

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

FINANCIAL STATEMENTS AND
FEDERAL SINGLE AUDIT REPORT

EVANSVILLE VANDERBURGH
AIRPORT AUTHORITY DISTRICT
A COMPONENT UNIT OF
VANDERBURGH COUNTY, INDIANA

January 1, 2012 to December 31, 2012



FILED
09/20/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Manager	Douglas P. Joest	01-01-12 to 12-31-13
Treasurer	Derrick Stewart	01-01-12 to 12-31-13
President of the Board	Rick Kaskel	01-01-12 to 12-31-13



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2012, and the related notes to the financial statements, which collectively comprise the Airport Authority's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Airport Authority's internal control. Accordingly, we express no such opinion. An audit includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that our audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Airport Authority as of December 31, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Matters

Required Supplementary Information

Management has omitted Management's Discussion and Analysis and the Schedule of Funding Progress that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Airport Authority basic financial statements. The accompanying Schedule of Expenditures of Federal Awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (Circular A-133) and the Schedule of Expenditures of Passenger Facility Charges, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and the Schedule of Expenditures of Passenger Facility Charges are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditure of Federal Awards and the Schedule of Expenditures of Passenger Facility Charges are fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 14, 2013, on our consideration of the Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Airport Authority's internal control over financial reporting and compliance.



Bruce Hartman
State Examiner

August 14, 2013



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INDEPENDENT AUDITOR'S 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Evansville Vanderburgh Airport Authority District (Airport Authority), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Airport Authority's basic financial statements and have issued our report thereon dated August 14, 2013.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

INDEPENDENT AUDITOR'S 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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



Bruce Hartman
State Examiner

August 14, 2013

FINANCIAL STATEMENTS

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

EVANSVILLE VANDERBURGH AIRPORT AUTHORITY DISTRICT
STATEMENT OF NET POSITION
December 31, 2012

Assets

Current assets:	
General fund cash and cash equivalents	\$ 1,426,561
Golf course cash and cash equivalents	10,810
Accounts receivable	284,399
Prepaid items	13,825
Inventory	<u>56,353</u>
 Total current assets	 <u>1,791,948</u>
Noncurrent assets:	
Restricted cash, cash equivalents and investments:	
Cumulative building cash and cash equivalents	6,246,198
Passenger facility charge cash and cash equivalents	55,246
Interest receivable	60,925
Other restricted assets:	
Grant receivable	<u>89,429</u>
 Total restricted assets	 <u>6,451,798</u>
Capital assets:	
Land, improvements to land, other, and construction in progress	28,907,281
Other capital assets (net of accumulated depreciation)	<u>26,161,689</u>
 Total capital assets	 <u>55,068,970</u>
 Total noncurrent assets	 <u>61,520,768</u>
 Total assets	 <u>63,312,716</u>

Liabilities

Current liabilities:	
Accounts payable	898,893
Accrued payroll and withholdings payable	79,976
Compensated absences payable	359,551
Security deposits payable	820
Accrued interest	12,854
Current liabilities payable from restricted assets:	
Contracts payable	250,162
Loan payable	<u>529,033</u>
 Total current liabilities	 <u>2,131,289</u>
Noncurrent liabilities:	
Loan payable	172,863
Compensated absences	<u>184,895</u>
 Total noncurrent liabilities	 <u>357,758</u>
 Total liabilities	 <u>2,489,047</u>

Net Position

Net investment in capital assets	53,625,813
Restricted for:	
Transportation and public works	6,451,798
Unrestricted	<u>746,058</u>
 Total net position	 <u>\$ 60,823,669</u>

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

EVANSVILLE VANDERBURGH AIRPORT AUTHORITY DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
As Of And For The Year Ended December 31, 2012

Operating revenues:	
Airline income	\$ 1,807,130
Parking lot	1,196,347
Car rental agency	784,667
Rent - other	766,712
Fuel flowage fees	41,705
Golf course	619,112
Other	<u>8,969</u>
 Total operating revenues	 <u>5,224,642</u>
Operating expenses:	
Personal services:	
Salaries and wages	2,517,635
Employee pensions and benefits	507,327
Contractual services:	
Communications and transportation	228,370
Utilities	447,285
Instruction	8,781
Printing and advertising	183
Repairs	32,094
Other contractual services	431,146
Supplies:	
Garage and motor	75,158
Institutional and medical	26,723
Safety supplies	5,040
Office supplies	13,458
Other	99,913
Materials:	
Repair parts	19,276
Other	8,775
Current charges:	
Insurance	924,367
Refunds, awards, and indemnities	32
Subscriptions and dues	17,272
Golf course	667,024
Depreciation and Amortization	<u>3,305,071</u>
 Total operating expenses	 <u>9,334,930</u>
 Operating loss	 <u>(4,110,288)</u>
Nonoperating revenues (expenses):	
Property and other taxes	2,265,631
Passenger facility charge revenue	665,437
Interest on investments	55,144
Gain on sale of assets	5,035
Interest expense	<u>(42,711)</u>
 Total nonoperating revenues (expenses)	 <u>2,948,536</u>
 Loss before contributions	 (1,161,752)
Capital contributions	<u>10,010,006</u>
 Change in net position	 8,848,254
Total net position - beginning	<u>51,975,415</u>
Total net position - ending	<u>\$ 60,823,669</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, 2012

Cash flows from operating activities:	
Receipts from customers and users	\$ 5,234,654
Payments to suppliers and contractors	(2,285,804)
Payments to employees	<u>(3,061,175)</u>
Net cash used by operating activities	<u>(112,325)</u>
Cash flows from capital and related financing activities:	
Capital contributions	9,968,247
Property and other taxes	2,265,631
Acquisition and construction of capital assets	(11,718,032)
Proceeds from sale of assets	5,035
Loan payment received	837,174
Principal paid on loan	(613,562)
Interest paid on loan	(32,478)
Passenger facility charges	<u>665,437</u>
Net cash provided by capital and related financing activities	<u>1,377,452</u>
Cash flows from investing activities:	
Interest received	<u>36,135</u>
Net cash provided by investing activities	<u>36,135</u>
Net increase in cash and cash equivalents	1,301,262
Cash and cash equivalents, January 1	<u>6,437,553</u>
Cash and cash equivalents, December 31	<u>\$ 7,738,815</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	<u>\$ (4,110,288)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation and amortization	3,305,071
(Increase) decrease in assets:	
Accounts receivable	39,539
Prepaid items	49,167
Inventory	10,598
Increase (decrease) in liabilities:	
Accounts payable	772,929
Wages, deductions, and retirements payable	(51,332)
Compensated absence payable	15,119
Taxes payable	(189)
Deferred income	(30,072)
Contracts payable	(113,412)
Security deposits payable	<u>545</u>
Total adjustments	<u>3,997,963</u>
Net cash provided by operating activities	<u>\$ (112,325)</u>
Reconciliation of cash at end of year:	
Nonrestricted cash and cash equivalents	
General fund cash and cash equivalents	\$ 1,426,561
Golf course cash and cash equivalents	10,810
Restricted cash and cash equivalents:	
Cumulative building cash and cash equivalents	6,246,198
Passenger facility charge cash and cash equivalents	<u>55,246</u>
Total cash at end of year	<u>\$ 7,738,815</u>
Noncash investing, capital and financing activities:	
Purchases of property, plant, equipment, and construction in progress recorded in accounts payable	\$ 741,261

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. There are no significant component units which require inclusion.

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 Position; Statement of Revenues, Expenses, and Changes in Net Position; 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 non-operating 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 non-operating 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 Position 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 are reported as investments at cost.

Investment income is reported as non-operating revenue in the operating statement.

2. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

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 Position because their use is limited by applicable governing body action.

The financial statements report \$6,451,798 in restricted net position of which all is restricted by enabling legislation.

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the financial statements. An alcohol license was acquired from an acquisition of a golf course in 2008 and is also included in capital assets. The actual cost of the alcohol license is recorded at cost and is reported as other capital assets not being depreciated.

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 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.

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.

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 Position. Loan issuance costs, when incurred, are reported as deferred charges and amortized over the term of the related debt.

7. Property and Other Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Airport Authority in June and in December; however, situations can arise which would delay the distributions. 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 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments 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.

County Option Income Tax (COIT) is imposed on the Indiana adjusted gross income of individual resident and nonresident taxpayers of each county within the State of Indiana. The Airport Authority receives County Option Income Tax (COIT) distributions from the County Treasurer on a monthly basis.

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

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, 2012, the Airport Authority had deposit balances in the amount of \$7,736,470.

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, 2012, was as follows:

2012	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 8,997,072	\$ -	\$ -	\$ 8,997,072
Other	-	35,002	-	35,002
Construction in progress	<u>8,281,508</u>	<u>11,740,475</u>	<u>146,776</u>	<u>19,875,207</u>
Total capital assets, not being depreciated	<u>17,278,580</u>	<u>11,775,477</u>	<u>146,776</u>	<u>28,907,281</u>
Capital assets, being depreciated:				
Buildings	30,108,193	53,890	-	30,162,083
Improvements other than buildings	9,405,278	271,564	-	9,676,842
Runways, taxiways, and ramps	37,572,234	-	299,909	37,272,325
Machinery and equipment	<u>4,498,949</u>	<u>98,788</u>	<u>108,863</u>	<u>4,488,874</u>
Totals	<u>81,584,654</u>	<u>424,242</u>	<u>408,772</u>	<u>81,600,124</u>

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

2012	Beginning Balance	Increases	Decreases	Ending Balance
Less accumulated depreciation for:				
Buildings	(15,025,211)	(948,921)	-	(15,974,132)
Improvements other than buildings	(9,075,292)	(54,070)	-	(9,129,362)
Runways, taxiways, and ramps	(25,017,770)	(2,034,653)	-	(27,052,423)
Machinery and equipment	(3,121,620)	(269,761)	(108,863)	(3,282,518)
Totals	(52,239,893)	(3,307,405)	(108,863)	(55,438,435)
Total capital assets, being depreciated, net	29,344,761	(2,883,163)	299,909	26,161,689
Total capital assets, net	<u>\$ 46,623,341</u>	<u>\$ 8,892,314</u>	<u>\$ 446,685</u>	<u>\$ 55,068,970</u>

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

	2012
Airport Authority	<u>\$ 3,307,405</u>
Total depreciation expense	<u>\$ 3,307,405</u>

C. Construction Commitments

Construction work in progress is composed of the following:

Project	2012	
	Expended to December 31,	Committed
Building and runway improvements	<u>\$ 19,875,207</u>	<u>\$ 20,435,213</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 \$34,826, are as follows:

	Principal	Interest
2013	\$ 529,033	\$ 25,758
2014	105,207	7,112
2015	67,656	1,956
Totals	<u>\$ 701,896</u>	<u>\$ 34,826</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, 2012, was as follows:

2012	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Loans payable	\$ 1,315,458	\$ -	\$ 613,562	\$ 701,896	\$ 529,033
Compensated absences	529,327	15,119	-	544,446	359,551
Total long-term liabilities	<u>\$ 1,844,785</u>	<u>\$ 15,119</u>	<u>\$ 613,562</u>	<u>\$ 1,246,342</u>	<u>\$ 888,584</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 percent to 3.78 percent effective March 17, 2011, and extended the maturity date of the loan to November 1, 2013. The outstanding loan balance was \$428,741 at December 31, 2012.

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 \$103,203 in 2012.

C. Pension Plan

Indiana Public Retirement System

Plan Description

The Airport Authority contributes to the Indiana Public Retirement System (INPRS), a defined benefit pension plan. INPRS 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

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

INPRS Board, most requirements of the system and give the Airport Authority the authority to contribute to the plan. The INPRS 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 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
www.inprs.in.gov
Ph. (317) 233-4162

Funding Policy

The Airport Authority is required to contribute at an actuarially determined rate; the current rate is 10.50 percent of annual covered payroll. In addition, the Airport Authority is contributing on behalf of INPRS 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 INPRS Board of Trustees.

Annual Pension Cost

For 2012, the Airport Authority's annual pension cost of \$265,202 for INPRS was greater than the Airport Authority's required and actual contributions.

Actuarial Information for the Above Plan

		INPRS
Annual required contribution	\$	266,099
Interest of 7.0 percent on 06-30-11 on Net Pension Obligation		5,935
Adjustment to Annual Required Contribution		(6,832)
Annual Pension Cost		265,202
Contributions made 07-01-11 to 06-30-12		205,565
Change in Net Pension Obligation		59,637
Net Pension Obligation as of 06-30-11		84,783
Net Pension Obligation as of 06-30-12	\$	144,420

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

	INPRS
Contribution rates:	
Government	10.50%
Plan members	3%
Actuarial valuation date	6-30-12
Actuarial cost method	Entry Age Normal Cost -
Amortization method	Level Percent of Payroll
	Unfunded Actuarial
	Accrued Liability
Amortization period	30 years
Asset valuation method	4-year smoothing of
	gains/losses on market
	value with a 20% corridor

Actuarial Assumptions	PERF
Investment rate of return	6.75%
Projected future salary increases:	Age-based rates ranging
	from 3.25 % - 4.5 %, based
	on 2005-2010 experience
Cost-of-living adjustments	1.0%

Three Year Trend Information					
	Year Ending	Annual Pension Cost (APC)	Employer Contribution	Percentage of APC Contributed	Net Pension Obligation
INPRS	06-30-10	\$ 191,519	\$ 164,246	86%	\$ 8,528
	06-30-11	249,312	173,057	69%	84,783
	06-30-12	265,202	205,565	78%	144,420

Funded Status and Funding Progress for the Above Plan

The funded status of each plan as of June 30, 2012, the most recent actuarial valuation date is as follows:

	Actuarial Value of Plan Assets ("AVA") (a)	Actuarial Accrued Liability Entry Age ("AAL") (b)	Unfunded AAL or (Funding Excess) (AVA - AAL) (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						
INPRS	<u>\$ 2,032,806</u>	<u>\$ 4,133,772</u>	<u>\$ 2,100,966</u>	49%	<u>\$ 2,452,861</u>	86%

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

2013	\$ 746,127
2014	406,228
2015	406,228
2016	399,694
2017	393,160
Thereafter	<u>2,514,889</u>
Total	<u>\$ 4,866,326</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 was to be repaid over 35 years with an interest rate of 7 percent. This loan was paid off during 2012 resulting in an outstanding balance \$0 at December 31, 2012.

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 2012, 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, 2012, 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 basis, and administrative costs. During 2012, the Airport Authority received \$665,437 from airline carriers towards this second application. As of December 31, 2012, the Airport Authority had received a total of \$2,580,741.

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 2012, no property was affected by the TIF designation resulting in no TIF funds being received.

EVANSVILLE VANDERBURGH AIRPORT AUTHORITY DISTRICT
SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES
As Of And For The Year Ended December 31, 2012

Cash balance, January 1	<u>\$ 17,518</u>
Receipts:	
Passenger facility charge collections	665,437
Interest	<u>58</u>
Total receipts	<u>665,495</u>
Disbursements:	
Perimeter road, detention basin and fence	<u>627,767</u>
Total disbursements	<u>627,767</u>
Cash balance, December 31	<u><u>\$ 55,246</u></u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

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

Report on Compliance for the Major Federal Program

We have audited the Evansville Vanderburgh Airport Authority District's (Airport Authority) compliance 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 as described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2012. The Airport Authority's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the passenger facility charge program and to its major federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the passenger facility charge program and for the Airport Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Airport Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the passenger facility charge program and for the major federal program. However, our audit does not provide a legal determination of the Airport Authority's compliance.

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

Opinion on the Passenger Facility Charge Program and the Major Federal Program

In our opinion, the Airport Authority complied in all material respects with the types of compliance requirements referred to above that are applicable to its passenger facility charge program and that could have a direct and material effect on its major federal program for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of the Airport Authority is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Airport Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the passenger facility charge program and its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the for the passenger facility charge program and for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Airport Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Bruce Hartman
State Examiner

August 14, 2013

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

EVANSVILLE VANDERBURGH AIRPORT AUTHORITY DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2012

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	\$ 35,817
		AIP-3-18-0020-45	21,256
		AIP-3-18-0020-46-2010	144,367
		AIP-3-18-0020-47-2010	79,392
		AIP-3-18-0020-48-2011	856,681
		AIP-3-18-0020-49-2011	3,732,456
		AIP-3-18-0020-50-2011	1,490,632
		AIP-3-18-0020-51-2011	1,177,837
		AIP-3-18-0020-52-2012	831,880
		AIP-3-18-0020-53-2012	<u>1,469,587</u>
Total for Program			<u>9,839,905</u>
Total for federal grantor agency			<u>9,839,905</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Direct Grant			
Law Enforcement Officer Reimbursement Agreement Program	97.090	HSTS0208HSLR138	<u>85,938</u>
Total for federal grantor agency			<u>85,938</u>
Total federal awards expended			<u>\$ 9,925,843</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

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Airport Authority (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:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	no

Identification of Major Program:

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

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	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 August 14, 2013, with Douglas P. Joest, Manager; Dennis Guthery, Accounting Manager; Rick Kaskel, President of the Board; Derrick Stewart, Treasurer; and Karen Jenkins, Accounts Payable Clerk. Our audit disclosed no material items that warrant comment at this time.