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October 5, 2021


To: The Officials of the Evansville-Vanderburgh Airport Authority District  
Evansville-Vanderburgh Airport Authority District  
7801 Bussing Dr.  
Evansville, IN 47711

As authorized under Indiana Code 5-11-1, we engaged private examiners under our review to perform the audit of Evansville-Vanderburgh Airport Authority District. We have reviewed the audit report opined upon by Crowe LLP, Independent Public Accountants, for the period January 1, 2020 to December 31, 2020. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of Evansville-Vanderburgh Airport Authority District as of December 31, 2020, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Crowe LLP prepared the audit report in accordance with the guidelines established by the State Board of Accounts.

In addition to the report presented herein, a Supplemental Report for Evansville-Vanderburgh Airport Authority District was prepared in accordance with the guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

  
Paul D. Joyce, CPA  
State Examiner

FINANCIAL STATEMENTS AUDIT REPORT  
EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT  
VANDERBURGH COUNTY, INDIANA

JANUARY 1, 2020 TO DECEMBER 31, 2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive 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 Board	J P Engelbrecht	01-01-19 to 12-31-20

## INDEPENDENT AUDITOR'S REPORT

Those Charged with Governance  
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 year ended December 31, 2020, 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 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.

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(Continued)

## **Opinion**

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport Authority, as of December 31, 2020, and the changes in financial position and cash flows thereof and for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

The financial statements of the Airport Authority as of December 31, 2019, were audited by other auditors whose report dated September 14, 2020, expressed an unmodified opinion on those statements.

## ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Schedule of the Airport Authority's Proportionate Share of the Net Position Liability - PERF and Schedule of the Airport Authority's Contributions - PERF, 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 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 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 are not affected by this missing information.

## **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the Schedule of Officials, are presented for purposes of additional analysis and are not a required part of the financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 Federal Awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

The accompanying Schedule of Officials has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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(Continued)

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report September 29, 2021 on our consideration of the Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

*Crowe LLP*  
Crowe LLP

Indianapolis, Indiana  
September 29, 2021



EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT  
 STATEMENTS OF NET POSITION  
 As of December 31, 2020 and 2019

	2020	2019
<b>Assets and Deferred Outflows of Resources</b>		
<b>Current Assets</b>		
Cash and cash equivalents:		
General fund	\$ 9,444,170	\$ 5,397,361
Golf course	3,935	9,856
Accounts receivable (net of allowance)	256,064	211,638
Prepaid items	83,918	75,663
Inventory	55,188	55,948
Total current assets	9,843,275	5,750,466
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents:		
Cash and cash equivalents		
Cumulative building fund	5,375,215	4,362,098
Rainy day fund	5,081,694	5,040,760
Passenger facility charge fund	30,040	99,139
Customer facility charge fund	273,020	-
Other restricted assets		
Grants receivable	839,208	377,281
Total restricted assets	11,599,177	9,879,278
Capital assets		
Land, improvements to land, and construction-in-progress	28,551,762	38,348,888
Other capital assets (net of accumulated depreciation)	94,173,390	78,279,719
Total capital assets	122,725,152	116,628,607
Total noncurrent assets	134,324,329	126,507,885
Total assets	144,167,604	132,258,351
<b>Deferred Outflows of Resources</b>		
Deferred outflows of resources related to pension benefits	279,118	174,200
Accumulated decrease in fair value of interest rate swap agreement	1,598,594	681,604
Total deferred outflows of resources	1,877,712	855,804
Total assets and deferred outflows of resources	\$ 146,045,316	\$ 133,114,155



EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT  
 STATEMENTS OF NET POSITION (CONTINUED)  
 As of December 31, 2020 and 2019

	2020	2019
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 52,737	\$ 161,364
Accrued payroll and withholdings payable	66,157	95,230
Taxes payable	523	606
Compensated absences	391,543	365,869
Current liabilities payable from restricted assets:		
Accounts payable	488,498	839,695
Loan payable	780,584	643,847
Total current liabilities	1,780,042	2,106,611
<b>Noncurrent Liabilities</b>		
Loan payable	14,436,718	9,082,413
Line of credit	-	4,170,221
Compensated absences	262,449	490,581
Net pension liability	1,367,937	1,530,906
Derivative liability - interest rate swap	1,598,594	681,604
Total noncurrent liabilities	17,665,698	15,955,725
Total liabilities	19,445,740	18,062,336
Deferred inflow of resources related to pension benefits	376,563	312,858
<b>Net Position</b>		
Net investment in capital assets	107,019,352	101,892,431
Restricted for other purposes	11,599,177	9,879,278
Unrestricted	7,604,484	2,967,252
Total net position	126,223,013	114,738,961
Total liabilities, deferred inflows of resources, and net position	\$ 146,045,316	\$ 133,114,155

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**  
 For The Years Ended December 31, 2020 and 2019

	2020	2019
<b>Operating Revenues:</b>		
Airline income	\$ 1,858,055	\$ 1,976,593
Parking lot	907,913	1,950,660
Car rental agency	645,948	963,940
Federal operating grants reimbursements	90,630	108,211
Rent - other	605,303	690,294
Fuel flowage fees	35,031	52,472
Golf course	457,594	512,772
Other	30,153	25,714
Total operating revenues	4,630,627	6,280,656
<b>Operating Expenses:</b>		
Personal services		
Salaries and wages	2,635,464	2,676,829
Employee pensions and benefits	315,123	469,871
Contractual services		
Communications and transportation	229,609	288,152
Utilities	453,368	508,472
Instruction	156,269	42,864
Printing and advertising	-	797
Repairs	608,053	628,065
Supplies		
Garage and motor	88,065	85,842
Institutional and medical	153,366	124,197
Safety supplies	2,265	4,959
Office supplies	6,170	8,485
Human Resources	4,425	4,164
Materials		
Repair parts	49	53,911
Cumulative building repair parts	10,328	24,972
Minor equipment	23,404	24,960
Other	-	652
Current charges		
Insurance	1,029,540	981,944
Refunds and awards	-	500
Subscriptions and dues	21,620	22,663
Golf course	630,593	587,236
Depreciation	5,132,838	4,197,001
Total operating expenses	11,500,549	10,736,536
<b>Loss From Operations</b>	<b>(6,869,922)</b>	<b>(4,455,880)</b>
<b>Nonoperating Revenues (Expenses):</b>		
Property and other taxes	2,468,311	2,408,898
Passenger facility charge revenue	542,659	994,988
Customer facility charges (rental cars)	329,034	-
CARES Act grant	5,513,895	-
Gain on sale of capital assets	-	170,789
Interest and investments	113,388	226,854
Debt issuance costs	-	(47,741)
Interest expense	(409,148)	(297,168)
Total nonoperating revenues (expenses)	8,558,139	3,456,620
Gain (loss) before contributions	1,688,217	(999,260)
<b>Capital Contributions</b>	<b>9,795,835</b>	<b>3,130,940</b>
<b>Change in Net Position</b>	<b>11,484,052</b>	<b>2,131,680</b>
<b>Net Position, Beginning of Year</b>	<b>114,738,961</b>	<b>112,607,281</b>
<b>Net Position, End of Year</b>	<b>\$ 126,223,013</b>	<b>\$ 114,738,961</b>

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



**EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
For The Years Ended December 31, 2020 and 2019

	2020	2019
<b>Cash flows from operating activities:</b>		
Receipts from customers and users	\$ 4,586,201	\$ 6,322,017
Payments to suppliers and contractors	(3,884,526)	(2,642,092)
Payments to employees and for employee benefits	(3,386,300)	(3,094,637)
	(2,684,625)	585,288
<b>Net cash provided by (used in) operating activities</b>		
<b>Cash flows from capital and related financing activities:</b>		
Capital contributions and grants	14,847,803	2,935,455
Property and other taxes	2,468,311	2,408,898
Acquisition and construction of capital assets	(11,229,383)	(6,842,527)
Principal paid on loan	(643,845)	(387,364)
Interest paid on loan	(409,148)	(297,168)
Debt issuance costs	-	(47,741)
Net proceeds from line of credit	1,964,666	4,283,845
Customer facility charges (rental cars)	329,034	-
Passenger facility charges	542,659	994,988
	7,870,097	3,048,386
<b>Net cash provided by capital and related financing activities</b>		
<b>Cash flows from investing activities:</b>		
Interest received	113,388	226,854
	113,388	226,854
<b>Net cash provided by investing activities</b>		
<b>Net increase in cash and cash equivalents</b>	5,298,860	3,860,528
<b>Cash and cash equivalents, January 1</b>	14,909,214	11,048,686
<b>Cash and cash equivalents, December 31</b>	\$ 20,208,074	\$ 14,909,214
<b>Reconciliation of operating loss to net cash used in operating activities:</b>		
Operating loss	\$ (6,869,922)	\$ (4,455,880)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	5,132,838	4,197,001
Pension expense	(204,182)	(85,017)
(Increase) decrease in assets:		
Accounts receivable	(44,426)	41,361
Prepaid items	(8,255)	8,515
Inventory	760	(137)
Increase (decrease) in liabilities:		
Accounts payable	(459,824)	741,986
Wages, deductions, and retirements payable	(29,073)	24,954
Compensated absence payable	(202,458)	112,126
Taxes payable	(83)	379
	4,185,297	5,041,168
<b>Net cash provided by (used in) operating activities</b>	\$ (2,684,625)	\$ 585,288
<b>Reconciliation of cash at end of year:</b>		
Nonrestricted cash and cash equivalents		
General fund cash and cash equivalents	\$ 9,444,170	\$ 5,397,361
Golf course cash and cash equivalents	3,935	9,856
Restricted cash and cash equivalents		
Cumulative building cash and cash equivalents	5,375,215	4,362,098
Rainy day cash and cash equivalents	5,081,694	5,040,760
Passenger facility charge cash and cash equivalents	30,040	99,139
Customer facility charge cash and cash equivalents	273,020	-
<b>Total cash at end of year</b>	\$ 20,208,074	\$ 14,909,214

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



EVANSVILLE-VANDEBURGH 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 Statements of Net Position; Statements of Revenues, Expenses, and Changes in Net Position; and Statements 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 include activities that have the characteristics of exchange transactions. 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.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as grants, and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Fund Accounting*, and GASB No. 34, such as state and local appropriations, facility charges, and investment income.

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, Prepaid Items, and Receivables

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.

Accounts Receivable are reported in the period earned at present value less the estimated portion that is expected to be uncollectable. The Airport Authority uses a specific identification method for its estimate of the allowance. As of December 31, 2020, the allowance for uncollectible accounts was \$0. Grants receivable include both billed and unbilled receivables. No allowance was reported by management for grant receivable.

3. Restricted Assets

Certain assets are restricted by virtue of Cumulative Building, Passenger Facility Charge, and Customer Facility Charge regulations and are classified as restricted assets on the Statements of Net Position because their use is limited by applicable governing body action.

The financial statements report \$11,599,177 and \$9,879,278 of restricted assets at December 31, 2020 and 2019, 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.



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

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

	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 is 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 was included as part of the capitalized value of the assets constructed, until December 31, 2017.

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.

The Airport Authority accounts for long-lived assets under GASB No. 42, *Accounting for Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. The Airport Authority's capital assets include property, equipment, and infrastructure assets. A capital asset is considered impaired if both the decline in service utility of the capital asset is large in magnitude and the event or change in circumstances is outside the normal life cycle of the capital asset. The Airport Authority is required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Common indicators of impairment include evidence of physical damage where restoration efforts are needed to restore service utility, enactment or approval of laws or regulations setting standards that the capital assets would not be able to meet, technological development or evidence of obsolescence, a change in the manner or expected duration of use of a capital asset or construction stoppage. This Statement required the Airport Authority to report the effects of capital asset impairments in its financial statements when they occur and to account for insurance recoveries in the same manner.

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.



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

- 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.
- d. PTO – Administrative employees may earn between 3.89 and 7.27 weeks based on years of service. PTO may accumulate up to 1,040 hours per employee and no additional hours accumulate once this threshold is met. Accumulated PTO is paid out, up to 720 hours, upon retirement.

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.

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.



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

10. Revenues

Capital funding provided under government grants and agreements are considered earned as the related allowable expenses are incurred. Certain expenses for airport capital improvements are significantly funded through the Airport Improvement Program (AIP) of the Federal Aviation Administration (FAA), with certain matching funds provided by the Authority. Grants and related agreements for the acquisition and construction of land, property and certain types of equipment are reported in the Statements of Revenues, Expenses and Changes in Net Position, after non-operating revenue and expenses, as capital contributions.

The Passenger Facility Charges and Customer Facility Charges are recognized as revenue in the financial statements when collected. There is no receivable recorded as there is no reasonable method of determining the amount.

11. 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.

12. 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 it 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.

13. Reclassifications

Certain reclassifications have been made to the 2019 financial information in order to conform to the 2020 presentation.



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14. Adoption of New Accounting Pronouncements

For the year ended December 31, 2020, the Airport Authority adopted the following accounting pronouncements:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*, was adopted with no impact.
- GASB Statement No 84, *Fiduciary Activities*, was adopted with no impact.
- GASB Statement No. 88, *Certain Disclosures Related to Debt*, including *Direct Borrowings and Direct Placements*, was adopted resulting in enhanced debt disclosures.
- GASB Statement No. 90, *Majority Equity Interests*, was adopted with no impact.
- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Fiscal Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* (paragraphs 4-5), was adopted with no impact.

In June 2017, GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Authority's financial statements for the year ending December 31, 2022.

15. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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, 2020 and 2019, the Airport Authority had deposit balances in the amounts of \$1,949,009 and \$1,213,158, 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.



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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, 2020 and 2019, the Airport Authority had cash equivalents in the amounts of \$18,259,065 and \$13,696,056, 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. 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, 2020 and 2019, the Airport Authority had money market funds totaling \$18,259,065 and \$13,696,056, respectively, 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.

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying Statements of Net Position measured at fair value on a recurring basis and their level within the fair-value hierarchy at December 31, 2020 and 2019:

December 31, 2020	Fair Value	Level 1	Level 2	Level 3
Derivative instruments				
Interest rate swap	\$ (1,598,594)	\$ -	\$ (1,598,594)	\$ -
December 31, 2019	Fair Value	Level 1	Level 2	Level 3
Derivative instruments				
Interest rate swap	\$ (681,604)	\$ -	\$ (681,604)	\$ -



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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, 2020 and 2019.

C. Derivative Instruments

The fair value balances and notional amounts of the derivative instruments outstanding at December 31, 2020, 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, 2020	Current Notional
2017 Bank Credit Agreement (Line of Credit convertible to term loan)	Cash flow hedge: Pay-fixed interest rate swap	(\$411,091)	Derivative instrument Interest rate swap	(\$860,539)	\$9,082,413
2019 Bank Credit Agreement (Line of Credit convertible to term loan)	Cash flow hedge: Pay-fixed interest rate swap	(\$505,899)	Derivative instrument Interest rate swap	(\$738,055)	\$6,339,376

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:

Derivative Instrument	Type	Change in Fair Value	Classification	Fair Value at December 31, 2019	Current Notional
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 Airport Authority determined that the pay-fixed interest rate swap met the criteria for effectiveness for both of the years ended December 31, 2020 and 2019. 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.



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The following table displays the objectives and terms of the Airport Authority's hedging derivative instruments outstanding at December 31, 2020, 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
Pay-fixed interest rate swap	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, 2019, along with the credit rating of the associated counterparty:

Type	Objective	Date	Maturity Date	Terms	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
Pay-fixed interest rate swap	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

**Credit Risk:** The fair value of the derivative instruments was in a liability position as of December 31, 2020 with the 2017 credit agreement having a balance of \$860,539 and the 2019 credit agreement having a balance of \$738,055. Likewise, The fair value of the derivative instruments was in a liability position as of December 31, 2019 with the 2017 credit agreement having a balance of \$449,448 and the 2019 credit agreement having a balance of \$232,156. 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.



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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.

D. Capital Assets

Capital asset activity for the year ended December 31, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 13,913,560	\$ -	\$ -	\$ 13,913,560
Construction-in-progress	24,435,328	11,044,500	20,841,626	14,638,202
Total capital assets, not being depreciated	<u>38,348,888</u>	<u>11,044,500</u>	<u>20,841,626</u>	<u>28,551,762</u>
Capital assets, being depreciated:				
Buildings	35,150,799	20,588,732	-	55,739,531
Improvements other than buildings	14,848,467	-	-	14,848,467
Runways, taxiways, and ramps	101,111,097	49,095	-	101,160,192
Other	35,002	-	-	35,002
Machinery and equipment	5,594,660	388,682	-	5,983,342
Totals	<u>156,740,025</u>	<u>21,026,509</u>	<u>-</u>	<u>177,766,534</u>
Less accumulated depreciation for:				
Buildings	(23,958,704)	(2,145,753)	-	(26,104,457)
Improvements other than buildings	(9,880,946)	(294,369)	-	(10,175,315)
Runways, taxiways, and ramps	(40,971,507)	(2,343,579)	-	(43,315,086)
Machinery and equipment	(3,649,149)	(349,137)	-	(3,998,286)
Totals	<u>(78,460,306)</u>	<u>(5,132,838)</u>	<u>-</u>	<u>(83,593,144)</u>
Total capital assets, being depreciated, net	<u>78,279,719</u>	<u>15,893,671</u>	<u>-</u>	<u>94,173,390</u>
Total capital assets, net	<u>\$ 116,628,607</u>	<u>\$ 26,938,171</u>	<u>\$ 20,841,626</u>	<u>\$ 122,725,152</u>



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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 13,913,560	\$ -	\$ -	\$ 13,913,560
Construction-in-progress	17,893,238	6,542,090	-	24,435,328
Total capital assets, not being depreciated	31,806,798	6,542,090	-	38,348,888
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	6,054,209	465,355	924,904	5,594,660
Totals	157,183,461	481,468	924,904	156,740,025
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	(4,234,224)	(329,587)	(914,662)	(3,649,149)
Totals	(75,177,967)	(4,197,001)	(914,662)	(78,460,306)
Total capital assets, being depreciated, net	82,005,494	(3,715,533)	10,242	78,279,719
Total capital assets, net	\$ 113,812,292	\$ 2,826,557	\$ 10,242	\$ 116,628,607

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

	2020	2019
Airport Authority	\$ 5,132,838	\$ 4,197,001
Total depreciation expense	\$ 5,132,838	\$ 4,197,001



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E. Construction Commitments

Construction work-in-progress at December 31, 2020 and 2019 is composed of the following:

<u>Project</u>	2020		2019	
	Expended to December 31,	Committed	Expended to December 31,	Committed
Land master plan	\$ 35,789	\$ -	\$ 40,632	\$ -
Parking lot	608,176	-	10,000	-
Solar panels	-	-	4,724,908	1,734,997
Taxiway	95,254	-	2,500	-
Terminal project	-	-	14,211,222	18,263
West ramp	13,898,983	-	5,446,066	8,230,959
<b>Totals</b>	<b>\$ 14,638,202</b>	<b>\$ -</b>	<b>\$ 24,435,328</b>	<b>\$ 9,984,219</b>

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, 2020, are as follows:

	2017 Credit Agreement		2019 Credit Agreement		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 549,025	\$ 285,881	\$ 231,559	\$ 208,925	\$ 780,584	\$ 494,806
2022	568,495	267,970	240,019	200,892	808,514	468,862
2023	588,656	249,423	248,464	192,572	837,120	441,995
2024	609,529	230,218	256,939	184,456	866,468	414,674
2025	631,145	210,333	265,978	175,056	897,123	385,389
2026- 2030	3,507,752	727,804	1,477,994	730,618	4,985,746	1,458,422
2031- 2035	2,627,812	150,610	1,757,058	455,655	4,384,870	606,265
2036- 2040	-	-	1,656,877	132,253	1,656,877	132,253
<b>Totals</b>	<b>\$ 9,082,414</b>	<b>\$ 2,122,239</b>	<b>\$ 6,134,888</b>	<b>\$ 2,280,427</b>	<b>\$ 15,217,302</b>	<b>\$ 4,402,666</b>



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2017 Credit Agreement

The Airport Authority entered into a line of credit agreement in July 2017 which allowed 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.

2019 Credit Agreement

The Airport Authority entered into another line of credit agreement in July 2019 which allowed for maximum borrowings 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 of credit at December 31, 2019 was \$4,283,845. The Airport Authority had borrowed \$6,248,511 against this line of credit as of January 31, 2020, at which time it converted to a term loan. The Airport Authority entered into an interest rate swap agreement that will effectively fix the interest rate at 3.39 percent over the 20-year amortization schedule effective January 31, 2020. Under the swap agreement, the Airport Authority pays or receives the net interest amount monthly, with the monthly settlements included in interest expense. Beginning August 31, 2019, interest only was due quarterly through January 31, 2020. Quarterly principal and interest payments are then due under the term loan until the loan matures in January 2040.

The Credit Agreements are direct borrowings. With respect to an Event of Default, if not remediated within 5 days, the bank can take legal action against the Airport Authority and the loan rate would change to the Default Rate which is the current applicable rate plus 3%. There are no open lines of credit at December 31, 2020.

The Airport Authority has pledged passenger facility change revenues, as authorized by the PFC Application #4, to the 2017 Credit Agreement and parking lot revenues to the 2019 Credit Agreement. Passenger facility charge revenue for 2020 was approximately \$543,000 and parking lot revenues were approximately \$908,000. Related debt service principal and interest for the 2017 and 2019 Credit Agreements was approximately \$838,000 and \$224,000, respectively.



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2. Changes in Long-Term Liabilities

Long-term liability activity for the years ended December 31, 2020 and 2019 was as follows:

	2020				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Line of credit	\$ 4,283,845	\$ 1,964,666	\$ 6,248,511	\$ -	\$ -
Loans payable	9,612,636	6,248,511	643,845	15,217,302	780,584
Compensated absences	856,450	-	202,458	653,992	391,543
Net pension liability	1,530,906	257,484	420,453	1,367,937	-
<b>Total long-term liabilities</b>	<b>\$ 16,283,837</b>	<b>\$ 8,470,661</b>	<b>\$ 7,515,267</b>	<b>\$ 17,239,231</b>	<b>\$ 1,172,127</b>
	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
Net pension liability	1,626,505	288,557	384,156	1,530,906	-
<b>Total long-term liabilities</b>	<b>\$ 12,370,829</b>	<b>\$ 4,684,528</b>	<b>\$ 771,520</b>	<b>\$ 16,283,837</b>	<b>\$ 1,009,716</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.



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B. Pension Plan

Indiana Public Retirement System

Plan Description

The Airport Authority contributes to the Indiana 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' covered payroll to the defined benefit plan for calendar years 2020 and 2019. There were 47 employees participating in PERF with annual salaries equal to \$2,445,082 and \$2,413,350 in 2020 and 2019, 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 \$266,844 and \$263,623 to the PERF plan and \$74,224 and \$72,225 to the annuity savings plan in 2020 and 2019, respectively. The Airport Authority's contributions to PERF, for the years ended December 31, 2020, 2019, and 2018 were \$266,844, \$263,623, and \$267,061, respectively.



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Pension Liabilities

At December 31, 2020, the Airport Authority reported a liability of \$1,367,937 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 for assets and June 30, 2019 rolled forward to June 30, 2020 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, 2020, the Airport Authority's portion was 0.04529 percent.

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.

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

For the year ended December 31, 2020, the Airport Authority recognized pension expense of \$67,150. The Airport Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Deferred Resources for the Year Ended December 31, 2020</b>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 24,236	\$ 18,366
Net difference between projected and actual investment earnings on pension plan investments	117,073	-
Change in assumptions	-	285,021
Changes in proportion and difference between employer contributions and proportionate share of contributions	-	73,176
Contributions subsequent to the measurement date	<u>137,809</u>	<u>-</u>
Total	<u>\$ 279,118</u>	<u>\$ 376,563</u>



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For the year ended December 31, 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:

<b>Deferred Resources for the Year Ended December 31, 2019</b>	Deferred Outflows of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 40,538	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	72,362
Change in assumptions	341	166,421
Changes in proportion and difference between employer contributions and proportionate share of contributions	-	74,075
Contributions subsequent to the measurement date	133,321	-
Total	\$ 174,200	\$ 312,858

At December 31, 2020, the Airport Authority reported \$137,809 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 ended 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:

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

2021	\$ (176,146)
2022	(77,317)
2023	(31,519)
2024	49,728
2025	-
Total	\$ (235,254)

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 ended 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)

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



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Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and applied to all periods included in the measurement unless otherwise noted.

Inflation Rate:	2.25 percent
Salary Increases:	2.75 percent - 8.75 percent based on service
Experience Study Rate:	Period of 5 years ended June 30, 2019
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:	<p>As of June 30, 2020: It is assumed a service based 13th check will be paid on October 1, 2020. 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</p> <p>As of June 30, 2019: It is assumed a service based 13th 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</p>
Mortality:	<p>As of June 30, 2020: Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019, with a General Employee table with a 3 year set forward for males and a 1 year set forward for females for healthy employees, General Retiree table with a 3 year set forward for males and a 1 year set forward for females for retirees, Contingent Survivor table with no set forward for males and a 2 year set forward for females for beneficiaries, and General Disabled table with a 140% load for disabled members.</p> <p>As of June 30, 2019: 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 the 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.</p>



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

Changes in Assumptions since the Prior Year

As a result of the 2014-2019 Experience Study, which was completed and approved in June 2020, there were changes to many assumptions for the June 30, 2020 actuarial valuation.

- The future salary increase assumption changed from an age-based table ranging from 2.50% - 4.25% to a service-based table ranging from 2.75% to 8.75%.
- The mortality assumption changed from RP-2014 (with MP-2014 improvement removed) Total Data Set Mortality Tables projected on a fully generational basis using the future mortality improvement scale inherent in the mortality projection included in the Social Security Administration's 2014 Trustee Report to the Pub-2010 Public Retirement Plans Mortality Tables with a fully generational projection of mortality improvements using SOA Scale MP-2019. Specific mortality table variants and adjustments are used for different subpopulations.
- The retirement assumption was updated based on a recent experience and was updated for an age and service-based table to an age-based table dependent on eligibility for early retirement (reduced benefit), 30 percent are now assumed to commence benefits immediately and 70 percent are assumed to commence benefits at unreduced retirement eligibility. Previously 33 percent of actives were assumed to commence benefits with early retirement while 67 percent were assumed to wait for unreduced retirement eligibility.
- The termination assumption was updated based on recent experience. For state members the tables were combined from being split by salary and sex to being one unisex service-based table. For members in political subdivision earning more than \$20,000, the sex-distinct tables were combined to one unisex service-based table. For members in political subdivisions earning less than \$20,000, the sex distinct age-based table was maintained, and the rates were updated based on experience.
- The disability assumption was updated based on recent experience.
- The material assumption was updated based on recent experience. 80 percent of male members and 65 percent of female members are assumed to be married or to have a depended beneficiary. Previously, 75 percent of male members and 60 percent of female members were assumed to be married or to have a dependent beneficiary.
- The load placed on the final average earnings to account for additional wages received upon termination, such as severance pay or unused sick leave, decreased from \$400 to \$200.



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

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:

	Target Asset Allocation		Long-Term Expected	
	2020	2019	2020	2019
Public Equity	22%	22%	4.4%	4.9%
Private Equity	14%	14%	7.6%	7.0%
Fixed Income - Ex Inflation-Linked	20%	20%	1.9%	2.5%
Fixed Income - Inflation-Linked	7%	7%	0.5%	1.3%
Commodities	8%	8%	1.6%	2.0%
Real Estate	7%	7%	5.8%	6.7%
Absolute Return	10%	10%	2.9%	2.9%
Risk Parity	12%	12%	5.5%	5.3%
Total	<u>100%</u>	<u>100%</u>		

Discount Rate

The discount rate used to measure the total pension liability was 6.75 percent for both 2020 and 2019. 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.

	1% Decrease (5.75%)	Current (6.75%)	1% Increase (7.75%)
2020	\$ 2,230,202	\$ 1,367,937	\$ 645,719
2019	\$ 2,458,654	\$ 1,530,906	\$ 757,092



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

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 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, 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, 2020 are as follows:

2021	\$ 788,528
2022	679,507
2023	663,902
2024	334,706
2025	240,956
Thereafter	<u>11,156,655</u>
Total	<u>\$ 13,864,254</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. 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. 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 all of the \$3,983,706.



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

PFC Application No. 3 authorizing a maximum of \$2,431,208 was approved on December 5, 2014 for the purpose of installing a jet bridge for passenger use. As of December 31, 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 and 2019, the Airport Authority received \$995,007 and \$643,953, respectively, toward this application. During 2020, the Airport Authority received an additional \$611,768 towards this application. As of December 31, 2020, the Airport Authority has received a cumulative total of \$2,250,728.

D. Customer Facility Charges (Rental Cars)

On December 16, 2019, a resolution was approved for the Airport Authority to begin collecting a customer facility charge (CFC) effective January 1, 2020 from all rental car concessionaires that operate facilities on the airport. The charge is \$4.50 per car rental transaction per day from the Airport Authority's rental car tenants. CFC revenues were \$329,034 for the year ended December 31, 2020.

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 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 2020 and 2019, 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 the project was 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 the terminal renovation 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 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 renovation 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 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 finance 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.



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

H. Economic Events and COVID-19

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. The Airport Authority has been awarded a grant for approximately \$19.8 million under the Coronavirus Aid, Relief, and Economic Security (CARES) Act to help mitigate the negative impacts related to these economic uncertainties. The Airport Authority recognized approximately \$5.5 million of nonoperating revenue related to this grant during the year ended December 31, 2020. The Airport Authority anticipates recognizing the remaining portion of the grant during the 2021 year, when the grant funds can be used by the Airport Authority to offset eligible expenditures.

REQUIRED SUPPLEMENTARY INFORMATION



EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY – RETIREMENT PLAN  
 As of and For The Years Ended December 31, 2020, 2019, 2018, 2017, 2016, 2015, and 2014

Public Employee's Retirement Fund (PERF)\*

	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability (asset)	0.045290%	0.046320%	0.047880%	0.048950%	0.051860%	0.050870%	0.049920%
Proportionate share of the net pension liability (asset)	\$1,367,937	\$1,530,906	\$ 1,626,505	\$2,183,926	\$2,353,637	\$2,071,885	\$1,311,865
Covered employee payroll	\$2,445,082	\$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	55.95%	63.43%	66.58%	89.92%	94.71%	85.03%	53.83%
Plan fiduciary net position as a percentage of the total pension liability	81.45%	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.

Notes: The amounts presented for each calendar year were determined as of the June 30 fiscal year-end that occurred within the calendar year.

- Asset valuation date – June 30, 2020
- Liability valuation date – June 30, 2019 – Member census data as of June 30, 2019 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2019 and June 30, 2020. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2019 and June 30, 2020 measurement date.
- Actuarial cost method (accounting) – Entry age normal (level percent of payroll)
- Experience study date – Period of 5 years ended June 30, 2019
- Investment rate of return – 6.75%
- COLA – In lieu of a 1% COLA occurring beginning on January 1, 2020, the COLA was replaced by a 13<sup>th</sup> check for 2020 and 2021. The COLA assumption thereafter will be 0.4% beginning on January 1, 2022, 0.5% beginning on January 1, 2034, and 0.6% beginning on January 1, 2039.
- Future salary increases, including inflation – 2.75% - 8.75%
- Inflation – 2.25%
- Mortality assumptions – Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019.

*Measurement date:* Actuarial valuation reports from the prior fiscal year.



EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CONTRIBUTIONS – RETIREMENT PLAN  
 As of and For The Years Ended December 31, 2020, 2019, 2018, 2017, 2016, 2015, and 2014

Public Employee's Retirement Fund (PERF)\*

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$266,844	\$ 263,623	\$ 267,061	\$ 265,544	\$ 271,707	\$ 267,292	\$ 264,382
Contributions in relation to the contractually required contribution	<u>\$266,844</u>	<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>	<u>\$ -</u>
Covered employee payroll	\$2,445,082	\$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	10.91%	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.

- Valuation date: Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported.
- Actuarial cost method: Entry age normal (Level Percent of Payroll)
- Amortization method: Level dollar
- Remaining amortization period: 20 years, closed
- Asset valuation method: 5 year smoothing of gains and losses on the market value of assets subject to a 20% corridor.
- Inflation: 2.25%
- Salary increases: 2.50% - 4.25% based on service
- Investment rate of return: 6.75%
- Mortality: Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019.
- Other information:

The INPRS Board sets, at its discretion, the State's employer contribution rate upon considering the results of the actuarial valuation and other analysis as appropriate. The actuarially determined contribution rate for the State for the fiscal year ended 6/30/16 was 9.80%; however, the INPRS Board approved a State employer contribution rate of 11.20%. The actuarially determined contribution rate for the State for the fiscal year ended 6/30/17 was 10.11%; however, the INPRS Board approved a State employer contribution rate of 11.2%. The actuarially determined contribution rate for the State for the fiscal year ended 6/30/18 was 9.89%; however, the INPRS Board approved a State employer contribution rate of 11.2%. The actuarially determined contribution rate for the State for the fiscal year ended 6/30/19 was 10.03%; however, the INPRS Board approved a State employer contribution rate of 11.2%. The actuarially determined contribution rate for the State for the fiscal year ended 6/30/20 was 7.83%. In addition, SEA 373-2018 mandated that the cost of any expected postretirement benefit increases after 6/30/2018 be broken out into separate surcharges. The surcharges used in the fiscal year ended 6/30/20 are 0.43% for 7/1/19-12/31/19 and 0.44% for 1/1/20-6/30/20. However, the INPRS Board approved a State employer contribution rate of 11.2%, which includes both the base benefit and surcharge rates. The actual dollar amount of the State's contributions depends on the actual payroll for the fiscal year.

Member census data as of the prior year end was used in the valuation and adjusted, where appropriate, to reflect changes during the current fiscal year. Standard actuarial roll forward techniques were then used to project the liabilities computed as of prior year end to the current year measurement date.

## SUPPLEMENTARY INFORMATION



EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For The Year Ended December 31, 2020

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			
West Ramp			AIP 3-18-0020-062-2019	\$ -	\$ 7,430,865
Terminal Renovation-Taxiway			AIP 3-18-0020-063-2019	-	507,338
COVID-19 Grant - Coronavirus Act, Relief, and Economics Security Act			AIP 3-18-0020-064-2020	-	5,245,928
Terminal Renovation-Taxiway			AIP 3-18-0020-065-2020	-	1,231,174
Total - Airport Improvement Program				<u>\$ -</u>	<u>\$ 14,415,305</u>
Total Department of Transportation				<u>\$ -</u>	<u>\$ 14,415,305</u>
Total federal awards expended				<u>\$ -</u>	<u>\$ 14,415,305</u>

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, 2020. 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

Eligible expenditures are recognized following 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 ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

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*

Those Charged with Governance  
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 Evansville-Vanderburgh Airport Authority District (the Airport Authority), which comprise the statement of net position as of December 31, 2020, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended 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 29, 2021.

**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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 entity'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.

## 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 financial statements. 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Crowe LLP

Indianapolis, Indiana  
September 29, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Those Charged with Governance  
Evansville-Vanderburgh Airport Authority District  
Vanderburgh County, Indiana

**Report on Compliance for Each Major Federal Program**

We have audited Evansville-Vanderburgh Airport Authority (the Airport Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Airport Authority's major federal program for the year ended December 31, 2020. 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 programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of 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; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Airport Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each 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, 2020.

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(Continued)

## 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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 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.

  
Crowe LLP

Indianapolis, Indiana  
September 29, 2021



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

**Section I - Summary of Auditor's Results**

Financial Statements:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	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?	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:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
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?	Yes

**Section II - Financial Statement Findings**

No matters are reportable.

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

No matters are reportable.



EVANSVILLE-VANDEBURGH AIRPORT AUTHORITY DISTRICT  
 SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES  
 As Of And For The Year Ended December 31, 2020

Cash balance, January 1, 2020	<u>\$ 99,139</u>
Receipts:	
Passenger facility charge collections	542,659
Interest	<u>9</u>
Total receipts	<u>542,668</u>
Disbursements:	
Jet bridges	611,767
Construct Safety Area	-
Administrative costs	<u>-</u>
Total disbursements	<u>611,767</u>
Cash balance, December 31, 2020	<u><u>\$ 30,040</u></u>



## EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT NOTES TO SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES

### A. Basis of Accounting

The accounts of the business-type activity are maintained and the schedule of expenditures of passenger facility charges 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.

Passenger Facility Charge Fund revenues result from the collection of fees collected by airlines when a passenger books a flight. Expenditures in this fund are allowable reimbursements to the Cumulative Building Fund for expenditures that were included in the PFC application.

### B. 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. 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. 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 and 2019, the Airport Authority received \$995,007 and \$643,953, respectively, toward this application. During 2020, the Airport Authority received an additional \$611,768 towards this application. As of December 31, 2020, the Airport Authority has received a cumulative total of \$2,250,728.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO THE PASSENGER FACILITY  
CHARGE (PFC) PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE AND THE SCHEDULE OF PASSENGER  
FACILITY CHARGES COLLECTED AND EXPENDED

Those Charged with Governance  
Evansville-Vanderburgh Airport Authority District  
Vanderburgh County, Indiana

### **Report on Compliance of Passenger Facility Charges**

We have audited the Evansville-Vanderburgh Airport Authority District's (the "Airport Authority") compliance with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration ("Guide"), that could have a direct and material effect on its passenger facility charge program for the year ended December 31, 2020.

#### ***Management's Responsibility***

Management of the Airport Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, and regulations, applicable to the passenger facility charge program. Management of the Airport Authority is also responsible for compliance with the requirements of laws and regulations applicable to its passenger facility charge program.

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

Our responsibility is to express an opinion on the Airport Authority's compliance 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; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Airport Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Airport Authority's compliance with those requirements.

#### ***Opinion on Passenger Facility Charge Program***

In our opinion, the Airport Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its passenger facility charge program for the year ended December 31, 2020.

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(Continued)

## 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 requirements that could have a direct and material effect on the passenger facility charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the passenger facility charge program and to test and report on internal control over compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Airport Authority's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *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 *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration. Accordingly, this report is not suitable for any other purpose.

## Report on Schedule of Expenditures of Passenger Facility Charges

We have audited the financial statements of the Airport Authority as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Airport Authority's basic financial statements. We issued our report thereon dated September 29, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of passenger facility charges collected and expended is presented for purposes of additional analysis as specified in the Guide and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 passenger facility charges collected and expended is fairly stated in all material respects, in relation to the basic financial statements as a whole.

  
Crowe LLP

Indianapolis, Indiana  
September 29, 2021

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EVANSVILLE-VANDEBURGH AIRPORT AUTHORITY DISTRICT  
SCHEDULE OF PASSENGER FACILITY CHARGES FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2020

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**Summary of Auditor's Results**

We have issued an unmodified opinion, dated September 29, 2021, on the financial statements of the Evansville-Vanderburgh Airport Authority District as of and for the year ended December 31, 2020.

Our audit disclosed no material weaknesses or significant deficiencies that are considered to be material weaknesses in relations to internal control over financial reporting or internal control over the passenger facility charge program.

Our audit disclosed no instances of non-compliance which are material to the Evansville-Vanderburgh Airport Authority District's financial statements.

We have issued an unmodified opinion, dated September 29, 2021, on the Evansville-Vanderburgh Airport Authority District's compliance for the passenger facility charge program.

Our audit disclosed no findings required to be reported under the provisions of the Passenger Facility Charge Audit Guidance for Public Agencies.

**Findings related to the Financial Statements**

Our audit disclosed no findings or questioned costs for passenger facility charge program as defined by the Passenger Facility Charge Audit Guide for Public Agencies.

**SCHEDULE OF PRIOR AUDIT PASSENGER FACILITY CHARGES  
FINDINGS AND THEIR RESOLUTION**

The prior year's audit disclosed no findings required to be reported in accordance with the provisions of the Passenger Facility Charge Audit Guide for Public Agencies.

## 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/>