

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

FINANCIAL STATEMENTS AND
FEDERAL SINGLE AUDIT REPORT

EVANSVILLE-VANDEBURGH
AIRPORT AUTHORITY DISTRICT
A COMPONENT UNIT OF
VANDEBURGH COUNTY, INDIANA

January 1, 2014 to December 31, 2014



FILED
12/10/2015

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-4
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 <i>Government Auditing Standards</i>	5-6
Basic Financial Statements and Accompanying Notes:	
Statement of Net Position	8
Statement of Revenues, Expenses, and Changes in Net Position	9
Statement of Cash Flows	10
Notes to Financial Statements	11-19
Supplemental Information:	
Schedule of Expenditures of Passenger Facility Charges	20
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for the Passenger Facility Charge Program; on Compliance for the Major Federal Program; and on Internal Control Over Compliance	22-24
Schedule of Expenditures of Federal Awards and Accompanying Note:	
Schedule of Expenditures of Federal Awards	26
Note to Schedule of Expenditures of Federal Awards	27
Schedule of Findings and Questioned Costs	28-32
Auditee Prepared Schedule:	
Corrective Action Plan	34-37
Other Reports	38

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Douglas P. Joest	01-01-14 to 12-31-15
Treasurer	Derrick Stewart	01-01-14 to 12-31-14
	J P Engelbrecht	01-01-15 to 06-30-15
	Alan Leibundguth	07-01-15 to 12-31-15
President of the Board	Rick Kaskel	01-01-14 to 12-31-15



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 Evansville-Vanderburgh Airport Authority District (Airport Authority), a component unit of Vanderburgh county, Indiana, as of and for the year ended December 31, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Airport Authority, as of December 31, 2014, and the respective changes in financial position and cash flows, thereof and for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America, requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the 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 an opinion 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 the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (Circular A-133), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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 October 8, 2015, 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

October 8, 2015



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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 Evansville-Vanderburgh Airport Authority District (Airport Authority), a component unit of Vanderburgh county, Indiana, as of and for the year ended December 31, 2014, 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 October 8, 2015.

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.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in items 2014-001 and 2014-002 of the accompanying Schedule of Findings and Questioned Costs 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 item 2014-001.

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

October 8, 2015

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 31,2014

Assets	
Current assets:	
Cash and cash equivalents	
General Fund	\$2,039,811
Golf Course	22,763
Accounts receivable (net of allowance)	252,985
Prepaid items	43,078
Inventory	66,756
Total current assets	<u>2,425,393</u>
Noncurrent assets:	
Restricted cash, cash equivalents and investments:	
Cash and cash equivalents	
Cumulative Building Fund	1,734,965
Passenger Facility Charge Fund	95,395
Other restricted assets	
Grants receivable	2,878,436
Total restricted assets	<u>4,708,796</u>
Capital assets:	
Land, improvements to land and construction in process	77,939,577
Other capital assets (net of accumulated depreciation)	20,487,450
Total capital assets	<u>98,427,027</u>
Total noncurrent assets	<u>103,135,823</u>
Total assets	<u><u>105,561,216</u></u>
Liabilities	
Current liabilities	
Accounts payable	244,454
Accrued payroll and withholdings payable	27,168
Accrued Interest	5,964
Taxes payable	175
Compensated absences	334,471
Security deposits payable	3,845
Current liabilities payable from restricted assets:	
Contracts payable	24,293
Accounts payable	1,879,321
Loan payable	32,604
Total current liabilities	<u>2,552,295</u>
Noncurrent liabilities:	
Loan payable	208,489
Compensated absences	198,627
Total noncurrent liabilities	<u>407,116</u>
Total liabilities	<u>2,959,411</u>
Net Position	
Invested in capital assets, net of related debt	96,282,321
Restricted for other purposes	4,708,796
Unrestricted	1,610,688
Total net position	<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 REVENUE, EXPENSES AND CHANGES IN NET POSITION
 As Of And For The Year Ended December 31, 2014

Operating revenues:	
Airline Income	1,729,018
Parking lot	1,257,842
Car rental agency	738,594
Federal operating grants	431,017
Rent - other	835,302
Fuel flowage fees	50,711
Golf course	573,685
Other	38,421
Total operating revenues	<u>5,654,590</u>
Operating expenses:	
Personal services	
Salaries and wages	2,451,147
Employee pensions and benefits	505,505
Contractual services	
Communications and transportation	240,797
Utilities	471,207
Instruction	26,098
Printing and advertising	1,650
Repairs	54,572
Other contractual services	881,660
Supplies	
Garage and motor	90,059
Institutional and medical	35,306
Safety supplies	11,526
Office supplies	18,005
Other	49,596
Materials	
Repair parts	38,612
Other	12,103
Current charges	
Insurance	945,532
Refunds and awards	
Subscriptions and dues	26,848
Golf Course	603,039
Depreciation	3,292,316
Total operating expenses	<u>9,755,578</u>
Operating loss	<u>(4,100,988)</u>
Nonoperating revenues (expenses):	
Property and other taxes	2,234,547
Passenger facility charge revenue	729,612
Interest and investments	2,259
Interest expense	(17,048)
Total nonoperating revenues (expenses)	<u>2,949,370</u>
Loss before contributions	(1,151,618)
Capital Contributions	24,666,131
Change in net position	23,514,513
Total net position - beginning	78,918,718
Total net position-adjustment-Net Pension Obligation-See note IIE.	<u>168,574</u>
Total net position - ending	<u>\$ 102,601,805</u>



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

Cash flows from operating activities:	
Receipts from customers and users	\$5,654,735
Payments to suppliers and contractors	(3,664,853)
Payments to employees	(3,125,536)
	<hr/>
Net cash used by operating activities	(1,135,654)
Cash flows from capital and related financing activities:	
Capital contributions	21,967,984
Property and Other Taxes	2,234,547
Acquisition and construction of capital assets	(24,839,714)
Loan Proceeds	276,250
Principal paid on loan	(193,830)
Interest paid on loan	(12,347)
Passenger facility charges	729,612
	<hr/>
Net cash provided by capital and related financing activities	162,502
Cash flows from investing activities:	
Interest received	2,259
	<hr/>
Net cash provided by investing activities	2,259
Net increase in cash and cash equivalents	(970,893)
Cash and cash equivalents, January 1	4,863,827
	<hr/>
Cash and cash equivalents, December 31	\$3,892,934
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	(\$4,100,988)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation and Amortization	3,292,316
(Increase) decrease in assets:	
Accounts receivable	145
Prepaid items	(7,905)
Inventory	(2,710)
Increase (decrease) in liabilities:	
Accounts payable	(32,425)
Wages, deductions and retirements payable	(62,965)
Compensated absence payable	(105,919)
Taxes payable	(36)
Security deposits payable	3,025
Contracts payable	(118,192)
	<hr/>
Total adjustments	2,965,334
Net cash provided by operating activities	(\$1,135,654)
Reconciliation of Cash at End of Year:	
Nonrestricted cash and cash equivalents	
General fund cash and cash equivalents	2,039,811
Golf course cash and cash equivalents	22,763
Restricted cash and cash equivalents	
Cumulative building cash and cash equivalents	1,734,965
Passenger facility charge cash and cash equivalents	95,395
Total Cash at End of Year	<hr/> <hr/>
	\$3,892,934

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.



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

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.

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 \$4,708,796 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:



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

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

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

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

5. Compensated Absences

- a. Sick Leave - Airport Authority employees earn sick leave at the rate of 10 days per year. Unused sick leave may be accumulated indefinitely. Accumulated sick leave is paid to employees through cash payments upon retirement.
- b. Vacation Leave - Airport Authority employees earn vacation leave at rates from 10 days to 30 days per year based upon the number of years of service. Vacation leave must be taken in the year following the period in which it was earned and does not accumulate after that year except for Teamster's employees whose unused vacation is converted to sick leave. Accumulated vacation leave earned in the prior year is paid to employees through cash payments upon retirement or termination.
- c. Personal Leave - Airport Authority employees earn personal leave at the rate of 3 days per year. Personal leave does not accumulate from year to year.

Vacation and sick leave is accrued when incurred.

No liability is reported for personal leave.

6. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Loan issuance costs, when incurred, are reported as deferred charges and amortized over the term of the related debt.



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

7. Property and Other Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Airport Authority in June and in December; however, situations can arise which would delay the distributions. State statutes (IC 6-1.1-17-16) require the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments that become delinquent if not paid by May 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.

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.

8. Golf Course

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

9. 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.



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

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, 2014, the Airport Authority had deposit balances in the amount of \$4,518,359.

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, 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>



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

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

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

C. Construction Commitments

Construction work in progress is composed of the following:

Project	2014	
	Expended to December 31,	Committed
Building and runway improvements	\$ 65,172,817	\$ 1,709,114
Jet Bridges	2,468,163	-
Miscellaneous	489,952	-
West Ramp	819,095	766,103
Totals	\$ 68,950,027	\$ 2,475,217

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 \$26,611, are as follows:

	Principal	Interest
2015	\$ 32,604	\$ 8,344
2016	33,755	7,285
2017	34,987	5,963
2018	139,747	5,019
Totals	\$ 241,093	\$ 26,611



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

2. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2014, was as follows:

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	639,017	-	105,919	533,098	334,471
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.

E. Restatements and Reclassifications

For fiscal year ended December 31, 2014, certain changes have been made to the financial statements to more appropriately reflect financial activity. The prior period adjustment reflects a change to the Public Employees' Retirement Fund (PERF), a defined benefit pension plan. The pension plan changed from an agent multiple-employer plan to a cost-sharing multiple-employer plan. Because the reporting requirements are different for this type of plan, the net pension obligation was removed from the 2014 financial statements.

	<u>Balance as Reported December 31, 2013</u>	<u>Prior Period Adjustments/ Reclassifications</u>	<u>Restated Balance as Reported January 1, 2014</u>
Business-type activities:			
Change in retirement plan type	<u>\$ 168,574</u>	<u>\$ (168,574)</u>	<u>\$ -</u>

III. Other Information

A. Risk Management

The Airport Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

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.



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

B. Related Party Transactions

The Airport Authority leases a building and land to the Vanderburgh County Sheriff's Department under an operating lease arrangement currently calling for a monthly payment of \$8,600. Total rent received under this arrangement was \$103,203 in 2014.

C. Pension Plan

Indiana Public Retirement System

Plan Description

The Airport Authority contributes to the Indiana Public Retirement System (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. The annuity savings account consists of member's contributions, set by state statute at 3 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 by contacting:

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

Or the report can be viewed at <http://www.inprs.in.gov>.

Funding Policy

PERF members are required to contribute 3 percent of their annual covered salary. The Airport Authority has elected to make this contribution on behalf of employees. The Airport Authority is required to contribute at an actuarially determined rate; the current rate, for calendar year 2014 is 11.20 percent of annual covered payroll. The rate for 2015 is also 11.20 percent. The contributions required of plan members and the Airport Authority is established and may be amended by the INPRS Board of Trustees. The Airport Authority's contributions to PERF, for the year's ended December 31, 2012, 2013, and 2014, were \$238,756, \$231,876, \$264,382.



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:

2015	\$	782,815
2016		748,718
2017		611,993
2018		562,140
2019		420,288
Thereafter		<u>3,400,886</u>
Total	\$	<u>6,526,840</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. PFCs 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, 2014, 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 2014, the Airport Authority received \$729,612 for the airline carriers towards this second application. As of December 31, 2014, the Airport Authority had received a total of \$3,953,939.

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. As of December 31, 2014, the Airport Authority has received \$0.

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 2014, no property was affected by the TIF designation resulting in no TIF funds being received.



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

Cash balance, January 1	<u>\$ 58,875</u>
Receipts:	
Passenger facility charge collections	729,612
Interest	<u>12</u>
Total receipts	<u>729,624</u>
Disbursements:	
Perimeter road, detention basin and fence	693,104
Administrative Costs	<u>-</u>
Total disbursements	<u>693,104</u>
Cash balance, December 31	<u><u>\$ 95,395</u></u>

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE PASSENGER
FACILITY CHARGE PROGRAM; ON COMPLIANCE FOR THE MAJOR FEDERAL 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, Indiana, compliance with the types of compliance requirements described in the Passenger Facility Charge Audit Guide for Public Agencies (Guide), issued by the Federal Aviation Administration for its passenger facility charge program, and as described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2014. The Airport Authority's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the passenger facility charge program and for the Airport Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; compliance requirements described in the Passenger Facility Charge Audit Guide for Public Agencies (Guide), issued by the Federal Aviation Administration for its passenger facility charge program, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on 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; ON COMPLIANCE FOR THE MAJOR FEDERAL 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, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2014-004. Our opinion on the major federal program is not modified with respect to this matter.

The Airport Authority's response to the noncompliance finding identified in our audit is described in the accompanying Corrective Action Plan. The Airport Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Airport Authority's internal control over compliance.


Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2014-003 and 2014-004 to be material weaknesses.

The Airport Authority's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Airport Authority's response was not subjected to the auditing procedures applied in the audit of compliance and accordingly, we express no opinion on the response.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the Indiana State Board of Accounts and of the office examined.


Paul D. Joyce, CPA
State Examiner

October 8, 2015

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTE

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



EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2014

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	Total Federal Awards Expended
<u>Department of Transportation</u>				
Airport Improvement Program	Direct Grant	20.106		
Airfield Signage (Design and Construction)			AIP-3-18-0020-47-2010	\$ 29,593
Land Acquisitions; Railroad Relocation (Design and Bid);			AIP-3-18-0020-48-2011	394,541
Improve Runway 4/22 RSA			AIP-3-18-0020-49-2011	950,671
Improve Runway 4/22 RSA - Railroad Relocation			AIP-3-18-0020-51-2011	2,078,305
Improve Runway 4/22 RSA - Utility Relocations			AIP-3-18-0020-52-2012	368,992
Runway 4/22 RSA Improvements			AIP-3-18-0020-53-2012	1,450,074
Runway 4/22 RSA Improvements			AIP-3-18-0020-54-2013	2,507,816
Runway 4/22 RSA Improvements			AIP-3-18-0020-55-2013	4,418,117
Runway 4/22 RSA Improvements			AIP-3-18-0020-56-2013	11,153,515
Runway 18 Approach Protection and Rehab of West Ramp			AIP-3-18-0020-57-2014	<u>772,703</u>
Total - Airport Improvement Program				<u>24,124,327</u>
Payments for Small Community Air Service Development Revenue Guarantee	Direct Grant	20.930		<u>300,379</u>
Total - Department of Transportation				<u>24,424,706</u>
Total federal awards expended				<u>\$ 24,424,706</u>

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



EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Airport Authority and is presented in accordance 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.

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?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	yes

Identification of Major Program:

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

Dollar threshold used to distinguish between Type A and Type B programs:	\$732,741
Auditee qualified as low-risk auditee?	yes

Section II - Financial Statement Findings

FINDING 2014-001 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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 Airport Authority should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors: the amount reported for the Airport Improvement Program was understated by \$4,329,228, and a federal program was omitted from the grant schedule. Audit adjustments in the amount of \$4,629,607 were proposed, accepted by the Airport Authority, and made to the SEFA presented in this report.

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

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)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. 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 award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual 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 shall 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.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

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

FINDING 2014-002 - INTERNAL CONTROL OVER REPORTING

We noted a deficiency in the internal control system of the Airport Authority related to financial reporting. The financial statements and related notes that were initially presented for audit contained material errors. It was determined that the Director of Finance prepared the financial statements and related notes without an oversight, review, or approval process. Revised financial statements and related notes were then prepared, reviewed, and presented for audit and were determined to be materially correct.

Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the Airport Authority's financial statements and then determining how those identified risks should be managed. The Airport Authority has not identified risks to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent, or detect and correct, material misstatements, including the notes to the financial statements.

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)

Section III - Federal Award Findings and Questioned Costs

FINDING 2014-003 - MATCHING

Federal Agency: Department of Transportation
Federal Program: Airport Improvement Program
CFDA Number: 20.106

Federal Award Number and Year: AIP-3-18-0020-48-2011, AIP-3-18-0020-49-2011,
AIP-3-18-0020-54-2013, and AIP-3-18-0020-55-2013

Management of the Airport Authority has not established an effective internal control system, which would include segregation of duties, related to the grant agreements and the Matching compliance requirement. There was no control to ensure that the Airport Authority met their local share match.

The failure to establish an effective internal control system places the Airport Authority at risk of noncompliance with the grant agreement and compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

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

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls has enabled noncompliance to go undetected. Noncompliance with the compliance requirements could result in the loss of federal funds to the Airport Authority.

We recommended that the Airport Authority's management establish controls, including segregation of duties, related to the grant agreements and the Matching compliance requirement.

FINDING 2014-004 - REPORTING

Federal Agency: Department of Transportation
Federal Program: Airport Improvement Program
CFDA Number: 20.106

Federal Award Numbers and Years: AIP-3-18-0020-47-2010, AIP-3-18-0020-48-2011,
AIP-3-18-0020-49-2011, AIP-3-18-0020-51-2011,
AIP-3-18-0020-52-2012, AIP-3-18-0020-53-2012,
AIP-3-18-0020-54-2013, AIP-3-18-0020-55-2013,
AIP-3-18-0020-56-2013, and AIP-3-18-0020-57-2014

Management of the Airport Authority has not established an effective internal control system, which would include segregation of duties, related to the grant agreements and the Reporting compliance requirement.

The Airport Authority has not designed or implemented adequate policies or procedures to ensure that accurate reports are filed. The Airport Improvement Program requires that either Form SF-270, Request for Advance or Reimbursement, or Form SF-271, Outlay Report and Request for Reimbursement for Construction Programs, be filed to obtain federal reimbursement of expenses. Of the 56 reimbursement reports filed in 2014, 6 reported the incorrect percentage of federal participation and resulted in a net overpayment of \$14,964 which is considered a questioned cost. The following errors were noted on the Federal Financial Report, SF-425, filed for the period ending September 30, 2014: One grant was not included, one grant included a reimbursement that was not received until November 21, 2014, which was after the end of the reporting period, and information reported for 4 grants was incorrect due to errors made in the completion and filing of Form SF-270 as previously discussed. Lastly, some of the financial information reported on FAA Form 5100-127, Operating and Financial Summary, did not agree with the ledgers presented for audit.

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

The failure to establish an effective internal control system places the Airport Authority at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

49 CFR 18.20(b) states in part:

"The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial Reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant."

The failure to establish internal controls has enabled material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the Airport Authority.

We recommended that the Airport Authority's management establish controls, including segregation of duties, to ensure compliance with the grant agreements and the Reporting compliance requirement.

AUDITEE PREPARED SCHEDULE

The subsequent schedule was provided by management of the Airport Authority. The schedule is presented as intended by the Airport Authority.

CORRECTIVE ACTION PLAN

FINDING 2014-001 Preparation of the Schedule of Expenditures of Federal Award

Contact Person Responsible for Corrective Action: Douglas Joest
Contact Phone Number: 812-421-4401

Description of Corrective Action Plan: The Evansville-Vanderburgh Airport Authority District has established the following process when submitting Federal Awards: All requests will be prepared by the Director of Finance and submitted to the Executive Director for final approval and submission to the FAA and INDOT. In addition to these steps all grants will be reconciled with the Engineering firm's records and the Delphi systems. These reconciled documents will be used to submit date into the Gateway System to ensure that all documentation on file with Evansville-Vanderburgh Airport Authority District is accurate.

Anticipated Completion Date: Immediately



(Signature)

Executive Director

(Title)

9/28/15

(Date)

CORRECTIVE ACTION PLAN

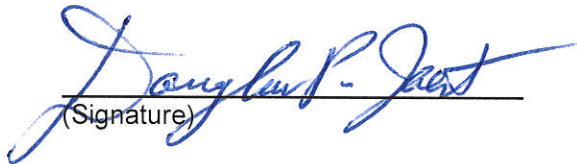
FINDING 2014-002 Internal Control over Reporting

Contact Person Responsible for Corrective Action: Douglas Joest

Contact Phone Number: 812-421-4401

Description of Corrective Action Plan: The Evansville-Vanderburgh Airport Authority District has established the following process when preparing the Annual Financial Reporting Records: All records will be prepared by the Director of Finance and reviewed by the Executive Director before these reports are finalized.

Anticipated Completion Date: Immediately



(Signature)

Executive Director

(Title)

9-24-15

(Date)

CORRECTIVE ACTION PLAN

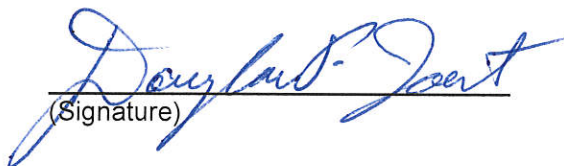
FINDING 2014-003 Matching

Contact Person Responsible for Corrective Action: Douglas Joest

Contact Phone Number: 812-421-4401

Description of Corrective Action Plan: The Evansville-Vanderburgh Airport Authority District has established the following process when submitting Federal Awards: All requests will be prepared by the Director of Finance and submitted to the Executive Director for final approval and submission to the FAA and INDOT. In addition to these steps all grants will be reconciled with the Engineering and Delphi systems to ensure that all documentation on file with Evansville-Vanderburgh Airport Authority District is accurate.

Anticipated Completion Date: Immediately



(Signature)

Executive Director

(Title)

9-24-15

(Date)

CORRECTIVE ACTION PLAN

FINDING 2014-004 Reporting

Contact Person Responsible for Corrective Action: Douglas Joest

Contact Phone Number: 812-421-4401

Description of Corrective Action Plan: The Evansville-Vanderburgh Airport Authority District has established the following process when submitting Federal Awards: All reports will be prepared by the Director of Finance and reviewed by the Executive Director before these reports are finalized.

Anticipated Completion Date: Immediately



(Signature)

Executive Director
(Title)

9/28/15
(Date)

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/>.