

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

FINANCIAL STATEMENTS AND  
FEDERAL SINGLE AUDIT REPORT

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

January 1, 2016 to December 31, 2016



**FILED**  
12/22/2017



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Douglas P. Joest	01-01-16 to 12-31-17
Treasurer	Alan Leibundguth Douglas P. Joest	01-01-16 to 06-26-16 06-27-16 to 12-31-17
President of the Board	Rick Kaskel J. P. Engelbrecht	01-01-16 to 06-26-16 06-27-16 to 12-31-17



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**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Evansville-Vanderburgh Airport Authority District (Airport Authority), a component unit of Vanderburgh County, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Airport Authority's basic financial statements, as listed in the Table of Contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 from 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 Airport Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Airport Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, of the Airport Authority, as of December 31, 2016 and 2015, and the respective changes in financial position and, where applicable, cash flows thereof and for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

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

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Airport Authority's basic financial statements. The accompanying Schedule of Expenditures of Passenger Facility Charges and Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2017, 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 the Airport Authority's internal control over financial reporting and compliance.

  
Paul D. Joyce, CPA  
State Examiner

December 18, 2017



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, of the Evansville-Vanderburgh Airport Authority District (Airport Authority), as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Airport Authority's basic financial statements and have issued our report thereon dated December 18, 2017.

**Internal Control over Financial Reporting**

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

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

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


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

**Compliance and Other Matters**

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

**Purpose of This Report**

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

  
Paul D. Joyce, CPA  
State Examiner

December 18, 2017

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## BASIC FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

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



EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT  
STATEMENTS OF NET POSITION  
As Of And For The Years Ended December 31, 2016 and 2015

	2016	2015
<b>Assets</b>		
Current assets:		
Cash and cash equivalents:		
General Fund	\$ 3,653,639	\$ 2,886,850
Golf Course	28,733	74,457
Accounts receivable (net of allowance)	472,325	329,695
Prepaid items	79,912	69,685
Inventory	50,160	48,192
<b>Total current assets</b>	<b>4,284,769</b>	<b>3,408,879</b>
Noncurrent assets:		
Restricted cash and cash equivalents:		
Cash and cash equivalents		
Cumulative Building Fund	3,242,761	3,611,132
Rainy Day Fund	94,682	-
Passenger Facility Charge Fund	44,561	77,160
Other restricted assets		
Grants receivable	505,864	330,778
<b>Total restricted assets</b>	<b>3,887,868</b>	<b>4,019,070</b>
Capital assets:		
Land, improvements to land, and construction-in-process	18,150,999	77,893,031
Other capital assets (net of accumulated depreciation)	83,287,200	20,824,022
<b>Total capital assets</b>	<b>101,438,199</b>	<b>98,717,053</b>
<b>Total noncurrent assets</b>	<b>105,326,067</b>	<b>102,736,123</b>
<b>Total assets</b>	<b>\$ 109,610,836</b>	<b>\$ 106,145,002</b>
Deferred Outflow of Resources Related to Pension Benefits	<b>\$ 840,433</b>	<b>\$ 778,494</b>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	\$ 473,863	\$ 312,358
Accrued payroll and withholdings payable	73,615	69,446
Accrued Interest	5,965	5,964
Taxes payable	226	487
Compensated absences	353,737	344,986
Security deposits payable	1,820	1,820
Current liabilities payable from restricted assets:		
Contracts payable	-	(4,129)
Accounts payable	390,913	113,773
Loan payable	34,985	33,753
<b>Total current liabilities</b>	<b>1,335,124</b>	<b>878,458</b>
Noncurrent liabilities:		
Loan payable	139,787	174,737
Compensated absences	264,558	217,099
Net pension obligation	2,353,637	2,071,885
<b>Total noncurrent liabilities</b>	<b>2,757,982</b>	<b>2,463,721</b>
<b>Total liabilities</b>	<b>4,093,106</b>	<b>3,342,179</b>
Deferred Inflow of Resources Related to Pension Benefits	<b>\$ 175,920</b>	<b>\$ 211,273</b>
<b>Net Position</b>		
Invested in capital assets, net of related debt	100,872,514	98,398,920
Restricted for other purposes	3,887,868	4,019,070
Unrestricted	1,421,861	952,054
<b>Total net position</b>	<b>\$ 106,182,243</b>	<b>\$ 103,370,044</b>

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



EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT  
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 As Of And For The Years Ended December 31, 2016 and 2015

	2016	2015
Operating revenues:		
Airline income	\$ 1,903,179	\$ 1,809,177
Parking lot	1,587,421	1,553,585
Car rental agency	852,401	840,881
Federal operating grants	345,530	200,830
Rent - other	805,090	812,877
Fuel flowage fees	66,509	51,269
Golf Course	586,987	623,403
Other	57,063	16,528
Total operating revenues	6,204,180	5,908,550
Operating expenses:		
Personal services		
Salaries and wages	2,696,647	2,630,556
Employee pensions and benefits	733,036	867,865
Contractual services		
Communications and transportation	287,181	256,122
Utilities	476,742	465,686
Instruction	11,454	27,558
Printing and advertising	77	1,172
Repairs	52,244	58,457
Other contractual services	653,940	919,083
Supplies		
Garage and motor	74,324	75,973
Institutional and medical	39,000	38,629
Safety supplies	10,137	8,850
Office supplies	9,435	11,987
Other	70,273	59,586
Materials		
Repair parts	56,990	77,097
Other	12,135	13,426
Current charges		
Insurance	990,574	969,786
Subscriptions and dues	11,957	19,492
Golf Course	536,388	580,190
Depreciation	2,560,061	2,416,933
Total operating expenses	9,282,595	9,498,448
Operating loss	(3,078,415)	(3,589,898)
Nonoperating revenues (expenses):		
Property and other taxes	2,330,997	2,238,524
Passenger facility charge revenue	815,831	814,894
Gain on sale of capital assets	11,420	0
Interest and investments	9,640	2,533
Interest expense	(7,232)	(8,347)
Total nonoperating revenues (expenses)	3,160,656	3,047,604
Loss before contributions	82,241	(542,294)
Capital contributions	2,729,958	2,490,562
Increase in net position	2,812,199	1,948,268
Total net position - beginning	103,370,044	101,421,776
Total net position - ending	\$ 106,182,243	\$ 103,370,044

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



EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT  
STATEMENTS OF CASH FLOWS  
As Of And For The Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Receipts from customers and users	\$ 6,061,550	\$ 5,831,841
Payments to suppliers and contractors	(2,862,533)	(5,318,916)
Payments to employees	<u>(3,184,844)</u>	<u>(3,102,522)</u>
Net cash provided by (used in) operating activities	<u>14,173</u>	<u>(2,589,597)</u>
Cash flows from capital and related financing activities:		
Capital contributions	2,554,872	5,038,220
Property and other taxes	2,330,997	2,238,524
Proceeds from sale of capital assets	11,420	
Acquisition and construction of capital assets	(5,281,206)	(2,706,959)
Principal paid on loan	(33,718)	(32,603)
Interest paid on loan	(7,232)	(8,347)
Passenger facility charges	<u>815,831</u>	<u>814,894</u>
Net cash provided by capital and related financing activities	<u>390,964</u>	<u>5,343,729</u>
Cash flows from investing activities:		
Interest received	<u>9,640</u>	<u>2,533</u>
Net cash provided by investing activities	<u>9,640</u>	<u>2,533</u>
Net increase in cash and cash equivalents	414,777	2,756,665
Cash and cash equivalents, January 1	<u>6,649,599</u>	<u>3,892,934</u>
Cash and cash equivalents, December 31	<u>\$ 7,064,376</u>	<u>\$ 6,649,599</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	<u>(\$3,078,415)</u>	<u>(\$3,589,898)</u>
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,560,061	2,416,933
Pension expense	184,460	324,635
(Increase) decrease in assets:		
Accounts receivable	(142,630)	(76,710)
Prepaid items	(10,227)	(26,607)
Inventory	(1,968)	18,564
Increase (decrease) in liabilities:		
Accounts payable	438,645	(1,697,644)
Wages, deductions and retirements payable	4,169	42,278
Compensated absence payable	56,210	28,986
Taxes payable	(261)	313
Security deposits payable	0	(2,025)
Contracts payable	<u>4,129</u>	<u>(28,422)</u>
Total adjustments	<u>3,092,588</u>	<u>1,000,301</u>
Net cash provided by (used in) operating activities	<u>\$ 14,173</u>	<u>\$ (2,589,597)</u>
Reconciliation of cash at end of year:		
Nonrestricted cash and cash equivalents		
General Fund cash and cash equivalents	\$ 3,653,639	\$ 2,886,850
Golf Course cash and cash equivalents	28,733	74,457
Restricted cash and cash equivalents		
Cumulative building cash and cash equivalents	3,242,761	3,611,132
Rainy day cash and cash equivalents	94,682	0
Passenger facility charge cash and cash equivalents	<u>44,561</u>	<u>77,160</u>
Total cash at end of year	<u>\$ 7,064,376</u>	<u>\$ 6,649,599</u>

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



## I. Summary of Significant Accounting Policies

### A. Reporting Entity

The Airport Authority (primary government) was established 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.

The accompanying financial statements present the activities of the Airport Authority. There are no significant component units which require inclusion.

The Airport Authority is fiscally dependent on the County, which approves and can modify the Airport Authority's annual budget. For this reason, the Airport Authority is considered a component unit of Vanderburgh County.

### B. Fund Financial Statements

Business-type activity financial statements consist of the Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. Business-type activities rely to a significant extent on fees and charges for support.

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

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

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

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

### D. Assets, Liabilities and Net Position or Equity

#### 1. Deposits and Investments

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



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

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

Non-participating 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 \$3,887,868 and \$4,019,070 of restricted assets at December 31, 2016 and 2015, respectively, of which all is restricted by enabling legislation.

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the financial statements. An alcohol license was acquired from an acquisition of a golf course in 2008 and is also included in capital assets.

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

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

	<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.



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

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

5. Compensated Absences

- a. Sick Leave – Airport Authority employees earn sick leave at the rate of ten 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 ten days to 30 days per year based upon the number of years of service. Vacation leave must be taken in the year following the period in which it was earned and does not accumulate after that year except for Teamster's employees whose unused vacation is converted to sick leave. Accumulated vacation leave earned in the prior year is paid to employees through cash payments upon retirement or termination.
- c. Personal Leave – Airport Authority employees earn personal leave at the rate of 24 hours per year. Personal leave does not accumulate from year to year.

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

7. Deferred Outflows/Inflows of Resources

For purposes of measuring the net position liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Indiana Public Employees Retirement Fund (PERF) and additions to/deductions from PERF's fiduciary net position have been determined on the same basis as they are reported by PERF. Indiana Public Retirement System financial reports have been prepared using the accrual basis of accounting in conformity with generally accepted accounting principles (GAAP) as applied to government units.

8. Property and Other Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Airport Authority in June and in December; however, situations can arise which would delay the distributions. State statutes (IC 6-1.1-17-16) require the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's January 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments that become delinquent if not paid by May 12 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the Airport Authority prior to December 31 of the year collected.



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

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

9. Golf Course

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

10. Equity Classification

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

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

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

11. New Accounting Pronouncements

Effective with the calendar year 2016, the Airport Authority implemented GASB Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements and provides guidance for determining a fair value measurement for financial reporting purposes. Additional fair value investment disclosures were required by this statement and can be found in Note II.



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

II. Detailed Notes on All Funds

A. Cash and Cash Equivalents

1. 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, 2016 and 2015, the Airport Authority had deposit balances in the amounts of \$2,324,530 and \$6,679,106, respectively.

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

2. Cash Equivalents

The Airport Authority invests in the HoosierFund, a money market fund allowed by statute of the State of Indiana, specifically for units of government. The HoosierFund is a daily liquidity account, and thus is considered a cash equivalent. At December 31, 2016 and 2015, the Airport Authority had cash equivalents in the amounts of \$4,821,764 and \$0, respectively.

Per statute, the HoosierFund can only deposit funds banks insured by the Public Deposit Insurance Fund, and the Airport Authority's deposits are covered by the Public Deposit Insurance Fund.

3. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques must maximize the use of observable inputs and minimize the use of unobservable inputs. GASB Statement No. 72, *Fair Value Measurement and Application*, established a hierarchy of inputs to measure fair value. The hierarchy includes the following three levels.

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly

Level 3 – Unobservable inputs for an asset or liability

At December 31, 2016, the Airport Authority had money market funds totaling \$4,821,764 invested in the HoosierFund. The HoosierFund, a local government investment pool, seeks to allow local units of government to invest in a common pool of investment assets that preserves the principal of the public's funds, remains highly liquid, and maximizes the return on the investment. The HoosierFund is measured using the net asset value per share practical expedient and is not classified in the fair value hierarchy.



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

B. Capital Assets

Capital asset activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 8,989,550	\$ 4,924,010	\$ -	\$ 13,913,560
Construction-in-progress	68,903,481	4,363,834	69,029,876	4,237,439
Total capital assets, not being depreciated	77,893,031	9,287,844	69,029,876	18,150,999
Capital assets, being depreciated:				
Buildings	32,711,143	641,318	-	33,352,461
Improvements other than buildings	10,171,465	389,992	-	10,561,457
Runways, taxiways, and ramps	37,272,325	63,838,772	-	101,111,097
Other	35,002	-	-	35,002
Machinery and equipment	5,033,680	153,157	51,811	5,135,026
Totals	85,223,615	65,023,239	51,811	150,195,043
Less accumulated depreciation for:				
Buildings	(19,040,633)	(1,177,351)	-	(20,217,984)
Improvements other than buildings	(9,333,780)	(74,907)	-	(9,408,687)
Runways, taxiways, and ramps	(32,032,343)	(1,080,943)	-	(33,113,286)
Machinery and equipment	(3,992,837)	(226,860)	(51,811)	(4,167,886)
Totals	(64,399,593)	(2,560,061)	(51,811)	(66,907,843)
Total capital assets, being depreciated, net	20,824,022	62,463,178	-	83,287,200
Total capital assets, net	\$ 98,717,053	\$71,751,022	\$69,029,876	\$ 101,438,199



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

Capital asset activity for the year ended December 31, 2015 was as follows:

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

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

	2016	2015
Airport Authority	<u>\$ 2,560,061</u>	<u>\$ 2,416,933</u>
Total depreciation expense	<u>\$ 2,560,061</u>	<u>\$ 2,416,933</u>



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

C. Construction Commitments

Construction work-in-progress at December 31, 2016 and 2015 is composed of the following:

<u>Project</u>	<u>2016</u>		<u>2015</u>	
	<u>Expended to December 31,</u>	<u>Committed</u>	<u>Expended to December 31,</u>	<u>Committed</u>
Building and runway improvements	\$ -	\$ -	\$ 66,581,609	\$ 84,462
Jet bridges	1,470,275	51,531	59,088	19,381
Miscellaneous	58,098	681,673	532,109	-
Terminal project	53,190	1,166,550	18,376	38,600
West ramp	2,655,876	833,856	1,712,299	25,612
Totals	<u>\$ 4,237,439</u>	<u>\$2,733,610</u>	<u>\$ 68,903,481</u>	<u>\$ 168,055</u>

D. Long-Term Liabilities

1. Loans Payable

The Airport Authority has entered into one loan. Annual debt service requirements to maturity for the loan, including interest of \$10,977, at December 31, 2016, are as follows:

	<u>Principal</u>	<u>Interest</u>
2017	\$ 34,985	\$ 5,955
2018	<u>139,787</u>	<u>5,022</u>
Totals	<u>\$174,772</u>	<u>\$10,977</u>



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

2. Changes in Long-Term Liabilities

Long-term liability activity for the years ended December 31, 2016 and 2015 was as follows:

	2016				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Loans payable	\$208,490	\$ -	\$ 33,718	\$174,772	\$ 34,985
Compensated absences	562,085	56,210	-	618,295	353,737
<b>Total long-term liabilities</b>	<b><u>\$770,575</u></b>	<b><u>\$ 56,210</u></b>	<b><u>\$ 33,718</u></b>	<b><u>\$793,067</u></b>	<b><u>\$ 388,722</u></b>
	2015				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Loans payable	\$241,093	\$ -	\$ 32,603	\$208,490	\$ 33,753
Compensated absences	533,098	28,987	-	562,085	344,986
<b>Total long-term liabilities</b>	<b><u>\$774,191</u></b>	<b><u>\$ 28,987</u></b>	<b><u>\$ 32,603</u></b>	<b><u>\$770,575</u></b>	<b><u>\$ 378,739</u></b>

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

III. Other Information

A. Risk Management

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

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

B. Related Party Transactions

The Airport Authority leases a building and land to the Vanderburgh County Sheriff's Department under an operating lease arrangement currently calling for a monthly payment of \$8,669. Total rent received under this arrangement was \$104,028 and \$103,685 in 2016 and 2015, respectively.



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

C. Pension Plan

Indiana Public Retirement System

Plan Description

The Airport Authority contributes to the Indiana Public Employees Retirement Fund (PERF), a cost-sharing multiple-employer defined benefit pension plan (Cost-Sharing Plan). PERF provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board of Trustees, most requirements of the system and give the Airport Authority the authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at three percent of compensations, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member. INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained at <http://www.in.gov/inprs/annualreports.htm>.

Benefits Provided

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

Contribution Required

Contributions to PERF are determined by INPRS Board of Trustees in accordance with IC 5-10.2-2-11. The funding policy provides for employer contributions that are sufficient to fund pension benefits, which are actuarially determined. The Airport Authority was required to contribute 10.93 percent of employees' gross earnings to the defined benefit plan for calendar year 2016. There were 50 employees participating in PERF with annual salaries equal to \$2,485,213. Employees are required to contribute three percent of covered payroll to their annuity savings account. The Airport Authority has the option to contribute this on their behalf and has elected to do so. The Airport Authority contributed \$271,707 to the PERF Plan and \$70,789 to the annuity savings plan in 2016. The Airport Authority's contributions to PERF, for the years ended December 31, 2016, 2015, and 2014 were; \$271,707, \$267,292, and \$264,382, respectively.



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

Pension Liabilities

At December 31, 2016, the Airport Authority reported a liability of \$2,353,637 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The Airport Authority's proportion of the net pension liability was based on a projection of the Airport Authority's long-term share of contributions to the pension plan relative to the contribution of all participating state entities, actuarially determined. At June 30, 2016, the Airport Authority's portion was 0.05186 percent.

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

For the year ended June 30, 2016, the Airport Authority recognized pension expense of \$446,683. The Airport Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 52,730	\$ 4,345
Net difference between projected and actual investment earnings on pension plan investments	517,673	132,430
Change in assumptions	103,844	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	38,170	39,145
Contributions subsequent to the measurement date	128,016	-
Total	\$ 840,433	\$ 175,920

At December 31, 2016, the Airport Authority reported \$128,016 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date. These contributions will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. All other amounts reported as deferred inflows or outflows of resources related to pensions will be recognized in pension expense as follows:

Amortization of Net Deferred Outflows/(Inflows) of Resources – Debit/(Credit)

2017		\$ 197,432
2018		125,560
2019		150,864
2020		62,641
Total		\$ 536,497



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

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation Rate:	2.25 percent
Salary Increases:	2.5 percent - 4.25 percent including inflation
Experience Study Rate:	Period of 4 years ended June 30, 2014
Investment Rate of Return:	6.75 percent, net of investment expense, including inflation
Actuarial Cost Method:	Entry Age Normal (Level Percent of Payroll)
Cost of Living Increases:	1 percent per year in retirement
Mortality:	RP-2014 Total Data Set Mortality Table, with Social Security Administration generational improvement scale from 2016

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

	Target Asset Allocation	Long-Term Expected Real Rate of Return
Public Equity	22.0%	5.7%
Private Equity	10.0%	6.2%
Fixed Income - Ex Inflation-Linked	24.0%	2.7%
Fixed Income - Inflation-Linked	7.0%	0.7%
Commodities	8.0%	2.0%
Real Estate	7.0%	2.7%
Absolute Return	10.0%	4.0%
Risk Parity	12.0%	5.0%

Discount Rate

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



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

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

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

1% Decrease (5.75%)	Current (6.75%)	1% Increase (7.75%)
\$ 3,380,380	\$ 2,353,637	\$ 1,500,259

Basis of Accounting

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

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

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 at December 31, 2016 are as follows:

2017	\$ 785,468
2018	664,677
2019	581,256
2020	402,069
2021	281,218
Thereafter	11,998,686
Total	\$14,713,374



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

E. Passenger Facility Charge

Effective August 1, 2007, a Passenger Facility Charge (PFC) of \$4.50 per ticket was implemented by the approval of the Federal Aviation Administration (FAA) and the Airport Authority. The receipts are to be used to repay the Airport Authority's Cumulative Building fund for the local share of prior Airport Improvement Projects as well as for the purchase of a video security system. PFC's are collected by the airlines and are recognized as non-operating revenues by the Airport Authority as they are earned. The Airport Authority is authorized to receive a maximum of \$1,270,789 for Application No. 1. As of December 31, 2016, 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. As of December 31, 2016, the Airport Authority had received a total of \$3,983,706.

PFC Application No. 3 authorizing a maximum of \$2,431,208 was approved on December 5, 2014 for the purpose of installing a jet bridge for passenger use. During 2016, the Airport Authority received \$815,831 from the airline carriers towards the third application. As of December 31, 2016, the Airport Authority has received \$1,600,958.

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 years 2016 and 2015, no property was affected by the TIF designation resulting in no TIF funds being received.

G. Terminal Renovation Project

The Airport Authority started design work on a major terminal renovation project in 2016. The purpose of this project is to update and refurbish the passenger terminal building that was put into operation in 1989. The terminal was designed and built prior to September 11th, 2001. As such, certain currently mandated security features cannot be efficiently implemented into the building as it was originally built. A major component of this renovation is the consolidation of two separate TSA screening locations into one centralized area. Additional renovations include the replacement of the skylight that spans the length of the building, providing access to additional passenger amenities in the secured area of the terminal, new flooring, and passenger waiting areas. Exterior improvements include repaving the terminal access road, enhanced traffic lanes, and the elimination of stairs between the parking lot and the terminal building. More efficient lighting and HVAC systems will be incorporated throughout this project. The project began in July 2017 and the construction period is expected to last 18 months.

While the total cost of the project has not yet been determined, it is expected to cost at least \$15 million. In 2016, the Airport Authority applied for and received formal approval of a \$5 million grant under the State of Indiana Regional Cities program. This program is administered under the auspices of the Indiana Economic Development Corporate through the Regional Development Authority of Southwestern Indiana. In July of 2017 the Airport Authority secured a \$10 million line of credit to finance this project. This loan will be repaid over a 15-year period beginning in 2019. The Airport Authority, in conjunction with the loan agreement, entered into a swap agreement that effectively fixes the interest rate at 3.22% over the 15-year amortization schedule. The Airport Authority has committed Passenger Facility Charge collections to the repayment of this loan. In addition, up to \$5 million of the cost of the project will be eligible for FAA funding under the Airport Improvement Program.



EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT  
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY – RETIREMENT PLAN  
 As of and For The Years Ended December 31, 2016, 2015, and 2014

Public Employee's Retirement Fund (PERF)\*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability (asset)	0.051860%	0.050870%	4.992000%
Proportionate share of the net pension liability (asset)	\$2,353,637	\$2,071,885	\$1,311,865
Covered employee payroll	\$2,485,213	\$2,436,628	\$2,437,016
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	94.71%	85.03%	53.83%
Plan fiduciary net position as a percentage of the total pension liability	75.35%	77.35%	84.29%

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



EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT  
 SCHEDULE OF CONTRIBUTIONS – RETIREMENT PLAN  
 As of and For The Years Ended December 31, 2016, 2015, and 2014

Public Employee's Retirement Fund (PERF)\*

	2016	2015	2014
Contractually required contribution	\$271,707	\$267,292	\$264,382
Contributions in relation to the contractually required contribution	\$271,707	\$267,292	\$264,382
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered employee payroll	\$2,485,213	\$2,436,628	\$2,437,016
Contributions as a percentage of covered employee payroll	10.93%	10.97%	10.85%

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



EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT  
 SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES  
 As of and For The Years Ended December 31, 2016 and 2015

	2016	2015
Cash balance, January 1	\$ 77,160	\$ 95,395
Receipts:		
Passenger facility charge collections	815,831	814,894
Interest	10	11
Total receipts	815,841	814,905
Disbursements:		
Jet bridges	848,440	833,140
Administrative costs	-	-
Total disbursements	848,440	833,140
Cash balance, December 31	\$ 44,561	\$ 77,160

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE  
PASSENGER FACILITY CHARGE PROGRAM; AND 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, compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies (Guide)*, issued by the Federal Aviation Administration for its passenger facility charge program, and as described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2016. The Airport Authority's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal program.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the passenger facility charge program and for the Airport Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies (Guide)*, issued by the Federal Aviation Administration for its passenger facility charge program; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program or the major federal program occurred. An audit includes examining, on a test basis, evidence about the Airport Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE  
PASSENGER FACILITY CHARGE PROGRAM; AND ON 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, 2016.

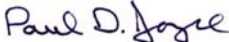
**Report on Internal Control over Compliance**

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

December 18, 2017

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## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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



EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For The Year Ended December 31, 2016

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Pass-Through to Subrecipients	Total Federal Awards Expended
<u>Department of Transportation</u>					
Airport Improvement Program	Direct Grant	20.106			
Land Acquisitions: Railroad, Relocation (Design and Bid)			AIP-3-18-0020-48-2011	\$ -	\$ 27,243
Runway 4/22 RSA Improvements			AIP-3-18-0020-53-2012	-	10,429
Runway 4/22 RSA Improvements			AIP-3-18-0020-54-2013	-	1,350
Runway 4/22 RSA Improvements			AIP-3-18-0020-55-2013	-	121,170
Runway 4/22 RSA Improvements			AIP-3-18-0020-56-2013	-	299,345
Runway 18 Approach Protection and Rehab of West Ramp			AIP-3-18-0020-57-2014	-	23,051
Rehab of West Ramp, Snowblower, and Security System			AIP-3-18-0020-58-2015	-	730,176
Rehabilitate Apron			AIP-3-18-0020-59-2016	-	1,354,273
<b>Total - Airport Improvement Program</b>				<b>\$ -</b>	<b>\$ 2,567,037</b>
Payments for Small Community Air Service Development Revenue Guarantee	Direct Grant	20.930		\$ -	\$ 33,991
<b>Total - Department of Transportation</b>				<b>\$ -</b>	<b>\$ 2,601,028</b>
<b>Total federal awards expended</b>				<b>\$ -</b>	<b>\$ 2,601,028</b>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.



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

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the Airport Authority under programs of the federal government for the year ended December 31, 2016. The information in the SEFA is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the SEFA presents only a select portion of the operations of the Airport Authority, it is not intended to and does not present the financial position of the Airport Authority.

II. Summary of Significant Accounting Policies

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

EVANSVILLE-VANDEBURGH 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 weakness identified?	no
Significant deficiency identified?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

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

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

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
20.106	Airport Improvement Program	Unmodified

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

Auditee qualified as low-risk auditee? no

**Section II - Financial Statement Findings**

No matters are reportable.

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

No matters are reportable.

AUDITEE-PREPARED SCHEDULE

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



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**FINDING 2015-001**

Fiscal year in which the finding initially occurred: 2014  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Department of Transportation  
Contact Person Responsible for Corrective Action: Douglas Joest  
Contact Phone Number: 812-421-4401

Status of Audit Finding: The implementation of the Corrective Action Plan has resolved this issue.

  
\_\_\_\_\_  
(Signature)

Executive Director

\_\_\_\_\_  
(Title)

12/7/17  
\_\_\_\_\_  
(Date)



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**FINDING 2015-002**

Fiscal year in which the finding initially occurred: 2014  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Department of Transportation  
Contact Person Responsible for Corrective Action: Douglas Joest  
Contact Phone Number: 812-421-4401

Status of Audit Finding: The implementation of the Corrective Action Plan has resolved this issue.

  
\_\_\_\_\_  
(Signature)

Executive Director

\_\_\_\_\_  
(Title)

12/7/17  
\_\_\_\_\_  
(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/>.