

**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  
VANDEBURGH COUNTY, INDIANA

January 1, 2017 to December 31, 2017



**FILED**

09/27/2018



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Douglas P. Joest	01-01-17 to 12-31-18
Treasurer	Douglas P. Joest	01-01-17 to 12-31-18
President of the Board	J P Engelbrecht	01-01-17 to 12-31-18



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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 Evansville-Vanderburgh Airport Authority District (Airport Authority), a component unit of Vanderburgh County, as of and for the years ended December 31, 2017 and 2016, 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 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 opinion.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

***Unmodified Opinion***

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, 2017 and 2016, 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 relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of 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 September 5, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Airport Authority's 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

September 5, 2018



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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, as of and for the years ended December 31, 2017 and 2016, 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 September 5, 2018.

**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.

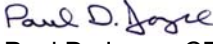
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*  
(Continued)

**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

September 5, 2018

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## BASIC FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

The basic 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, 2017 and 2016

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents:		
General Fund	\$ 5,041,296	\$ 3,653,639
Golf Course	10,675	28,733
Accounts receivable (net of allowance)	241,932	472,325
Prepaid items	74,350	79,912
Inventory	46,163	50,160
Total current assets	5,414,416	4,284,769
Noncurrent assets:		
Restricted cash and cash equivalents:		
Cash and cash equivalents		
Cumulative Building Fund	2,362,511	3,242,761
Rainy Day Fund	-	94,682
Passenger Facility Charge Fund	86,491	44,561
Other restricted assets		
Grants receivable	1,770,253	505,864
Total restricted assets	4,219,255	3,887,868
Capital assets:		
Land, improvements to land, and construction-in-progress	21,365,858	18,150,999
Other capital assets (net of accumulated depreciation)	81,483,214	83,287,200
Total capital assets	102,849,072	101,438,199
Total noncurrent assets	107,068,327	105,326,067
Total assets	112,482,743	109,610,836
Deferred Outflows of Resources		
Deferred outflows related to pension benefits	572,033	840,433
Accumulated decrease in fair value of interest rate swap agreement	175,631	-
Total deferred outflows of resources	747,664	840,433
Total assets and deferred outflows of resources	\$113,230,407	\$110,451,269

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



EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT  
 STATEMENTS OF NET POSITION (CONTINUED)  
 As Of And For The Years Ended December 31, 2017 and 2016

	2017	2016
Liabilities		
Current liabilities:		
Accounts payable	\$ 117,584	\$ 473,863
Accrued payroll and withholdings payable	71,013	73,615
Accrued interest	7,188	5,965
Taxes payable	418	226
Compensated absences	365,338	353,737
Security deposits payable	1,820	1,820
Current liabilities payable from restricted assets:		
Accounts payable	1,321,739	390,913
Loan payable	139,770	34,985
Total current liabilities	2,024,870	1,335,124
Noncurrent liabilities:		
Loan payable	-	139,787
Line of credit	50,001	-
Compensated absences	316,468	264,558
Net pension obligation	2,183,926	2,353,637
Derivative liability - interest rate swap	175,631	-
Total noncurrent liabilities	2,726,026	2,757,982
Total liabilities	4,750,896	4,093,106
Deferred Inflow of Resources Related to Pension Benefits	204,519	175,920
Net Position		
Invested in capital assets, net of related debt	101,387,563	100,872,514
Restricted for other purposes	4,219,255	3,887,868
Unrestricted	2,668,174	1,421,861
Total net position	108,274,992	106,182,243
Total liabilities, deferred inflows of resources, and net position	\$113,230,407	\$110,451,269

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, 2017 and 2016

	2017	2016
Operating revenues:		
Airline income	\$ 1,962,384	\$ 1,903,179
Parking lot	1,668,981	1,587,421
Car rental agency	883,899	852,401
Federal operating grants	134,898	345,530
Rent - other	737,932	805,090
Fuel flowage fees	52,254	66,509
Golf Course	554,809	586,987
Other	17,551	57,063
Total operating revenues	6,012,708	6,204,180
Operating expenses:		
Personal services		
Salaries and wages	2,609,317	2,696,647
Employee pensions and benefits	665,613	733,036
Contractual services		
Communications and transportation	260,482	287,181
Utilities	508,522	476,742
Instruction	32,728	11,454
Printing and advertising	1,173	77
Repairs	26,170	52,244
Other contractual services	696,773	653,940
Supplies		
Garage and motor	45,832	74,324
Institutional and medical	37,790	39,000
Safety supplies	12,645	10,137
Office supplies	10,446	9,435
Other	59,661	70,273
Materials		
Repair parts	66,181	56,990
Other	14,715	12,135
Current charges		
Insurance	921,950	990,574
Subscriptions and dues	22,310	11,957
Golf Course	556,055	536,388
Depreciation	4,265,535	2,560,061
Total operating expenses	10,813,898	9,282,595
Operating loss	(4,801,190)	(3,078,415)
Nonoperating revenues (expenses):		
Property and other taxes	2,333,385	2,330,997
Passenger facility charge revenue	856,487	815,831
Gain on sale of capital assets	3,953	11,420
Interest and investments	34,232	9,640
Debt issuance costs	(64,681)	0
Interest expense	(7,553)	(7,232)
Total nonoperating revenues (expenses)	3,155,823	3,160,656
Income (loss) before contributions	(1,645,367)	82,241
Capital contributions	3,738,116	2,729,958
Increase in net position	2,092,749	2,812,199
Total net position - beginning	106,182,243	103,370,044
Total net position - ending	\$108,274,992	\$ 106,182,243

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, 2017 and 2016**

	2017	2016
Cash flows from operating activities:		
Receipts from customers and users	\$ 6,243,101	\$ 6,061,550
Payments to suppliers and contractors	(2,689,135)	(2,862,533)
Payments to employees	(3,086,733)	(3,184,844)
Net cash provided by operating activities	467,233	14,173
Cash flows from capital and related financing activities:		
Capital contributions	2,473,727	2,554,872
Property and other taxes	2,333,385	2,330,997
Proceeds from sale of capital assets	3,953	11,420
Acquisition and construction of capital assets	(5,676,408)	(5,281,206)
Principal paid on loan	(35,002)	(33,718)
Interest paid on loan	(6,330)	(7,232)
Debt issuance costs	(64,681)	0
Net proceeds from line of credit	50,001	0
Passenger facility charges	856,487	815,831
Net cash provided by (used in) capital and related financing activities	(64,868)	390,964
Cash flows from investing activities:		
Interest received	34,232	9,640
Net cash provided by investing activities	34,232	9,640
Net increase in cash and cash equivalents	436,597	414,777
Cash and cash equivalents, January 1	7,064,376	6,649,599
Cash and cash equivalents, December 31	\$ 7,500,973	\$ 7,064,376
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	\$ (4,801,190)	\$ (3,078,415)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,265,535	2,560,061
Pension expense	127,288	184,460
(Increase) decrease in assets:		
Accounts receivable	230,393	(142,630)
Prepaid items	5,562	(10,227)
Inventory	3,997	(1,968)
Increase (decrease) in liabilities:		
Accounts payable	574,547	438,645
Wages, deductions, and retirements payable	(2,602)	4,169
Compensated absence payable	63,511	56,210
Taxes payable	192	(261)
Contracts payable	0	4,129
Total adjustments	5,268,423	3,092,588
Net cash provided by operating activities	\$ 467,233	\$ 14,173
Reconciliation of cash at end of year:		
Nonrestricted cash and cash equivalents		
General Fund cash and cash equivalents	\$ 5,041,296	\$ 3,653,639
Golf Course cash and cash equivalents	10,675	28,733
Restricted cash and cash equivalents		
Cumulative building cash and cash equivalents	2,362,511	3,242,761
Rainy day cash and cash equivalents	0	94,682
Passenger facility charge cash and cash equivalents	86,491	44,561
Total cash at end of year	\$ 7,500,973	\$ 7,064,376

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 \$4,219,255 and \$3,887,868 of restricted assets at December 31, 2017 and 2016, respectively, of which all is restricted by enabling legislation.

4. Capital Assets

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

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

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

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

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



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

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

5. Compensated Absences

- a. Sick Leave – Airport Authority employees earn sick leave at the rate of 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. Net Pension Liability

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. Deferred Outflows and Deferred Inflows

Deferred outflows of resources is a consumption of net assets that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net assets that is applicable to a future reporting period.



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

9. 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.

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 COIT distributions from the County Treasurer on a monthly basis.

10. 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.

11. 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-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, 2017 and 2016, the Airport Authority had deposit balances in the amounts of \$1,361,680 and \$2,324,530, 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, 2017 and 2016, the Airport Authority had cash equivalents in the amounts of \$6,215,175 and \$4,821,764, respectively.

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

B. 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. The Governmental Accounting Standards Board (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, 2017, the Airport Authority had money market funds totaling \$6,215,175 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-VANDEBURGH AIRPORT AUTHORITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying Statement of Net Position measured at fair value on a recurring basis and their level within the fair-value hierarchy at December 31, 2017.

	Fair Value	Level 1	Level 2	Level 3
Derivative instruments				
Interest rate swap	\$ (175,631)	\$ -	\$ (175,631)	\$ -

Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of investments with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such investments are classified in Level 2 of the valuation hierarchy.

The Airport Authority utilizes the market-based valuation approach in accordance with GASB Statement 72. Valuation techniques did not change significantly during the year ended December 31, 2017.

C. Derivative Instruments

The fair value balances and notional amounts of the derivative instruments outstanding at December 31, 2017, classified by type and the fair value changes of those derivative instruments are as follows.

Derivative Instrument	Type	Change in Fair Value	Classification	Fair Value at December 31, 2017	Current Notional
Bank Credit Agreement	Cash flow hedge:		Derivative instrument		
(Line of Credit convertible to term loan)	Pay-fixed interest rate swap	(\$175,631)	Interest rate swap	(\$175,631)	\$10,000,000

As of December 31, 2017, the Airport Authority determined that the pay-fixed interest rate swap met the criteria for effectiveness. The pay-fixed, receive-variable interest rate swap is designed to synthetically fix the cash flows on the variable rate debt.



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

The following table displays the objectives and terms of the Airport Authority's hedging derivative instruments outstanding at December 31, 2017, along with the credit rating of the associated counterparty.

Type	Objective	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Pay-fixed interest rate swap	Hedge of changes in cash flows on bank credit agreement	January 15, 2019	January 15, 2034	65% of 1 mo. USD-LIBOR-BBA w/-1 day look back, 144.0 bps	A1

**Credit Risk:** The fair value of the derivative instruments is in a liability position as of December 31, 2017 with the credit agreement having a balance of \$175,631. Because both the derivative instruments and the debt being hedged are with the same counterparty, there is no credit risk exposure. The fair value of the derivative instruments would be netted against the payoff of the debts.

**Interest Rate Risk:** Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of the derivative instruments. On a pay-fixed, receive-variable interest rate swap, the Airport Authority will be negatively impacted by the lower rate environment, which will decrease the fair market values of its derivative instrument. The derivative instrument fixes the hedged debt at 3.22 percent.

**Basis Risk:** Basis risk is the risk that the Airport Authority may lose cash flows because of the differences in the indexes upon which the derivative instrument and the item it hedges are based. The Airport Authority is not exposed to basis risk since both derivative instruments and the associated debts being hedged are based on the one-month LIBOR index.

**Termination Risk:** The Airport Authority or its counterparty may terminate a derivative instrument if the other party fails to perform under the terms of the contract. In addition, the Airport Authority has the unilateral option to terminate the swap agreement. If the swap agreement has a negative fair value at the time of termination, the Airport Authority would be liable to the counterparty for a payment equal to the fair value of the respective swap.

**Rollover Risk:** Rollover risk is the risk that the maturity of the derivative instrument is shorter than the maturity of the associated debt. Since both the derivative instruments and the debt being hedged have identical maturity dates, there is no rollover risk to the Airport Authority.



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

D. Capital Assets

Capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 13,913,560	\$ -	\$ -	\$ 13,913,560
Construction-in-progress	4,237,439	4,707,443	1,492,584	7,452,298
Total capital assets, not being depreciated	<u>18,150,999</u>	<u>4,707,443</u>	<u>1,492,584</u>	<u>21,365,858</u>
Capital assets, being depreciated:				
Buildings	33,352,461	1,703,598	-	35,056,059
Improvements other than buildings	10,561,457	58,651	-	10,620,108
Runways, taxiways, and ramps	101,111,097	-	-	101,111,097
Other	35,002	-	-	35,002
Machinery and equipment	5,135,026	699,300	24,933	5,809,393
Totals	<u>150,195,043</u>	<u>2,461,549</u>	<u>24,933</u>	<u>152,631,659</u>
Less accumulated depreciation for:				
Buildings	(20,217,984)	(1,192,809)	-	(21,410,793)
Improvements other than buildings	(9,408,687)	(85,480)	-	(9,494,167)
Runways, taxiways, and ramps	(33,113,286)	(2,763,482)	-	(35,876,768)
Machinery and equipment	(4,167,886)	(223,764)	(24,933)	(4,366,717)
Totals	<u>(66,907,843)</u>	<u>(4,265,535)</u>	<u>(24,933)</u>	<u>(71,148,445)</u>
Total capital assets, being depreciated, net	<u>83,287,200</u>	<u>(1,803,986)</u>	<u>-</u>	<u>81,483,214</u>
Total capital assets, net	<u>\$ 101,438,199</u>	<u>\$ 2,903,457</u>	<u>\$ 1,492,584</u>	<u>\$ 102,849,072</u>



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

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

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

	2017	2016
Airport Authority	\$ 4,265,535	\$ 2,560,061
Total depreciation expense	\$ 4,265,535	\$ 2,560,061



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

E. Construction Commitments

Construction work-in-progress at December 31, 2017 and 2016 is composed of the following:

<u>Project</u>	<u>2017</u>		<u>2016</u>	
	<u>Expended to December 31,</u>	<u>Committed</u>	<u>Expended to December 31,</u>	<u>Committed</u>
Land master plan	\$ 35,789	\$ -	\$ -	\$ -
Jet bridges	-	-	1,470,275	51,531
Miscellaneous	-	-	58,098	681,673
Terminal project	3,719,288	13,963,772	53,190	1,166,550
West ramp	3,697,221	2,310,031	2,655,876	833,856
<b>Totals</b>	<b>\$ 7,452,298</b>	<b>\$ 16,273,803</b>	<b>\$ 4,237,439</b>	<b>\$ 2,733,610</b>

F. Long-Term Liabilities

1. Loan Payable and Line of Credit

The Airport Authority has entered into various loans. Annual debt service and interest requirements to maturity at December 31, 2017, is as follows:

	<u>Principal</u>	<u>Interest</u>
2018	<u>\$ 139,770</u>	<u>\$ 5,022</u>
<b>Totals</b>	<b><u>\$ 139,770</u></b>	<b><u>\$ 5,022</u></b>

The Airport Authority also entered into a line of credit agreement in July 2017 which allows for maximum borrowings of \$10,000,000 to finance certain capital improvements at the airport as described in Section III, Note G. The first advance was required to be \$50,001 to cover debt issuance costs, each subsequent advance must be a minimum of \$50,000, and all draws must be made within 18 months of the date of this agreement. The loan bears interest at a rate equal to the sum of 65 percent of the one-month LIBOR rate plus 144 basis points. The Airport Authority entered into an interest rate swap agreement that effectively fixes the interest rate at 3.22 percent over the 15-year amortization schedule. Under the swap agreement, the Airport Authority pays or receives the net interest amount monthly, with the monthly settlements included in interest expense. Beginning October 15, 2017, interest only is due quarterly through January 15, 2019. Beginning April 15, 2019, quarterly principal and interest payments will be due. The loan matures in January 2034, at which time the entire remaining principal balance and unpaid interest will be due in full.



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

2. Changes in Long-Term Liabilities

Long-term liability activity for the years ended December 31, 2017 and 2016 was as follows:

	2017				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Line of credit	\$ -	\$ 50,001	\$ -	\$ 50,001	\$ -
Loans payable	174,772	0	35,002	139,770	139,770
Compensated absences	618,295	63,511	-	681,806	365,338
<b>Total long-term liabilities</b>	<b><u>\$ 793,067</u></b>	<b><u>\$ 113,512</u></b>	<b><u>\$ 35,002</u></b>	<b><u>\$ 871,577</u></b>	<b><u>\$ 505,108</u></b>
	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>

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, which was terminated in August 2017. Total rent received under this arrangement was \$77,953 and \$104,028 in 2017 and 2016, respectively.



EVANSVILLE-VANDEBURGH 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 11.2 percent of employees' gross earnings to the defined benefit plan for calendar year 2017. There were 47 employees participating in PERF with annual salaries equal to \$2,428,213. 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 \$265,544 to the PERF Plan and \$72,547 to the annuity savings plan in 2017. The Airport Authority's contributions to PERF, for the years ended December 31, 2017, 2016, and 2015 were; \$265,544, \$271,707, and \$267,292, respectively.



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

Pension Liabilities

At December 31, 2017, the Airport Authority reported a liability of \$2,183,926 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. 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, 2017, the Airport Authority's portion was 0.04895 percent.

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

For the year ended June 30, 2017, the Airport Authority recognized pension expense of \$398,338. 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	\$ 41,475	\$ 1,695
Net difference between projected and actual investment earnings on pension plan investments	345,459	109,494
Change in assumptions	35,065	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	16,512	93,330
Contributions subsequent to the measurement date	133,522	-
Total	\$ 572,033	\$ 204,519

At December 31, 2017, the Airport Authority reported \$133,522 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, 2018. 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)

2018		\$ 88,123
2019		112,090
2020		45,526
2021		(11,747)
Total		\$ 233,992



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

Actuarial Assumptions

The total pension liability in the June 30, 2017 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
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%
Total	100.0%	

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-VANDEBURGH 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%)
\$ 3,185,167	\$ 2,183,926	\$ 1,351,615

Basis of Accounting

The financial statements of INPRS have been prepared using the accrual basis of accounting in conformity with 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. 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, 2017 are as follows:

2018	\$ 709,239
2019	624,618
2020	446,993
2021	302,603
2022	275,380
Thereafter	9,404,991
Total	\$ 11,763,824



EVANSVILLE-VANDEBURGH 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. 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, 2017, 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, 2017, 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 2017, the Airport Authority received \$856,487 from the airline carriers towards the third application. As of December 31, 2017, the Airport Authority has received \$2,457,445.

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 2017 and 2016, 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 approximately 18 months.

The total budget for this project is \$19 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 Corporation through the Regional Development Authority of Southwestern Indiana. In July 2017, the Airport Authority also secured a \$10 million line of credit to finance this project (See Section II, Note F). The Airport Authority has committed PFC collections for 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, 2017, 2016, 2015, and 2014

Public Employee's Retirement Fund (PERF)\*

	2017	2016	2015	2014
Proportion of the net pension liability (asset)	0.048950%	0.051860%	0.050870%	0.049920%
Proportionate share of the net pension liability (asset)	\$2,183,926	\$2,353,637	\$2,071,885	\$1,311,865
Covered employee payroll	\$2,428,728	\$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	89.92%	94.71%	85.03%	53.83%
Plan fiduciary net position as a percentage of the total pension liability	76.65%	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, 2017, 2016, 2015, and 2014

Public Employee's Retirement Fund (PERF)\*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$265,544	\$271,707	\$267,292	\$264,382
Contributions in relation to the contractually required contribution	<u>\$265,544</u>	<u>\$271,707</u>	<u>\$267,292</u>	<u>\$264,382</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$2,428,728	\$2,485,213	\$2,436,628	\$2,437,016
Contributions as a percentage of covered employee payroll	10.93%	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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash balance, January 1	\$ 44,561	\$ 77,160
Receipts:		
Passenger facility charge collections	856,487	815,831
Interest	<u>20</u>	<u>10</u>
Total receipts	<u>856,507</u>	<u>815,841</u>
Disbursements:		
Jet bridges	814,577	848,440
Administrative costs	<u>-</u>	<u>-</u>
Total disbursements	<u>814,577</u>	<u>848,440</u>
Cash balance, December 31	<u>\$ 86,491</u>	<u>\$ 44,561</u>

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 *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2017. 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 programs 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 non-compliance 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 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 major federal program for the year ended December 31, 2017.


**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

September 5, 2018

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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, 2017

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			
Runway 4/22 RSA Improvements			AIP-3-18-0020-056-2013	\$ -	\$ 2,789
Rehab of West Ramp, Snow blower and Security System			AIP-3-18-0020-058-2015	-	564,435
Rehabilitation of Apron			AIP-3-18-0020-059-2016	-	621,686
Rehab West Ramp and Terminal Site Work			AIP-3-18-0020-060-2017	-	275,795
				-	-
Total - Airport Improvement Program				\$ -	\$ 1,464,705
Payments for Small Community Air Service Development Revenue Guarantee	Direct Grant	20.930		\$ -	\$ 6,298
Total - Department of Transportation				\$ -	\$ 1,471,003
Total federal awards expended				\$ -	\$ 1,471,003

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, 2017. 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 weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
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.

#### 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/>.