

**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, 2015 to December 31, 2015



**FILED**  
01/06/2017



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#### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Douglas P. Joest	01-01-15 to 12-31-16
Treasurer	J P Englebrecht Alan Leibundguth Douglas P. Joest	01-01-15 to 07-26-15 07-27-15 to 06-26-16 06-27-16 to 12-31-16
President of the Board	Rick Kaskel J P Englebrecht	01-01-15 to 06-26-16 06-27-16 to 12-31-16





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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), a component unit of Vanderburgh County, as of and for the years ended December 31, 2015 and 2014, 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 also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

**Opinion**

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, 2015 and 2014, and the respective changes in financial position and, where applicable, cash flows thereof and for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note I D 11 to the financial statements, in 2015, the Airport Authority adopted new accounting guidance, GASB Statement 68 *Accounting and Financial Reporting for Pensions* and GASB Statement 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Schedule of Proportionate Share of Net Pension Liability - Retirement Plan and Schedule of Contributions - Retirement Plan, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require 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 Government 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 Passenger Facility Charges and Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

The Schedule of Expenditures of Passenger Facility Charges and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate 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 Expenditures of Passenger Facility Charges and Schedule of Expenditures of Federal Awards 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 December 16, 2016, 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.

  
Paul D. Joyce, CPA  
State Examiner

December 16, 2016



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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), a component unit of Vanderburgh County, as of and for the year ended December 31, 2015, 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 December 16, 2016.

**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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in items 2015-001 and 2015-002 of the accompanying Schedule of Findings and Questioned Costs that we consider to be material weaknesses.

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**

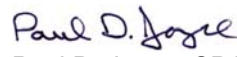
As part of obtaining reasonable assurance about whether the Airport Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2015-001 and 2015-002.

**Airport Authority's Response to Findings**

The Airport Authority's response to the findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. The Airport Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of This Report**

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

  
Paul D. Joyce, CPA  
State Examiner

December 16, 2016

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## BASIC FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

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  
As Of And For The Year Ended December 31, 2015 and 2014

	12/31/2015	12/31/2014
Assets		
Current assets:		
Cash and cash equivalents		
General Fund	\$ 2,886,850	\$ 2,039,811
Golf Course	\$ 74,457	\$ 22,763
Accounts receivable (net of allowance)	\$ 329,695	\$ 252,985
Prepaid items	\$ 69,685	\$ 43,078
Inventory	\$ 48,192	\$ 66,756
Total current assets	<u>\$ 3,408,879</u>	<u>\$ 2,425,393</u>
Noncurrent assets:		
Restricted cash, cash equivalents and investments:		
Cash and cash equivalents		
Cumulative Building Fund	\$ 3,611,132	\$ 1,734,965
Passenger Facility Charge Fund	\$ 77,160	\$ 95,395
Other restricted assets		
Grants receivable	\$ 330,778	\$ 2,878,436
Total restricted assets	<u>\$ 4,019,070</u>	<u>\$ 4,708,796</u>
Capital assets:		
Land, improvements to land and construction in process	\$ 77,893,031	\$ 77,939,577
Other capital assets (net of accumulated depreciation)	\$ 20,824,022	\$ 20,487,450
Total capital assets	<u>\$ 98,717,053</u>	<u>\$ 98,427,027</u>
Total noncurrent assets	<u>\$ 102,736,123</u>	<u>\$ 103,135,823</u>
Total assets	<u>\$ 106,145,002</u>	<u>\$ 105,561,216</u>
Deferred Outflow of Resources Related to Pension Benefits	\$ 778,494	\$ -
Liabilities		
Current liabilities		
Accounts payable	\$ 312,358	\$ 244,454
Accrued payroll and withholdings payable	\$ 69,446	\$ 27,168
Accrued Interest	\$ 5,964	\$ 5,964
Taxes payable	\$ 487	\$ 175
Compensated absences	\$ 344,986	\$ 334,471
Security deposits payable	\$ 1,820	\$ 3,845
Current liabilities payable from restricted assets:		
Contracts payable	\$ (4,129)	\$ 24,293
Accounts payable	\$ 113,773	\$ 1,879,321
Loan payable	\$ 33,753	\$ 32,604
Total current liabilities	<u>\$ 878,458</u>	<u>\$ 2,552,295</u>
Noncurrent liabilities:		
Loan payable	\$ 174,737	\$ 208,489
Compensated absences	\$ 217,099	\$ 198,627
Net pension obligation	\$ 2,071,885	
Total noncurrent liabilities	<u>\$ 2,463,721</u>	<u>\$ 407,116</u>
Total liabilities	<u>\$ 3,342,179</u>	<u>\$ 2,959,411</u>
Deferred Inflow of Resources Related to Pension Benefits	\$ 211,273	
Net Assets		
Invested in capital assets, net of related debt	\$ 98,398,920	\$ 96,282,321
Restricted for other purposes	\$ 4,019,070	\$ 4,708,796
Unrestricted	\$ 952,054	\$ 1,610,688
Total net assets	<u>\$ 103,370,044</u>	<u>\$ 102,601,805</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, 2015 and 2014

	12/31/2015	12/31/2014
Operating revenues:		
Airline Income	\$ 1,809,177	\$ 1,729,018
Parking lot	\$ 1,553,585	\$ 1,257,842
Car rental agency	\$ 840,881	\$ 738,594
Federal operating grants	\$ 200,830	\$ 431,017
Rent - other	\$ 812,877	\$ 835,302
Fuel flowage fees	\$ 51,269	\$ 50,711
Golf course	\$ 623,403	\$ 573,685
Other	\$ 16,528	\$ 38,421
Total operating revenues	<u>\$ 5,908,550</u>	<u>\$ 5,654,590</u>
Operating expenses:		
Personal services		
Salaries and wages	\$ 2,630,556	\$ 2,451,147
Employee pensions and benefits	\$ 867,865	\$ 505,505
Contractual services		
Communications and transportation	\$ 256,122	\$ 240,797
Utilities	\$ 465,686	\$ 471,207
Instruction	\$ 27,558	\$ 26,098
Printing and advertising	\$ 1,172	\$ 1,650
Repairs	\$ 58,457	\$ 54,572
Other contractual services	\$ 919,083	\$ 881,660
Supplies		
Garage and motor	\$ 75,973	\$ 90,059
Institutional and medical	\$ 38,629	\$ 35,306
Safety supplies	\$ 8,850	\$ 11,526
Office supplies	\$ 11,987	\$ 18,005
Other	\$ 59,586	\$ 49,596
Materials		
Repair parts	\$ 77,097	\$ 38,612
Other	\$ 13,426	\$ 12,103
Current charges		
Insurance	\$ 969,786	\$ 945,532
Subscriptions and dues	\$ 19,492	\$ 26,848
Golf Course	\$ 580,190	\$ 603,039
Depreciation	\$ 2,416,933	\$ 3,292,316
Total operating expenses	<u>\$ 9,498,448</u>	<u>\$ 9,755,578</u>
Operating loss	<u>\$ (3,589,898)</u>	<u>\$ (4,100,988)</u>
Nonoperating revenues (expenses):		
Property and other taxes	\$ 2,238,524	\$ 2,234,547
Passenger facility charge revenue	\$ 814,894	\$ 729,612
Interest and investments	\$ 2,533	\$ 2,259
Interest expense	\$ (8,347)	\$ (17,048)
Total nonoperating revenues (expenses)	<u>\$ 3,047,604</u>	<u>\$ 2,949,370</u>
Loss before contributions	\$ (542,294)	\$ (1,151,618)
Capital Contributions	<u>\$ 2,490,562</u>	<u>\$ 24,666,131</u>
Change in net position	\$ 1,948,268	\$ 23,514,513
Total net position - beginning	\$ 102,601,805	\$ 78,918,718
Prior period adjustment for change in accounting principle	<u>\$ (1,180,029)</u>	<u>\$ 168,574</u>
Total net position - ending	<u><u>\$ 103,370,044</u></u>	<u><u>\$ 102,601,805</u></u>

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



EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT  
STATEMENT OF CASH FLOWS  
As Of And For The Year Ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Receipts from customers and users	5,831,841	5,654,735
Payments to suppliers and contractors	(5,318,916)	(3,664,853)
Payments to employees	<u>(3,102,522)</u>	<u>(3,125,537)</u>
Net cash used by operating activities	<u>\$ (2,589,597)</u>	<u>\$ (1,135,655)</u>
Cash flows from capital and related financing activities:		
Capital contributions	5,038,220	21,967,984
Property and Other Taxes	2,238,524	2,234,547
Acquisition and construction of capital assets	(2,706,959)	(24,839,714)
Loan Proceeds	0	276,250
Principal paid on loan	\$ (32,603)	\$ (193,830)
Interest paid on loan	(8,347)	(12,347)
Passenger facility charges	<u>814,894</u>	<u>729,612</u>
Net cash provided by capital and related financing activities	<u>5,343,729</u>	<u>162,502</u>
Cash flows from investing activities:		
Interest received	<u>2,533</u>	<u>2,259</u>
Net cash provided by investing activities	<u>2,533</u>	<u>2,259</u>
Net increase in cash and cash equivalents	2,756,665	(970,893)
Cash and cash equivalents, January 1	<u>3,892,934</u>	<u>4,863,827</u>
Cash and cash equivalents, December 31	<u><u>6,649,599</u></u>	<u><u>3,892,934</u></u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	<u>(3,589,898)</u>	<u>(4,100,988)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and Amortization	2,416,933	3,292,316
Pension Expense	324,635	
(Increase) decrease in assets:		
Accounts receivable	(76,710)	145
Prepaid items	(26,607)	(7,906)
Inventory	18,564	(2,710)
Increase (decrease) in liabilities:		
Accounts payable	(1,697,644)	(32,425)
Wages, deductions and retirements payable	42,278	(62,965)
Compensated absence payable	28,986	(105,919)
Taxes payable	313	(36)
Security deposits payable	(2,025)	3,025
Contracts payable	<u>(28,422)</u>	<u>(118,192)</u>
Total adjustments	<u>\$ 1,000,301</u>	<u>\$ 2,965,333</u>
Net cash provided by operating activities	<u><u>\$ (2,589,597)</u></u>	<u><u>\$ (1,135,656)</u></u>
Reconciliation of Cash at End of Year:		
Nonrestricted cash and cash equivalents		
General fund cash and cash equivalents	2,886,850	2,039,811
Golf course cash and cash equivalents	74,457	22,763
Restricted cash and cash equivalents		
Cumulative building cash and cash equivalents	3,611,132	1,734,965
Passenger facility charge cash and cash equivalents	77,160	95,395
Total Cash at End of Year	<u><u>6,649,599</u></u>	<u><u>3,892,934</u></u>

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 \$4,019,070 and \$4,708,796 of restricted assets at December 31, 2015 and 2014, respectively, 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.

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 <u>Threshold</u>	Depreciation <u>Method</u>	Estimated <u>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



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

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. Teamsters are to be paid out a maximum of sixty (60) 8 hour days and Safety Officers are to be paid a maximum of fourteen (14) 24 hour days
- 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 24 hours 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. For purposes of measuring the net position liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Indiana Public Employees Retirement Fund (PERF) and additions to/deductions from PERF's fiduciary net position have been determined on the same basis as they are reported by PERF. Indiana Public Retirement System financial reports have been prepared using the accrual basis of accounting in conformity with generally accepted account principles (GAAP) as applied to government units.

8. 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 12 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.





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

County Option Income Tax (COIT) is imposed on the Indiana adjusted gross income of individual resident and non-resident 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.

9. 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.

10. Equity Classification

Equity is classified as net position and displayed in three components:

- a. Restricted net position – Consists of net position with constraints placed on its either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net position – All other net position amounts that do not meet the definition of "restricted".
- c. Net Investment in Capital Assets – Consists of investments in capital assets net of related debt.

It is the Airport Authority's policy to first use restricted net position prior to the use of unrestricted net position when a disbursement is incurred for purposes for which both restricted and unrestricted net position are available.

11. New Accounting Pronouncements

Effective with the fiscal year 2015, the Airport Authority implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions. This statement establishes accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. Implementation of this standard requires a restatement to beginning net position, recognition of a net position liability, and recognition of pension related deferred inflows and deferred outflows. The Airport Authority has reported a \$1,180,029 change in accounting principal adjustment to Unrestricted Net Position as of January 1, 2015. December 31, 2014 amounts have not been restated to reflect the impact of GASB 68 because of the information is not available to calculate the impact on pension expense for that fiscal year. The Statement also enhances accountability and transparency for pensions through revised note disclosures and required supplementary information.

Effective with the fiscal year 2015, the Airport Authority also implemented GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68. This statement was introduced to improve accounting and financial reporting by addressing an issue in Statement No. 68 concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation. More information about the



EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS

(Continued)

Airport Authority's retirement plans can be found in the required supplementary schedules.

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, 2015 and 2014, the Airport Authority had deposit balances in the amount of \$6,679,106 and \$4,518,359, respectively.

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, 2015, was as follows:

<u>2015</u>	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Capital assets, not being depreciated:				
Land	\$ 8,989,550	\$ -		8,989,550
Construction in progress	<u>68,950,027</u>	<u>2,603,590</u>	<u>2,650,136</u>	<u>68,903,481</u>
Total capital assets, not being depreciated	<u>77,939,577</u>	<u>2,603,590</u>	<u>2,650,136</u>	<u>77,893,031</u>
Capital assets, being depreciated:				
Buildings	30,223,173	2,487,970	-	32,711,143
Improvements other than buildings	10,067,332	104,133	-	10,171,465
Runways, taxiways, and ramps	37,272,325	-	-	37,272,325
Other	35,002	-	-	35,002
Machinery and equipment	<u>4,872,278</u>	<u>161,402</u>	-	<u>5,033,680</u>
Totals	<u>82,470,110</u>	<u>2,753,505</u>	-	<u>85,223,615</u>
Less accumulated depreciation for:				
Buildings	(17,855,895)	(1,184,738)	-	(19,040,633)
Improvements other than buildings	(9,261,278)	(72,502)	-	(9,333,780)
Runways, taxiways, and ramps	(31,121,729)	(910,614)	-	(32,032,343)
Machinery and equipment	<u>(3,743,758)</u>	<u>(249,079)</u>	-	<u>(3,992,837)</u>
Totals	<u>(61,982,660)</u>	<u>(2,416,933)</u>	-	<u>(64,399,593)</u>
Total capital assets, being depreciated, net	<u>20,487,450</u>	<u>336,572</u>	-	<u>20,824,022</u>
Total capital assets, net	<u>\$ 98,427,027</u>	<u>\$ 2,940,162</u>	<u>\$ 2,650,136</u>	<u>\$ 98,717,053</u>



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

Capital asset activity for the year ended December 31, 2014 was as follows:

<u>2014</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 8,997,072	\$ -	\$ 7,522	8,989,550
Construction in progress	<u>44,468,133</u>	<u>\$24,481,894</u>	<u>-</u>	<u>68,950,027</u>
Total capital assets, not being depreciated	<u>53,465,205</u>	<u>24,481,894</u>	<u>7,522</u>	<u>77,939,577</u>
Capital assets, being depreciated:				
Buildings	30,223,173	-	-	30,223,173
Improvements other than buildings	10,002,544	64,788	-	10,067,332
Runways, taxiways, and ramps	37,272,325	-	-	37,272,325
Other	35,002	-	-	35,002
Machinery and equipment	<u>4,571,724</u>	<u>300,554</u>	<u>-</u>	<u>4,872,278</u>
Totals	<u>82,104,768</u>	<u>365,342</u>	<u>-</u>	<u>82,470,110</u>
Less accumulated depreciation for:				
Buildings	(16,919,940)	(935,955)	-	(17,855,895)
Improvements other than buildings	(9,186,770)	(74,508)	-	(9,261,278)
Runways, taxiways, and ramps	(29,087,076)	(2,034,653)	-	(31,121,729)
Machinery and equipment	<u>(3,496,558)</u>	<u>(247,200)</u>	<u>-</u>	<u>(3,743,758)</u>
Totals	<u>(58,690,344)</u>	<u>(3,292,316)</u>	<u>-</u>	<u>(61,982,660)</u>
Total capital assets, being depreciated, net	<u>23,414,424</u>	<u>(2,926,974)</u>	<u>-</u>	<u>20,487,450</u>
Total capital assets, net	<u>\$ 76,879,629</u>	<u>\$21,554,920</u>	<u>\$ 7,522</u>	<u>\$98,427,027</u>

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

	<u>2015</u>	<u>2014</u>
Airport Authority	<u>\$2,416,933</u>	<u>\$3,292,316</u>
Total depreciation expense	<u>\$ 2,416,933</u>	<u>\$3,292,316</u>





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

C. Construction Commitments

Construction work in progress is composed of the following:

Project	2015		2014	
	Expended to December 31	Committed	Expended to December 31	Committed
Building and runway improvements	\$66,581,609	\$ 84,462	\$ 65,172,817	\$1,709,114
Jet Bridges	59,088	19,381	2,468,163	-
Miscellaneous	532,109	-	489,952	-
Terminal Project	18,376	38,600	-	-
West Ramp	<u>1,712,299</u>	<u>25,612</u>	<u>819,095</u>	<u>766,103</u>
Total	<u>\$68,903,481</u>	<u>\$ 168,055</u>	<u>\$ 68,950,027</u>	<u>\$2,475,217</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 \$18,174, at December 31, 2015, are as follows:

	Principal	Interest
2016	\$ 33,753	\$ 7,197
2017	34,985	5,955
2018	<u>139,752</u>	<u>5,022</u>
Totals	<u>\$ 208,490</u>	<u>\$ 18,174</u>

2. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Loans payable	\$ 241,093	\$ -	\$ 32,603	\$208,490	\$ 33,753
Compensated absences	<u>533,098</u>	<u>28,987</u>	<u>-</u>	<u>562,085</u>	<u>344,986</u>
Total Long-term liabilities	<u>\$ 774,191</u>	<u>\$ 29,987</u>	<u>\$ 32,603</u>	<u>\$770,575</u>	<u>\$378,739</u>



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

2014

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Loans payable	\$ 158,673	\$ 276,250	\$ 193,830	241,093	32,604
Compensated absences	<u>639,017</u>	-	<u>105,919</u>	<u>533,098</u>	<u>334,471</u>
Total Long-term liabilities	<u>\$ 797,690</u>	<u>\$ 276,250</u>	<u>\$ 299,749</u>	<u>\$774,191</u>	<u>\$367,075</u>

Compensated absences payable has been liquidated with current assets-General fund cash and cash equivalents in prior years.

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 \$8,669. Total rent received under this arrangement was \$103,685 in 2015 and 2014.

C. Pension Plan

Indiana Public Retirement System

Plan Description

The Airport Authority contributes to the Indiana Public Employees Retirement Fund (PERF), a cost-sharing multiple-employer defined benefit pension plan (Cost-Sharing Plan). PERF 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 Indiana Public Retirement System (INPRS) Board of Trustees, most requirements of the system and give the Airport Authority the authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account.



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

The annuity savings account consists of member's contributions, set by state statute at three percent of compensations, 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 at <http://www.in.gov/inprs/annualreports.htm>.

Benefits Provided

PERF provides retirement, disability and survivor benefits. To be eligible for 100 percent of the pension component a member must reach age 65 with 10 years of service, or age 60 with 15 years of service, or age 55 and whose age plus number of years of service is at least 85. Pension benefits for 100 percent normal retirement are calculated at 1.1 percent times the average annual compensation times the number of years of creditable service. The average annual compensation in this calculation uses the highest 20 calendar quarters of salary in a covered position. Cost of living adjustments (COLA) are granted by the Indiana General Assembly on an ad hoc basis. Five years of service is required for disability benefits in which the benefits are calculated the same as normal retirement. Upon the death in service of a member with 15 or more years of service, a survivor benefit may be paid to the surviving spouse, or surviving dependent children.

Contribution Required

Contributions to PERF are determined by INPRS Board of Trustees in accordance with IC 5-10.2-2-11. The funding policy provides for employer contributions that are sufficient to fund pension benefits, which are actuarially determined. The Airport Authority was required to contribute 11.2 percent of employees' gross earnings to the defined benefit plan for calendar year 2015. There were 48 employees participating in PERF with annual salaries equal to \$2,436,628. Employees are required to contribute three percent of covered payroll to their annuity savings account. The Airport Authority has the option to contribute this on their behalf and has elected to do so. The Airport Authority contributed \$267,292 to the PERF Plan and \$75,999 to the annuity savings plan in 2015. The Airport Authority's contributions to PERF, for the years ended December 31, 2015, 2014, and 2013 were; \$267,292, \$264,382, and \$231,876, respectively.

Pension Liabilities

At December 31, 2015, the Airport Authority reported a liability of \$2,071,885 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013. The Airport Authority's proportion of the net pension liability was based on a projection of the Airport Authority's long-term share of contributions to the pension plan relative to the contribution of all participating state entities, actuarially determined. At June 30, 2014, the Airport Authority's portion was .05087 percent.

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

For the year ended June 30, 2015, the Airport Authority recognized pension expense of \$591,927. The Airport Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:





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

	Deferred Outflows of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 88,935	\$ 4,285
Net Difference between projected and actual investment earnings on pension plan investments	349,346	194,853
Change in assumptions	175,144	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	27,569	12,135
Contributions subsequent to the measurement date	<u>137,500</u>	<u>-</u>
Total	<u>\$ 778,494</u>	<u>\$ 211,273</u>

At December 31, 2015, the Airport Authority reported \$137,500 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date. These contributions will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. All other amounts reported as deferred inflows or outflows of resources related to pensions will be recognized in pension expense as follows:

Amortization of Net Deferred Outflows/(Inflows) of Resources – Debit/(Credit)	
2016	\$ 137,654
2017	137,654
2018	67,077
2019	87,336
2020	-
Thereafter	<u>-</u>
Total	<u>\$ 429,721</u>

Actuarial Assumptions

The total pension liability in the June 30, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation Rate:	3 percent
Salary Increases:	3.25 percent - 4.5 percent including inflation
Experience Study Rate:	Period of 5 years ended June 30, 2010
Investment Rate of Return:	6.75 percent, net of investment expense including inflation
Actuarial Cost Method:	Entry Age Normal (Level Percent of Payroll)
Cost of Living Increases:	1 percent per year in retirement
Mortality:	2013 IRS Static Mortality projected five (5) years with Scale AA

The long-term return expectation for PERF has been determined by using a building-block approach. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding projected inflation rate, and adding the expected return from rebalancing uncorrelated assets classes.



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

	Target Asset Allocation	Long-Term Expected Real Rate of Return
Public Equity	22.50%	6.00%
Private Equity	10.00%	7.70%
Fixed Income - Ex Inflation-Linked	22.00%	2.10%
Fixed Income - Inflation-Linked	10.00%	0.50%
Commodities	8.00%	2.50%
Real Estate	7.50%	3.90%
Absolute Return	10.00%	1.80%
Risk Parity	10.00%	4.30%

Discount Rate

The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the actuarially determined required rates computed in accordance with the current funding policy adopted by the INPRS Board and contributions required by the State of Indiana would be made as stipulated by state statute. Based on those assumptions, the pension plans fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Net pension liability is sensitive to changes in the discount rate. The following presents the Airport Authority's proportionate share of net pension liability calculated using the discount rate of 6.75 percent, as well as what the Airport Authority's share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.75 percent) or 1 percentage point higher (7.75 percent) than the current rate.

1% Decrease (5.75%)	Current (6.75%)	1% Increase (7.75%)
\$ 3,056,208	\$ 2,071,885	\$ 1,254,717

Basis of Accounting

The financial statements of INPRS have been prepared using the accrual basis of accounting in conformity with generally accepted accounting principles (GAAP) as applied to government units. Under the accrual basis, revenues are recognized when earned, and expenses are recognized when liabilities are incurred, regardless of the timing of related cash flows. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for established governmental accounting and financial reporting principles. INPRS applies all applicable GASB pronouncements in accounting and reporting for its operations. Investments are reported at fair value.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by INPRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.





EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS

(Continued)

D. Rental Income From Operating Leases

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

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

2016	\$	892,801
2017		762,609
2018		722,122
2019		593,138
2020		528,738
Thereafter		<u>8,034,287</u>
Total	\$	<u>11,533,695</u>

E. 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. The Airport Authority is authorized to receive a maximum of \$1,270,789 for Application No. 1. As of December 31, 2015 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 2015, the Airport Authority received \$29,767 from the airline carriers towards this second application. As of December 31, 2015 the Airport Authority had received a total of \$3,983,706

PFC Application No. 3 authorizing a maximum of \$2,431,208 was approved on December 5, 2014 for the purpose of installing a jet bridge for passenger use. During 2015, the Airport Authority received \$785,127 from the airline carriers towards the third application. As of December 31, 2015 the Airport Authority has received \$785,127.

F. Establishment of 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 2015, no property was affected by the TIF designation resulting in no TIF funds being received.



EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT  
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY - RETIREMENT PLAN  
As of and For The Years Ended December 31, 2015 and 2014

Indiana Public Employee's Retirement Fund (PERF)\*

	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability (asset)	0.050870%	0.049920%
Proportionate share of the net pension liability (asset)	\$2,071,885	\$1,311,865
Covered employee payroll	\$2,436,628	\$2,437,016
Proportionate share of the net pension liability (asset as a percentage of its covered employee payroll	85.03%	53.83%
Plan fiduciary net position as a percentage of the total pension liability	77.35%	84.29%

\*Schedule is intended to show information for the last 10 years. Additional years will be displayed as they become available.



EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT  
SCHEDULE OF CONTRIBUTIONS - RETIREMENT PLAN  
As of and For The Years Ended December 31, 2015 and 2014

Indiana Public Employee's Retirement Fund (PERF)\*

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 267,292	\$ 264,382
Contributions in relation to the contractually required contribution	\$ 267,292	<u>\$ 264,382</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 2,436,628	\$ 2,437,016
Contributions as a percentage of covered employee payroll	10.97%	10.85%

\*Schedule is intended to show information for the last 10 years. Additional years will be displayed as they become available





EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT  
SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES  
As Of And For The Year Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash balance, January 1	\$ 95,395	\$ 58,875
Receipts:		
Passenger facility charge collections	814,894	729,612
Interest	<u>11</u>	<u>12</u>
Total receipts	<u>\$ 814,905</u>	<u>\$ 729,624</u>
Disbursements:		
Perimeter Road, detention basin and fence	-	693,104.00
Jet Bridges	833,140	-
Administrative Costs	<u>-</u>	<u>-</u>
Total disbursements	<u>\$ 833,140</u>	<u>\$ 693,104</u>
Cash balance, December 31	<u><u>\$ 77,160</u></u>	<u><u>\$ 95,395</u></u>

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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

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

**Report on Compliance for the Passenger Facility Charge Program and the Major Federal Program**

We have audited the Evansville-Vanderburgh Airport Authority District's (Airport Authority), a component unit of Vanderburgh County, 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 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2015. 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 Federal statutes, regulations, and the terms and conditions of its federal awards applicable to its 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program or the 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 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 could have a direct and material effect on its passenger facility charge program and its major federal program for the year ended December 31, 2015.


**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 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 major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Airport Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

December 16, 2016

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#### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were prepared by management of the Airport Authority. The schedule and notes 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, 2015

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (Or Other) Identifying Number	Pass-Through to Subrecipients	Total Federal Awards Expended
Department of Transportation	Direct Grant	20.106			
Airport Improvement Program					
Land Acquisitions: Railroad, Relocation (Design and Bid)			AIP-3-18-0020-48-2011	\$ -	\$ 78,528
Improve Runway 04-22-RSA Utility Relocations			AIP-3-18-0020-51-2012	-	\$ 78,629
Runway 4/22 RSA Improvements			AIP-3-18-0020-53-2012	-	\$ 35,502
Runway 4/22 RSA Improvements			AIP-3-18-0020-54-2013	-	\$ 462,472
Runway 4/22 RSA Improvements			AIP-3-18-0020-55-2013	-	\$ 100,357
Runway 4/22 RSA Improvements			AIP-3-18-0020-56-2013	-	\$ 665,097
Runway 18 Approach Protection and Rehab of West Ramp			AIP-3-18-0020-57-2014	-	\$ 849,976
Rehabilitation of West Ramp/Snow Blower/Public Security System & Security System			AIP-3-18-0020-58-2015	-	\$ 54,863
Total-Airport Improvement Program				\$ -	\$ 2,325,424
Payments for Small Community Air Service Development Revenue Guarantee	Direct Grant	20.930		\$ -	\$ 31,783
Total-Department of Transportation				\$ -	\$ 2,357,207
Total federal awards expended					

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 (SEFA) includes the federal grant activity of the Airport Authority under programs of the federal government for the year ended December 31, 2015. The information in the SEFA is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the SEFA presents only a select portion of the operations of the Airport Authority, it is not intended to and does not present the financial position of the Airport Authority.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received. The Airport Authority has elected not to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance.

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?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statements noted?	yes

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	no

Identification of Major Program and type of auditor's report issued on compliance for it:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
20.106	Airport Improvement Program	Unmodified

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

Auditee qualified as low-risk auditee? no

**Section II - Financial Statement Findings**

**FINDING 2015-001 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

*Condition*

The Airport Authority did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

The SEFA presented for audit contained the following material errors: incorrect amounts were reported for federal awards expended for all nine grants resulting in an overstatement of \$2,185,450; and notes to the SEFA were not presented for audit.

Audit adjustments were proposed, accepted by the Airport Authority, and made to the SEFA.

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

*Criteria*

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

*"Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

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

*Cause*

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

*Effect*

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Condition*.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

**FINDING 2015-002 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

*Condition*

The Airport Authority's internal controls over the Financial Statements (Statements) and Notes to the Financial Statements (Notes) were not effective in preventing, or detecting and correcting, errors in a timely manner. As a result, the Statements and Notes contained the following errors.

Statement of Net Position:

1. Grants Receivable was overstated by \$2,989,457. Prior year-end receivables were not reversed during the current period.
2. Capital Asset components reported did not equal the note disclosure or the detailed records. Total Capital Assets reported were correct.
3. Accounts Receivable was understated by \$31,783 because an operating grant was classified as a capital grant.
4. Net position - Restricted for Other Purposes was overstated by \$2,989,457 as a result of the grant receivable overstatement. Net Position - Unrestricted was understated by \$31,783 as a result of the misclassification of the operating grant.

Statement of Revenues, Expenses and Changes in Net Position:

1. Capital contributions were overstated by \$3,031,123. The prior year-end grants receivable were posted to contributions instead of grants receivable when received. Also, an operating grant and matching donation were included in Capital contributions.
2. Operating Grants were understated by \$73,449 due to being included in capital contributions.
3. Ending net position overstated by \$2,957,674 due to above errors.

Statement of Cash Flows:

Over (Under) stated due to errors made in the Statement of Net Position and the Statement of Changes in Net Position.

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

Notes:

1. Capital Assets note did not agree to the Statement of Net Position, the detailed records or the prior year note disclosure.
2. Note disclosure of rental income from operating leases did not agree with the detailed records.

Adjustments were proposed, accepted by the Airport Authority, and made to the Statements and Notes.

*Criteria*

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

*Cause*

Management of the Airport Authority had not established a proper system of internal control that would have ensured accurate financial transactions and reports.

*Effect*

The failure to establish controls enabled material misstatements to remain undetected.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

**Section III - Federal Award Findings and Questioned Costs**

No matters are reportable.

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#### AUDITEE-PREPARED SCHEDULES

The subsequent schedules were provided by management of the Airport Authority. The schedules are presented as intended by the Airport Authority.



## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2014-001 Preparation of the Schedule of Expenditures of Federal Awards**

### **FINDING 2014-002 Internal Control Over Reporting**

The Evansville Vanderburgh Airport Authority continues to address Internal Control issues and will add additional part-time accounting staff to further segregate duties and support the accounting function. In addition, we will engage an outside CPA firm for additional support, as needed.

### **FINDING 2014-003 Matching**

Fiscal year 2014

Federal Grantor Agency-Department of Transportation

The corrective actions were taken and this finding has been resolved.

### **FINDING 2014-004 Reporting**

Fiscal year 2014

Federal Grantor Agency-Department of Transportation

The corrective actions were taken and this finding has been resolved.

Contact Person Responsible for Corrective Action:

Douglas P. Joest, Executive Director and Treasurer

Contact Phone Number: (812) 421-4401

Signature: \_\_\_\_\_

Date: December 16, 2016





## CORRECTIVE ACTION PLAN

**FINDING 2015-001 Preparation of the Schedule of Expenditures of Federal Awards**

**FINDING 2015-002 Internal Controls Over Financial Transactions and Reporting**

Contact Person Responsible for Corrective Action:

Doug P. Joest

Contact Phone Number:

(812) 421-4401

Views of Responsible Official:

The airport authority accepted the proposed audit adjustments and they were reflected in the Schedule of Expenditures of Federal Awards, the Financial Statements and Notes

Description of Corrective Action Plan:

The corrective action we will undertake is to add additional part-time accounting staff to further segregate duties and support the accounting function. In addition, we will engage an outside CPA firm for additional accounting support, as needed.

Anticipated Completion Date:

These corrective actions will be implemented in the preparation of the 2016 Financial Statements.

Douglas P. Joest

Executive Director and Treasurer

December 16, 2016

#### OTHER REPORTS

In addition to this report, other reports may have been issued for the Airport Authority. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.