509,792
Thereafter	<u>3,608,414</u>
Total	<u>\$ 6,481,756</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, 2010 is \$845,708.

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 non-operating revenues by the Airport Authority as they are earned. During 2010, the Airport Authority did not receive any PFC's for this application. The Airport Authority is authorized to receive a maximum of \$1,270,789 for PFC Application No. 1. As of December 31, 2010, the Airport Authority had received a total of \$1,017,714.

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. During 2010, the Airport Authority received \$669,611 from airline carriers towards this second application. As of December 31, 2010, the Airport Authority had received a total of \$1,234,533.

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. During calendar year 2010, no property was affected by the TIF designation resulting in no TIF funds being received.

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)
06/30/08	\$ 2,924,343	\$ 3,302,158	\$ (377,815)	89%	\$ 2,193,404	(17%)
06/30/09	2,939,091	3,635,198	(696,107)	81%	2,341,164	(30%)
06/30/10	2,740,612	4,013,737	(1,273,125)	68%	2,345,353	(54%)

EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT
SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES
As Of And For The Year Ended December 31, 2010

Cash balance, January 1	<u>\$ 192</u>
Receipts:	
Passenger facility charge collections	669,611
Interest	<u>89</u>
Total receipts	<u>669,700</u>
Disbursements:	
Administrative costs	84
Perimeter road, detention basin and fence	<u>669,758</u>
Total disbursements	<u>669,842</u>
Cash balance, December 31	<u><u>\$ 50</u></u>

EVANSVILLE-VANDEBURGH AIRPORT AUTHORITY DISTRICT
AUDIT RESULT AND COMMENT

Investment Maturity Limitation

One investment was purchased for a period of 35 months. Airport officials stated that they purchased this investment due to the higher interest rate and because the bank stated there would be no penalty if withdrawals were made prior to the maturity date. However, this term does exceed the limit set by Indiana statutes.

Unless otherwise allowed in IC 5-13-9-2(f) or IC 5-13-9-2(g), investments made under IC 5-13-9 must have a stated final maturity of not more than two years after the date of purchase or entry into a repurchase agreement. [IC 5-13-9-5.6] (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 15)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO PASSENGER FACILITY CHARGE PROGRAM AND TO ITS
MAJOR PROGRAM AND ON 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 the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2010. The 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 to its major federal program for the year ended December 31, 2010.

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 its major federal program in order to determine our auditing procedures for

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO PASSENGER FACILITY CHARGE PROGRAM AND TO ITS
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
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GUIDE FOR PUBLIC AGENCIES AND OMB CIRCULAR A-133
(Continued)

the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Airport Authority's internal control over compliance.

A control deficiency in an Airport Authority's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

This report is intended solely for the information and use of the Airport Authority's management, the Airport Authority Board, 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

August 16, 2011

EVANSVILLE VANDERBURGH AIRPORT AUTHORITY DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Year Ended December 31, 2010

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Direct Grant			
Airport Improvement Program	20.106	AIP-3-18-0020-44	\$ 160,550
		AIP-3-18-0020-45	758,388
		AIP-3-18-0020-46	347,372
		AIP-3-18-0020-47	<u>44,482</u>
Total for federal grantor agency			<u>1,310,792</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Direct Grant			
Law Enforcement Officer Reimbursement Agreement Program	97.090	HSTS0208HSLR138	<u>142,355</u>
Total for federal grantor agency			<u>142,355</u>
Total federal awards expended			<u>\$ 1,453,147</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 conformity with accounting principles generally accepted in the United States of America which is the basis of accounting used in the presentation of the financial statements. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

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

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

Identification of Major Programs:

CFDA Number	Name of Federal Program 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-VANDEBURGH 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 August 16, 2011, with David Gunn, Treasurer; Douglas P. Joest, Manager and former Treasurer; and Dennis Guthery, Accounting Manager. The officials concurred with our audit finding.