

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

ANNUAL FINANCIAL REPORT

2011

EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT

A COMPONENT UNIT OF

VANDERBURGH COUNTY, INDIANA



FILED
04/19/2012

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OFFICIALS

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



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

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

We have audited the accompanying financial statements of the business-type activities of the Evansville-Vanderburgh Airport Authority District (Airport Authority), as of and for the year ended December 31, 2011, which collectively comprise the Airport Authority's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Airport Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Airport Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Airport Authority as of December 31, 2011, and the respective changes in financial position and cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 22, 2012, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

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

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

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

STATE BOARD OF ACCOUNTS

March 22, 2012



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

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

We have audited the financial statements of the business-type activities of the Evansville-Vanderburgh Airport Authority District (Airport Authority), as of and for the year ended December 31, 2011, which collectively comprise the Airport Authority's basic financial statements and have issued our report thereon dated March 22, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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

STATE BOARD OF ACCOUNTS

March 22, 2012

EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT
STATEMENT OF NET ASSETS
December 31, 2011

Assets

Current assets:	
General fund cash and cash equivalents	\$ 771,805
Golf course cash and cash equivalents	13,358
Accounts receivable	323,938
Prepaid items	62,992
Inventory	<u>66,951</u>
Total current assets	<u>1,239,044</u>
Noncurrent assets:	
Loan receivable	837,174
Restricted cash, cash equivalents and investments:	
Cumulative building cash and cash equivalents	5,634,872
Passenger facility charge cash and cash equivalents	17,518
Interest receivable	41,916
Other restricted assets:	
Grant receivable	<u>47,670</u>
Total restricted assets	<u>6,579,150</u>
Capital assets:	
Land, improvements to land and construction in progress	17,278,580
Other capital assets (net of accumulated depreciation)	<u>29,344,761</u>
Total capital assets	<u>46,623,341</u>
Other assets:	
Other Intangible assets, net of accumulated amortization	<u>32,669</u>
Total noncurrent assets	<u>53,235,160</u>
Total assets	<u>54,474,204</u>

Liabilities

Current liabilities:	
Accounts payable	125,965
Accrued payroll and withholdings payable	131,308
Compensated absences payable	352,962
Security deposits payable	275
Accrued Interest	2,621
Taxes payable	189
Deferred Income	30,072
Current liabilities payable from restricted assets:	
Contracts payable	363,574
Loan payable	<u>94,596</u>
Total current liabilities	<u>1,101,562</u>
Noncurrent liabilities:	
Loan payable	1,220,862
Compensated absences	<u>176,365</u>
Total noncurrent liabilities	<u>1,397,227</u>
Total liabilities	<u>2,498,789</u>

Net Assets

Invested in capital assets, net of related debt	45,340,551
Restricted for capital projects	5,741,977
Unrestricted	<u>892,887</u>
Total net assets	<u>\$ 51,975,415</u>

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

EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES IN FUND NET ASSETS
As Of And For The Year Ended December 31, 2011

Operating revenues:	
Airline income	\$ 1,819,151
Parking lot	1,207,150
Car rental agency	807,186
Rent - other	746,073
Fuel flowage fees	40,351
Golf course	423,230
Other	<u>7,343</u>
Total operating revenues	<u>5,050,484</u>
Operating expenses:	
Personal services	
Salaries and wages	2,476,007
Employee pensions and benefits	455,480
Contractual services	
Communications and transportation	226,456
Utilities	520,077
Instruction	13,511
Printing and advertising	349
Repairs	22,672
Other contractual services	441,932
Supplies	
Garage and motor	67,388
Institutional and medical	22,440
Safety supplies	1,604
Office supplies	13,290
Other	46,702
Materials	
Repair parts	24,784
Other	9,938
Current charges	
Insurance	821,062
Refunds, awards and indemnities	1,184
Subscriptions and dues	16,910
Golf course	603,440
Depreciation and amortization	<u>3,446,675</u>
Total operating expenses	<u>9,231,901</u>
Operating loss	<u>(4,181,417)</u>
Nonoperating revenues (expenses):	
Property taxes	2,049,181
Passenger facility charge revenue	680,798
Interest on investments	97,819
Gain on sale of assets	2,638
Interest expense	<u>(69,098)</u>
Total nonoperating revenues (expenses)	<u>2,761,338</u>
Loss before contributions	(1,420,079)
Capital contributions	<u>6,359,098</u>
Change in net assets	4,939,019
Total net assets - beginning	<u>47,036,396</u>
Total net assets - ending	<u>\$ 51,975,415</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, 2011

Cash flows from operating activities:	
Receipts from customers and users	\$ 4,938,502
Payments to suppliers and contractors	(3,034,309)
Payments to employees	<u>(2,880,914)</u>
Net cash provided by operating activities	<u>(976,721)</u>
Cash flows from capital and related financing activities:	
Capital contributions	6,311,428
Property taxes	2,049,181
Acquisition and construction of capital assets	(5,336,170)
Proceeds from sale of assets	2,638
Loan payment received	8,534
Principal paid on loan	(606,100)
Interest paid on loan	(70,206)
Passenger facility charges	<u>680,798</u>
Net cash provided by capital and related financing activities	<u>3,040,103</u>
Cash flows from investing activities:	
Interest received	<u>86,436</u>
Net cash provided by investing activities	<u>86,436</u>
Net increase in cash and cash equivalents	2,149,818
Cash and cash equivalents, January 1	<u>4,287,735</u>
Cash and cash equivalents, December 31	<u>\$ 6,437,553</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	<u>\$ (4,181,417)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation and amortization	3,446,675
(Increase) decrease in assets:	
Accounts receivable	(39,639)
Prepaid items	(31,592)
Inventory	(9,201)
Increase (decrease) in liabilities:	
Accounts payable	66,750
Wages, deductions and retirements payable	7,556
Compensated absence payable	43,017
Taxes payable	31
Deferred Income	(72,618)
Contracts payable	(115,532)
Retainage payable	(91,026)
Security deposits payable	<u>275</u>
Total adjustments	<u>3,204,696</u>
Net cash provided by operating activities	<u>\$ (976,721)</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 Assets; Statement of Revenues, Expenses, and Other Changes in Fund Net Assets; and the Statement of Cash Flows. Business-type activities rely to a significant extent on fees and charges for support.

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

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Airport Authority has elected not to follow subsequent private-sector guidance.

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

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

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

State statute (IC 5-13-9) authorizes the Airport Authority to invest in securities, including but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

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

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

Open-end mutual funds are reported at fair value.

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

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

2. Inventories and Prepaid Items

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

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

The financial statements report \$5,741,977 of which none is restricted by enabling legislation.

4. Capital Assets

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

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

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

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 5,000	Straight-line	10 to 40 years
Improvements other than buildings	5,000	Straight-line	10 to 20 years
Runways, taxiways, and ramps	5,000	Straight-line	10 to 30 years
Machinery and equipment	1,000	Straight-line	5 to 10 years

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

5. Other Intangible Assets

An alcohol license was acquired from an acquisition of a golf course in 2008. The actual cost of the license is being amortized over a 15 year period and is reported as other intangible assets.

6. 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.

7. Long-Term Obligations

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

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

8. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be 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 which normally 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.

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.

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, 2011, the Airport Authority had deposit balances in the amount of \$6,435,208.

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, 2011, was as follows:

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

<u>2011</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 9,027,335	\$ 4,739	\$ 35,002	\$ 8,997,072
Construction in progress	<u>5,615,232</u>	<u>5,453,626</u>	<u>2,787,350</u>	<u>8,281,508</u>
Total capital assets, not being depreciated	<u>14,642,567</u>	<u>5,458,365</u>	<u>2,822,352</u>	<u>17,278,580</u>
Capital assets, being depreciated:				
Buildings	28,905,804	1,249,604	47,215	30,108,193
Improvements other than buildings	9,222,243	183,035	-	9,405,278
Runways, taxiways, and ramps	36,738,411	1,111,003	277,180	37,572,234
Machinery and equipment	<u>4,078,382</u>	<u>437,823</u>	<u>17,256</u>	<u>4,498,949</u>
Totals	<u>78,944,840</u>	<u>2,981,465</u>	<u>341,651</u>	<u>81,584,654</u>
Less accumulated depreciation for:				
Buildings	(14,079,792)	(945,419)	-	(15,025,211)
Improvements other than buildings	(8,977,590)	(97,702)	-	(9,075,292)
Runways, taxiways, and ramps	(22,896,593)	(2,121,177)	-	(25,017,770)
Machinery and equipment	<u>(2,870,946)</u>	<u>(267,569)</u>	<u>(16,895)</u>	<u>(3,121,620)</u>
Totals	<u>(48,824,921)</u>	<u>(3,431,867)</u>	<u>(16,895)</u>	<u>(52,239,893)</u>
Total capital assets, being depreciated, net	<u>30,119,919</u>	<u>(450,402)</u>	<u>324,756</u>	<u>29,344,761</u>
Total capital assets, net	<u>\$ 44,762,486</u>	<u>\$ 5,007,963</u>	<u>\$ 3,147,108</u>	<u>\$ 46,623,341</u>

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

	<u>2011</u>
Airport Authority	<u>\$ 3,431,867</u>
Total depreciation expense	<u>\$ 3,431,867</u>

C. Construction Commitments

Construction work in progress is composed of the following:

	<u>2011</u>	
<u>Project</u>	<u>Expended to December 31,</u>	<u>Committed</u>
Building and runway improvements	<u>\$ 8,281,508</u>	<u>\$ 2,025,933</u>

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

D. Other Intangible Assets

Other intangible asset activity for the year ended December 31, 2011, was as follows:

<u>2011</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Other Intangible assets:				
Liquor License	\$ 35,002	\$ -	\$ -	\$ 35,002
Accumulated Amortization	-	(2,333)	-	(2,333)
Other Intangible assets, net	<u>\$ 35,002</u>	<u>\$ (2,333)</u>	<u>\$ -</u>	<u>\$ 32,669</u>

E. 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 \$106,372, are as follows:

	<u>Principal</u>	<u>Interest</u>
2012	\$ 94,596	\$ 52,809
2013	1,027,420	42,371
2014	104,157	8,162
2015	<u>89,285</u>	<u>3,030</u>
Totals	<u>\$ 1,315,458</u>	<u>\$ 106,372</u>

2. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2011, was as follows:

<u>2011</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Loans payable	\$ 1,921,558	\$ -	\$ 606,100	\$ 1,315,458	\$ 94,596
Compensated absences	<u>486,311</u>	<u>43,016</u>	<u>-</u>	<u>529,327</u>	<u>352,962</u>
Total Long-term liabilities	<u>\$ 2,407,869</u>	<u>\$ 43,016</u>	<u>\$ 606,100</u>	<u>\$ 1,844,785</u>	<u>\$ 447,558</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 \$928,146 at December 31, 2011.

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

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 \$129,004 in 2011.

C. Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

Public Employees' Retirement Fund
1 North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy

The Airport Authority is required to contribute at an actuarially determined rate; the current rate is 8.50 percent of annual covered payroll. In addition, the Airport Authority is contributing on behalf of PERF members their required 3 percent contribution to the plan. The contribution requirements of plan members and the Airport Authority are established and may be amended by the PERF Board of Trustees.

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

Annual Pension Cost

For 2011, the Airport Authority's annual pension cost of \$249,312 for PERF was greater than the Airport Authority's required and actual contributions.

Actuarial Information for the Above Plan

		PERF
Annual required contribution	\$	249,402
Interest on net pension obligation		597
Adjustment to annual required contribution		(687)
Annual pension cost		249,312
Contributions made		173,057
Increase in net pension obligation		76,255
Net pension obligation, beginning of year		8,528
Net pension obligation, end of year	\$	84,783
Contribution rates:		
Airport Authority		8.50%
Plan members		3%
Actuarial valuation date		06-30-11
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		7.00%
Projected future salary increases:		
Age-based rates based on 2005-2010 experience		3.25% - 4.50%
Cost-of-living adjustments		1.00%

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

Three Year Trend Information				
	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-09	\$ 159,238	98%	\$ (18,745)
	06-30-10	191,519	86%	8,528
	06-30-11	249,312	69%	84,783

Funded Status and Funding Progress for the Above Plan

The funded status of each plan as of June 30, 2011, the most recent actuarial valuation date is as follows:

Retirement Plan	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL or (Funding Excess) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL or (Funding Excess) as a Percentage of Covered Payroll ((b-a)/c)
PERF	\$ 2,056,553	\$ 3,751,378	\$ 1,694,825	55%	\$ 2,295,822	74%

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:

2012	\$ 709,431
2013	588,866
2014	552,550
2015	540,450
2016	533,916
Thereafter	3,314,868
Total	\$ 6,240,081

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

E. Loan Receivable

In 2005, the Airport Authority loaned Tri-State Aero, Inc., \$880,000 for the purpose of constructing two hangars on Airport property. The loan is to be repaid over 35 years with an interest rate of 7 percent. The outstanding balance at December 31, 2011, is \$837,174.

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 2011, 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, 2011, the Airport Authority had received a total of \$1,107,714.

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 2011, the Airport Authority received \$680,798 from airline carriers towards this second application. As of December 31, 2011, the Airport Authority had received a total of \$1,915,304.

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 2011, no property was affected by the TIF designation resulting in no TIF funds being received.

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

PERF Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
06-30-09	\$ 2,939,091	\$ 3,635,198	\$ (696,107)	81%	\$ 2,341,164	(30%)
06-30-10	2,740,612	4,013,737	(1,273,125)	68%	2,345,353	(54%)
06-30-11	2,056,553	3,751,378	(1,694,825)	55%	2,295,822	(74%)

EVANSVILLE-VANDEBURGH AIRPORT AUTHORITY DISTRICT
 SUPPLEMENTAL FINANCIAL INFORMATION
 SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES
 As Of And For The Year Ended December 31, 2011

Cash balance, January 1		\$ <u>50</u>
Receipts:		
Passenger facility charge collections		680,798
Interest		<u>64</u>
Total receipts		<u>680,862</u>
Disbursements:		
Administrative costs		511
Perimeter road, detention basin and fence		<u>662,883</u>
Total disbursements		<u>663,394</u>
Cash balance, December 31		<u>\$ 17,518</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITORS REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO PASSENGER FACILITY CHARGE PROGRAM AND WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH THE PASSENGER FACILITY CHARGE AUDIT GUIDE FOR PUBLIC
AGENCIES AND OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the Evansville-Vanderburgh Airport Authority District (Airport Authority) with the types of compliance requirements described in the Passenger Facility Charge Audit Guide for Public Agencies (Guide), issued by the Federal Aviation Administration for its passenger facility charge program, and in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Airport Authorities major federal program for the year ended December 31, 2011. The Airport Authority's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Airport Authority's management. Our responsibility is to express an opinion on the Airport Authority's compliance based on our audit.

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

In our opinion, the Airport Authority complied in all material respects with the 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, 2011.

Internal Control Over Compliance

The management of the Airport Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Airport Authority's internal control over compliance with requirements that could have a direct and material effect on the passenger facility

INDEPENDENT AUDITORS REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO PASSENGER FACILITY CHARGE PROGRAM AND WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH THE PASSENGER FACILITY CHARGE AUDIT GUIDE FOR PUBLIC
AGENCIES AND OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

charge program and its major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

Our consideration of the 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

STATE BOARD OF ACCOUNTS

March 22, 2012

EVANSVILLE VANDERBURGH AIRPORT AUTHORITY DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2011

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	\$ 35,520
		AIP-3-18-0020-45	1,566,083
		AIP-3-18-0020-46-2010	1,491,512
		AIP-3-18-0020-47-2010	153,041
		AIP-3-18-0020-48-2011	2,917,594
		AIP-3-18-0020-49-2011	16,613
		AIP-3-18-0020-50-2011	<u>13,496</u>
Total for federal grantor agency			<u>6,193,859</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Direct Grant			
Law Enforcement Officer Reimbursement Agreement Program	97.090	HSTS0208HSLR138	<u>135,302</u>
Total for federal grantor agency			<u>135,302</u>
Total federal awards expended			<u>\$ 6,329,161</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 Evansville-Vanderburgh Airport Authority District (primary government) and is presented in conformity with accounting principles generally accepted in the United States of America which is the basis of accounting used in the presentation of the financial statements. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

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

Identification of Major Programs:

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

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

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

No matters are reportable.

EVANSVILLE-VANDEBURGH AIRPORT AUTHORITY DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on March 22, 2012, with Douglas P. Joest, Manager and former Treasurer, and Dennis Guthery, Accounting Manager.