

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

FINANCIAL STATEMENTS AUDIT REPORT  
EVANSVILLE-VANDEBURGH AIRPORT AUTHORITY DISTRICT  
VANDEBURGH COUNTY, INDIANA  
January 1, 2019 to December 31, 2019



**FILED**  
09/22/2020



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Nathaniel T. Hahn	01-01-19 to 12-31-20
Treasurer	Nathaniel T. Hahn	01-01-19 to 12-31-20
President of the District Board	J. P. Engelbrecht	01-01-19 to 12-31-20



## 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), as of and for the years ended December 31, 2019 and 2018, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Airport Authority, as of December 31, 2019 and 2018, and the respective changes in financial position and, where applicable, cash flows thereof and for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***


*Required Supplementary Information*

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 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. Our opinion on the basic financial statements is not affected by this missing information.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2020, 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 14, 2020

## 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, 2019 and 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents		
General Fund	\$5,397,361	\$5,092,610
Golf Course	9,856	8,168
Accounts receivable (net of allowance)	211,638	252,999
Prepaid items	75,663	84,178
Inventory	55,948	55,811
Total current assets	5,750,466	5,493,766
Noncurrent assets:		
Restricted cash, cash equivalents and investments:		
Cash and cash equivalents		
Cumulative Building Fund	4,362,098	4,851,917
Rainy Day Fund	5,040,760	1,000,000
Passenger Facility Charge Fund	99,139	95,991
Other restricted assets		
Grants receivable	377,281	181,796
Total restricted assets	9,879,278	6,129,704
Capital assets:		
Land, improvements to land and construction in process	38,348,888	31,806,798
Other capital assets (net of accumulated depreciation)	78,279,719	82,005,494
Total capital assets	116,628,607	113,812,292
Total noncurrent assets	126,507,885	119,941,996
Total assets	132,258,351	125,435,762
Deferred Outflows of Resources		
Deferred Outflow of Resources Related to Pension Benefits	174,200	208,927
Accumulated decrease in fair value of interest rate swap agreement	681,604	79,535
Total deferred outflows of resources	855,804	288,462
Total assets and deferred outflows of resources	\$133,114,155	\$125,724,224

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



Evansville-Vanderburgh Airport Authority District  
 Statements of Net Position  
 As Of And For The Years Ended December 31, 2019 and 2018

	2019	2018
Liabilities		
Current liabilities		
Accounts payable	\$161,364	\$168,641
Accrued payroll and withholdings payable	95,230	70,276
Taxes payable	606	227
Compensated absences	365,869	340,045
Current liabilities payable from restricted assets:		
Accounts payable	839,695	90,432
Loan payable	643,847	387,364
Total current liabilities	2,106,611	1,056,985
Noncurrent liabilities:		
Loan payable	9,082,413	9,612,636
Line of Credit	4,170,221	-
Net pension obligation	1,530,906	1,626,505
Compensated absences	490,581	404,279
Derivative liability-interest rate swap	681,604	79,535
Total noncurrent liabilities	15,955,726	11,722,955
Total liabilities	18,062,336	12,779,940
Deferred Inflow of Resources Related to Pension Benefits	312,858	337,003
Net Position		
Invested in capital assets, net of related debt	101,892,431	103,721,860
Restricted for other purposes	9,879,278	6,129,704
Unrestricted	2,967,251	2,755,717
Total Net Position	114,738,960	112,607,281
Total Liabilities, deferred inflows of resources, and net position	\$133,114,155	\$125,724,224

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, 2019 and 2018

	2019	2018
Operating revenues:		
Airline Income	\$1,976,593	\$1,989,292
Parking lot	1,950,660	1,826,852
Car rental agency	963,940	889,690
Federal operating grants	108,211	101,650
Rent - other	690,294	588,674
Fuel flowage fees	52,472	61,997
Golf course	512,772	500,597
Other	25,714	41,041
Total operating revenues	6,280,656	5,999,793
Operating expenses:		
Personal services		
Salaries and wages	2,676,829	2,632,425
Employee pensions and benefits	469,871	497,580
Contractual services		
Communications and transportation	292,316	334,054
Utilities	508,472	519,214
Instruction	42,864	34,781
Printing and advertising	797	2,855
Repairs	51,625	23,735
Other contractual services	601,400	556,800
Supplies		
Garage and motor	85,842	71,500
Institutional and medical	38,544	40,751
Safety supplies	4,959	2,359
Office supplies	8,485	11,328
Other	110,625	58,971
Materials		
Repair parts	53,911	55,429
Other	652	2,507
Current charges		
Insurance	981,944	1,016,697
Refunds and awards	500	-
Subscriptions and dues	22,663	15,719
Golf Course	587,236	576,919
Depreciation	4,197,001	4,377,882
Total operating expenses	10,736,536	10,831,506
Operating loss	(4,455,880)	(4,831,713)
Nonoperating revenues (expenses):		
Property and other taxes	2,408,898	2,363,525
Passenger facility charge revenue	994,988	936,287
Interest and investments	226,854	80,079
Debt issuance costs	(47,741)	-
Gain on sale of assets	170,789	-
Interest expense	(297,168)	(52,474)
Total nonoperating revenues (expenses)	3,456,620	3,327,417
Loss before contributions	(999,260)	(1,504,296)
Capital Contributions	3,130,940	5,836,585
Change in net position	2,131,680	4,332,289
Total net position - beginning	112,607,281	108,274,992
Total net position - ending	\$114,738,961	\$112,607,281

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, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Receipts from customers and users	\$6,322,017	\$5,988,726
Payments to suppliers and contractors	(2,642,092)	(4,525,356)
Payments to employees	(3,094,637)	(3,130,055)
Net cash provided by (used in) operating activities	585,288	(1,666,685)
Cash flows from capital and related financing activities:		
Capital contributions	2,935,455	7,425,042
Property and Other Taxes	2,408,898	2,363,525
Proceeds from sale of capital assets		
Acquisition and construction of capital assets	(6,842,527)	(15,341,102)
Principal paid on loan	(387,364)	(139,770)
Interest paid on loan	(297,168)	(59,662)
Debt Issuance costs	(47,741)	0
Net proceeds from line of credit	4,283,845	9,949,999
Passenger facility charges	994,988	936,287
Net cash provided by capital and related financing activities	3,048,386	5,134,319
Cash flows from investing activities:		
Interest received	226,854	80,079
Net cash provided by investing activities	226,854	80,079
Net increase in cash and cash equivalents	3,860,528	3,547,713
Cash and cash equivalents, January 1	11,048,686	7,500,973
Cash and cash equivalents, December 31	14,909,214	11,048,686
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	(\$4,455,880)	(\$4,831,713)
Adjustments to reconcile operating loss to net cash provided by used in operating activities		
Depreciation and Amortization	4,197,001	4,377,882
Pension Expense	(85,017)	(61,831)
(Increase) decrease in assets:		
Accounts receivable	41,361	(11,067)
Prepaid items	8,515	(9,828)
Inventory	(137)	(9,648)
Increase (decrease) in liabilities:		
Accounts payable	741,986	(1,180,250)
Wages, deductions and retirements payable	24,954	(737)
Compensated absence payable	112,126	62,518
Taxes payable	379	(191)
Contracts payable	-	(1,820)
Total adjustments	5,041,168	3,165,028
Net cash provided by operating activities	\$585,288	(\$1,666,685)
Reconciliation of Cash at End of Year:		
Nonrestricted cash and cash equivalents		
General fund cash and cash equivalents	\$5,397,361	\$5,092,610
Golf course cash and cash equivalents	9,856	8,168
Restricted cash and cash equivalents		
Cumulative building cash and cash equivalents	4,362,098	4,851,917
Rainy Day cash and cash equivalents	5,040,760	1,000,000
Passenger facility charge cash and cash equivalents	99,139	95,991
Total Cash at End of Year	\$14,909,214	\$11,048,686

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



EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Airport Authority (primary government) was established 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.

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.

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.



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

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 \$9,879,279 and \$6,129,704 of restricted assets at December 31, 2019 and 2018, 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.

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.

Effective January 1, 2018, the Airport Authority implemented the provisions of GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. In accordance with this statement, the Airport Authority recognized all interest costs incurred before the end of the construction period as an expense in the period in which the cost was incurred. GASB statement No. 89 was implemented prospectively and had no effect on the prior period financial statements.



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

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 are recognized as an expense in the period incurred.

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.

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 10 and November 13, 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.

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.

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, 2019 and 2018, the Airport Authority had deposit balances in the amounts of \$1,213,158 and \$3,954,039 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 Hoosier Fund, a money market fund allowed by statute of the State of Indiana, specifically for units of government. The Hoosier Fund is a daily liquidity account, and thus is considered a cash equivalent. At December 31, 2019 and 2018, the Airport Authority had cash equivalents in the amounts of \$13,696,056 and \$7,094,647, respectively.

Per statute, the Hoosier Fund 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.



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

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 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, 2019 and 2018, the Airport Authority had money market funds totaling \$13,696,056 and \$7,094,647 invested in the Hoosier Fund. The Hoosier Fund, 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 Hoosier Fund is measured using the net asset value per share practical expedient and is not classified in the fair value hierarchy.

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, 2019 and 2018.

December 31, 2019	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Derivative instruments				
Interest rate swap	<u>\$ (681,604)</u>	<u>\$ -</u>	<u>\$(681,604)</u>	<u>\$ -</u>
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
December 31, 2018				
Derivative instruments				
Interest rate swap	<u>\$ (79,535)</u>	<u>\$ -</u>	<u>\$(79,535)</u>	<u>\$ -</u>

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 years ended December 31, 2019 and 2018.

C. Derivative Instruments

The fair value balances and notional amounts of the derivative instruments outstanding at December 31, 2019, classified by type and the fair value changes of those derivative instruments are as follows.



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

<u>Derivative Instrument</u>	<u>Type</u>	<u>Change in Fair Value</u>	<u>Classification</u>	<u>Fair Value at December 31, 2019</u>	<u>Current Notional</u>
2017 Bank Credit Agreement (Line of Credit convertible to term loan)	Cash-flow hedge: Pay-fixed interest rate swap	(\$369,913)	Derivative instrument Interest rate swap	(\$449,448)	\$9,612,636
2019 Bank Credit Agreement (Line of Credit convertible to term loan)	Cash-flow hedge: Pay-fixed interest rate swap	(\$232,156)	Derivative instrument Interest rate swap	(\$232,156)	\$6,453,000

The fair value balances and notional amounts of the derivative instruments outstanding at December 31, 2018, classified by type and the fair value changes of those derivative instruments are as follows.

<u>Derivative Instrument</u>	<u>Type</u>	<u>Change in Fair Value</u>	<u>Classification</u>	<u>Fair Value at December 31, 2018</u>	<u>Current Notional</u>
2017 Bank Credit Agreement (Line of Credit convertible to term loan)	Cash flow hedge: Pay-fixed interest rate swap	(\$96,096)	Derivative instrument Interest rate swap	(\$79,535)	\$10,000,000

The Airport Authority determined that the pay-fixed interest rate swap met the criteria for effectiveness for both of the years ending December 21, 2019 and 2018. The pay-fixed, receive-variable interest rate swap is designed to synthetically fix the cash flows on the variable rate debt. The fair value of the interest rate swaps was estimated based on the present value of their estimated future cash flows.

The following table displays the objectives and terms of the Airport Authority's hedging derivative instruments outstanding at December 31, 2019, along with the credit rating of the associated counterparty:

<u>Type</u>	<u>Objective</u>	<u>Effective Date</u>	<u>Maturity Date</u>	<u>Terms</u>	<u>Counterparty Credit Rating</u>
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
Pay-fixed Interest rate Rate swat	Hedge of changes in cash flows on bank credit agreement	January 31, 2020	January 31, 2040	79% of 1 mo. USD-LIBOR-BBA w/-1 day look back, 159.0 bps	A1

The following table displays the objectives and terms of the Airport Authority's hedging derivative instruments outstanding at December 31, 2018, along with the credit rating of the associated counterparty:

<u>Type</u>	<u>Objective</u>	<u>Date</u>	<u>Maturity Date</u>	<u>Terms</u>	<u>Credit Rating</u>
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



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**Credit Risk:** The fair value of the derivative instruments is in a liability position as of December 31, 2019 and 2018 with the 2017 credit agreement having a balance of \$449,448 and the 2019 credit agreement having a balance of \$232,156. Likewise, the fair value of the derivative instruments was in a liability position as of December 31, 2018, with the 2017 credit agreement having a balance of \$79,535. 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 for the 2017 credit agreement fixes the hedged debt at 3.22 percent, and the 2019 credit agreement is fixed at 3.39 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.



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D. Capital Assets

Capital asset activity for the year ended December 31, 2019 was as follows

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Land	\$ 13,913,560			13,913,560
Construction in progress	<u>17,893,238</u>	<u>6,542,090</u>		<u>24,435,328</u>
Total capital assets, not being depreciated	<u>31,806,798</u>	<u>6,542,090</u>	<u>-</u>	<u>38,348,888</u>
Capital assets, being depreciated:				
Buildings	35,134,686	16,113		35,150,799
Improvements other than buildings	14,848,467			14,848,467
Runways, taxiways, and ramps	101,111,097			101,111,097
Other	35,002			35,002
Machinery and equipment	<u>6,054,209</u>	<u>465,355</u>	<u>924,904</u>	<u>5,594,660</u>
Totals	<u>157,183,461</u>	<u>481,468</u>	<u>924,904</u>	<u>156,740,025</u>
Less accumulated depreciation for:				
Buildings	(22,726,816)	(1,231,888)		(23,958,704)
Improvements other than buildings	(9,584,089)	(296,857)		(9,880,946)
Runways, taxiways, and ramps	(38,632,838)	(2,338,669)		(40,971,507)
Machinery and equipment	<u>(4,234,224)</u>	<u>(329,587)</u>	<u>(914,662)</u>	<u>(3,649,149)</u>
Totals	<u>(75,177,967)</u>	<u>(4,197,001)</u>	<u>(914,662)</u>	<u>(78,460,306)</u>
Total capital assets, being depreciated, net	<u>82,005,494</u>	<u>(3,715,533)</u>	<u>10,242</u>	<u>78,279,719</u>
Total capital assets, net	<u>\$ 113,812,292</u>	<u>\$ 2,826,557</u>	<u>\$ 10,242</u>	<u>\$116,628,607</u>



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Capital asset activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Land	\$ 13,913,560			13,913,560
Construction in progress	<u>7,452,298</u>	<u>15,243,422</u>	<u>4,802,482</u>	<u>17,893,238</u>
Total capital assets, not being depreciated	<u>21,365,858</u>	<u>15,243,422</u>	<u>4,802,482</u>	<u>31,806,798</u>
Capital assets, being depreciated:				
Buildings	35,056,059	78,627		35,134,686
Improvements other than buildings	10,620,108	4,228,359		14,848,467
Runways, taxiways, and ramps	101,111,097			101,111,097
Other	35,002			35,002
Machinery and equipment	<u>5,809,393</u>	<u>593,176</u>	<u>348,360</u>	<u>6,054,209</u>
Totals	<u>152,631,659</u>	<u>4,900,162</u>	<u>348,360</u>	<u>157,183,461</u>
Less accumulated depreciation for:				
Buildings	(21,410,793)	(1,316,023)		(22,726,816)
Improvements other than buildings	(9,494,167)	(89,922)		(9,584,089)
Runways, taxiways, and ramps	(35,876,768)	(2,756,070)		(38,632,838)
Machinery and equipment	<u>(4,366,717)</u>	<u>(215,867)</u>	<u>(348,360)</u>	<u>(4,234,224)</u>
Totals	<u>(71,148,445)</u>	<u>(4,377,882)</u>	<u>(348,360)</u>	<u>(75,177,967)</u>
Total capital assets, being depreciated, net	<u>81,483,214</u>	<u>522,280</u>	=	<u>82,005,494</u>
Total capital assets, net	<u>\$ 102,849,072</u>	<u>\$ 15,765,702</u>	<u>\$ 4,802,482</u>	<u>\$113,812,292</u>

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

	2019	2018
Airport Authority	<u>\$4,197,001</u>	<u>\$ 4,377,882</u>
Total Depreciation Expense	<u>\$4,197,001</u>	<u>\$ 4,377,882</u>



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E. Construction Commitments

Construction work-in-progress at December 31, 2019 and 2018 is composed of the following:

Project	<u>2019</u>		<u>2018</u>	
	Expended to <u>December 31, 2019</u>	Committed	Expended to <u>December 31, 2018</u>	Committed
Land Master Plan	40,632		\$35,789	
Parking Lot	10,000			
Solar Panels	4,724,908	1,734,997	221	
Taxiway	2,500			
Terminal Project	14,211,222	18,263	13,561,783	551,659
West Ramp	<u>5,446,066</u>	<u>8,230,959</u>	<u>4,295,445</u>	-
Totals	<u>\$24,435,328</u>	<u>9,984,219</u>	<u>\$17,893,238</u>	<u>\$551,659</u>

F. Long-Term Liabilities

1. Loan Payable and Line of Credit

The Airport Authority has entered into various loan agreements. Annual debt service and interest requirements under these loan agreements to maturity at December 31, 2019, is as follows:

	2017 Credit Agreement		2019 Credit Agreement		Total	
	<u>Principal</u>	<u>Interest</u>	Principal	Interest	Principal	
2020	\$ 530,223	\$ 308,233	\$113,624	\$110,594	\$643,847	\$418,826
2021	549,025	289,846	231,559	215,953	780,584	505,799
2022	568,495	271,685	240,019	207,921	808,514	479,606
2023	588,654	252,880	248,464	199,600	837,118	452,480
2024	609,530	234,055	256,939	191,504	866,469	425,560
2025-2029	3,387,620	850,341	1,427,505	815,270	4,815,125	1,665,611
2030-2034	3,379,089	254,026	1,697,342	549,655	5,076,431	803,681
2035-2040	=	=	<u>68,393</u>	<u>13,409</u>	<u>68,393</u>	<u>13,409</u>
Totals	<u>\$9,612,636</u>	<u>\$2,461,066</u>	<u>4,283,845</u>	<u>2,303,906</u>	<u>13,896,481</u>	<u>4,764,792</u>

The Airport Authority 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 Airport Authority had borrowed the full \$10,000,000 against the line of credit as of December 31, 2018, at which time the outstanding balance converted to a term loan. The line of credit's interest rate was 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 starting January 15, 2019. Under the swap agreement, the Airport Authority pays or receives the net interest amount monthly, with the monthly settlements included in interest expense. Quarterly principal and interest payments are due under the term loan until the loan matures in January 2034.

The Airport Authority entered into another line of credit agreement in July 2019 which allows for maximum borrowing of \$6,453,000 to finance certain capital improvements at the airport as described in Section III, Note H. The line of credit's interest rate is equal to the sum of 79 percent of the one-month LIBOR rate plus 152 basis points and the outstanding borrowings on the line credit at December 31, 2019 was \$4,283,845. The line of credit agreement converted to a term loan effective January 31, 2020. The Airport Authority entered into an interest rate swap agreement that will effectively fix the



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interest rate at 3.39 percent over the 20-year amortization schedule effective January 31, 2020. Under the swap agreement, the Airport Authority pay or receives the net interest amount monthly, with the monthly settlements included in the interest expense. Beginning August 31, 2019, interest only was due quarterly through January 31, 2020. Principal and interest payments will be due on each January 31 and July 31, commencing July 31, 2020, until the loan matures in January 2040.

2. Changes in Long-Term Liabilities

Long-term liability activity for the years ended December 31, 2019 and 2018 was as follows:

2019

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Line of credit	\$-	\$4,283,845	\$-	\$4,283,845	\$113,624
Loans Payable	10,000,000	-	387,364	9,612,636	530,223
Compensated Absences	744,324	112,126	-	856,450	365,869
<b>Total Long-Term Liabilities</b>	<b>\$10,744,324</b>	<b>\$4,395,971</b>	<b>\$387,364</b>	<b>\$14,752,931</b>	<b>\$1,009,716</b>

2018

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Line of credit	\$50,011	\$9,949,999	\$10,000,000	\$-	\$-
Loans Payable	139,770	10,000,000	139,770	10,000,000	387,364
Compensated Absences	681,806	62,518	-	744,324	340,045
<b>Total Long-Term Liabilities</b>	<b>\$871,577</b>	<b>\$20,012,517</b>	<b>\$10,139,770</b>	<b>\$10,744,324</b>	<b>\$727,409</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. Pension Plan

Indiana Public Retirement System



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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 statues (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 annuity 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 statue 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' covered payroll to the defined benefit plan for calendar years 2019 and 2018. There were 47 employees participating in PERF with annual salaries equal to \$2,413,350 and \$2,442,994 in 2019 and 2018, respectively. 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 \$263,623 and \$267,061 to the PERF plan and \$72,225 and \$73,456 to the annuity savings plan in 2019 and 2018, respectively. The Airport Authority's contributions to PERF, for the years ended December 31, 2019, 2018, and 2017 were \$263,623, \$267,061, and \$265,544, respectively, equal to the required contributions for each year.

Pension Liabilities

At December 31, 2019, the Airport Authority reported a liability of \$1,530,906 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 for assets and June 30, 2018 rolled forward to June 30, 2019 for liabilities. 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, 2019, the Airport Authority's portion was 0.04632 percent.

At December 31, 2018, the Airport Authority reported a liability of \$1,626,505 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 for assets and June 30,



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2017 rolled forward to June 30, 2018 for liabilities. 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, 2018, the Airport Authority's portion was 0.04788 percent.

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

For the year ended June 30, 2019, the Airport Authority recognized pension expense of \$177,854. The Airport Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Resources	June 30, 2019	Deferred Outflows Of Resources	Deferred Inflow Of Resources
Differences between expected and actual experience		\$40,538	\$0
Net difference between projected and actual investment earnings on pension plan investments		0	72,362
Change in assumptions		341	166,421
Changes in proportion and difference between employer contributions and proportionate share of contributions		0	74,075
Contributions subsequent to the measurement date		<u>\$133,321</u>	----
Total		<u>\$174,200</u>	<u>\$312,858</u>

For the year ended June 30, 2018, the Airport Authority recognized pension expense of \$205,781. The Airport Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Resources	June 30, 2018	Deferred Outflows Of Resources	Deferred Inflow Of Resources
Differences between expected and actual experience		\$21,272	111
Net difference between projected and actual investment and earnings on pension plan investments		48,171	0
Change in assumptions		3,875	261,158
Changes in proportion and difference between employer contributions and proportionate share of contributions		134,073	0
Contributions subsequent to the measurement date		<u>\$134,073</u>	-
Total		<u>\$208,927</u>	<u>\$337,003</u>

At December 31, 2019, the Airport Authority reported \$133,321 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, 2020. All other amounts reported as deferred inflows or outflows of resources related to pensions will be recognized in pension expense as follows:



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

2020	\$(90,840)
2021	(138,147)
2022	(37,374)
2023	(5,618)
<u>2024</u>	<u>-</u>
Total	<u>\$(271,979)</u>

At December 31, 2018, the Airport Authority reported \$134,073 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, 2019. 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)

2019	\$ (18,499)
2020	(82,900)
2021	(131,946)
2022	(28,804)
<u>2023</u>	<u>-</u>
Total	<u>\$ 262,149</u>

Actuarial Assumptions

The total pension liability in the June 30, 2019 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 based on age, 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:	It is assumed a service based 13 <sup>th</sup> check will be paid in the 2020 and 2021 fiscal years. Thereafter, the following COLAs compounded annually, are assumed: 0.40% beginning on January 1, 2022 0.50% beginning on January 1, 2034 0.60% beginning on January 1, 2039
Mortality:	RP-2014 Total Data Set Mortality Table, with Social Security generational improvements from 2006 based on the Social Security Administration’s 2014 Trustee Report for healthy members and they RP-2014 Disability Mortality Tables, with Social Security generational improvements from 2006 based on the Social Security Administration’s 2014 Trustee Report for disabled members.



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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. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	22.0%	4.4%
Private Equity	14.0%	5.4%
Fixed Income – Ex Inflation-Linked	20.0%	2.2%
Fixed Income – Inflation-Linked	7.0%	0.8%
Commodities	8.0%	2.3%
Real Estate	7.0%	6.5%
Absolute Return	10.0%	2.7%
Risk Parity	<u>12.0%</u>	5.2%
Total	<u>100.0%</u>	

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.

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.

<u>1% Decrease (5.75%)</u>	<u>Current (6.75%)</u>	<u>1% Increase (7.75%)</u>
\$2,458,654	\$1,530,906	\$757,092

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 as applied to governmental units as found in the INPRS CAFR. 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,



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benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

C. 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, 2019 are as follows:

2020	565,315
2021	381,044
2022	347,303
2023	342,053
2024	343,088
Thereafter	<u>11,822,723</u>
Total	<u>\$ 13,801,526</u>

D. 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. The Airport Authority received \$1,017,714 of the maximum authorized amount in previous years and does not expect to collect any further amounts.

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 2018, the Airport Authority received \$292,352 from the airline carriers toward this application. As of December 31, 2018, the Airport Authority has received all of the \$2,431,208.

PFC Application No.4 authorizing a maximum of 6,014,756 was approved in November 2017. The receipts are to be used to repay the Airport Authority's Cumulative Building fund for the local share of prior Airport Improvement Projects including, but not limited to, the Runway Safety Area project. During 2018, the Airport Authority received \$643,953 toward this application. During 2019, the Airport Authority received \$995,007 towards this application. As of December 31, 2019 the Airport Authority has received a cumulative total \$1,638,960

E. 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



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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 2019 and 2018 no property was affected by the TIF designation resulting in no TIF funds being received.

F. 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 to comply with certain currently mandated security features, add additional energy efficient systems to the terminal, as well as other internal and external improvements and renovations. The project began in July 2017 and the construction period was completed in 2019.

The total budget for this project was \$19 million. In 2016, the Airport Authority received a \$5 million grant under the State of Indiana Regional Cities program to be used towards this renovation. In July of 2017 the Airport Authority also secured a \$10 million line of credit to finance this project (See Section II, Note F) and 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.

G. Solar Panel Project

The Airport Authority began design work on the Solar Panel project in January of 2019. The design involved covering the short-term parking and the rental car lots. The Airport Authority secured a \$6,453,000 line of credit to be used toward this project. (See Section II, Note F.) and has committed parking lot revenue and funds from reduced utility costs for the repayment of this loan.

H. Economic Events

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, results of operations, and cash flows of the Airport Authority, including reduction in the overall investment position and declines in passenger traffic. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.



EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT  
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY – RETIREMENT PLAN  
 As of and For The Years Ended December 31, 2019, 2018, 2017, 2016, 2015 and 2014

Public Employee’s Retirement Fund (PERF)\*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability (asset)	.046320%	0.047880%	0.048950%	0.051860%	0.050870%	0.049920%
Proportionate share of the net pension liability (asset)	\$1,530,906	\$1,626,505	\$2,183,926	\$2,353,637	\$2,071,885	\$1,311,865
Covered employee payroll	\$2,413,350	\$2,442,944	\$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	63.43%	66.58%	89.92%	94.71%	85.03%	53.83%
Plan fiduciary net position as a percentage of the total pension liability	80.06%	78.89%	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, 2019, 2018, 2017, 2016, 2015, and 2014

Public Employee’s Retirement Fund (PERF)\*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$263,623	\$267,061	\$265,544	\$271,707	\$267,292	\$264,382
Contributions in relation to the contractually required contribution	<u>\$263,623</u>	<u>\$267,061</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$2,413,350	\$2,442,944	\$2,428,728	\$2,485,213	\$2,436,628	\$2,437,016
Contributions as a percentage of covered employee payroll	10.92%	10.93%	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  
NOTES REQUIRED SUPPLEMENTARY INFORMATION

Public Employees' Retirement Plan

Changed in assumptions: The June 30, 2018 actuarial valuation included the following updates:

The COLA assumption was changed due to passage of Senate Enrolled Act No. 373. In lieu of a 1% COLA occurring beginning on January 1, 2020, we now assume that the COLA will be replaced by a 13<sup>th</sup> check for 2020 and 2021. The COLA assumption thereafter, would be 0.4% beginning on January 1, 2022, changing the 0.5% beginning on January 1, 2034, and ultimately 0.6% beginning on January 1, 2039.

Changes in methods: There were no changes to the actuarial methods during the fiscal year.

Source: Indiana Public Retirement System  
Public Employees' Retirement Fund  
Report on Allocation of Pension Amounts  
For the Year Ended June 30, 2018

## 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/>.