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STATE OF INDIANA

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STATE BOARD OF ACCOUNTS
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October 14, 2022

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, 2021 to December 31, 2021. 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, 2021, 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.

Tammy R. White

Tammy R. White, CPA
Deputy State Examiner

EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT
VANDERBURGH COUNTY, INDIANA

FINANCIAL STATEMENTS

DECEMBER 31, 2021 and 2020

EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT
VANDERBURGH COUNTY, INDIANA
December 31, 2021 and 2020

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EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT
VANDERBURGH COUNTY, INDIANA
December 31, 2021 and 2020

SCHEDULE OF OFFICIALS (Unaudited)

Office	Official	Term
Executive Director	Nathaniel T. Hahn	01-01-20 to 12-31-21
Treasurer	Nathaniel T. Hahn	01-01-20 to 12-31-21
President of the Board	J P Engelbrecht	01-01-20 to 12-31-21
Vice President of the Board	Adrian Brooks	01-01-20 to 12-31-21

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Evansville-Vanderburgh Airport Authority District (Airport Authority), as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprises the Airport Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Airport Authority as of December 31, 2021 and 2020, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Airport Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Airport Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Airport Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 pension liability and the schedule of the Airport Authority's contributions on pages 36-37, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Airport Authority's basic financial statements. The accompanying schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the Schedule of Officials are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and, except for the portion marked "unaudited," 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 audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2022 on our consideration of the Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness 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 27, 2022

Evansville Regional Airport

EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT

STATEMENTS OF NET POSITION
As of December 31, 2021 and 2020

	2021	2020
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and cash equivalents:		
General Fund	$ 9,960,389	$ 9,444,171
Golf Course	6,636	3,935
Accounts receivable (net of allowance)	246,386	256,064
Property Tax receivable	1,084,255	
Prepaid items	89,602	83,918
Inventory	51,301	55,187
Total current assets	11,438,569	9,843,274
Noncurrent assets:		
Restricted cash, cash equivalents and investments:		
Cash and cash equivalents:		
Cumulative Building Fund	5,127,504	5,375,215
Rainy Day Fund	8,271,298	5,081,694
Passenger Facility Charge Fund	15,090	30,040
Customer Facility Charge	769,729	273,020
Other restricted assets:		
Grants receivable	616,628	839,207
Property Tax receivable	746,930	-
Total restricted assets	15,547,179	11,599,176
Capital assets:		
Land, improvements to land and construction in process	15,955,394	28,551,762
Other capital assets (net of accumulated depreciation)	103,400,211	94,173,391
Total capital assets	119,355,605	122,725,153
Total noncurrent assets	134,902,784	134,324,329
Total assets	146,341,353	144,167,604
Deferred Outflows of Resources		
Pension benefits	471,271	279,118
Accumulated decrease in fair value of interest rate swap agreement	916,370	1,598,594
Total deferred outflows of resources	1,387,641	1,877,712
Total assets and deferred outflows of resources	$ 147,728,994	$ 146,045,316

The notes to financial statements are an integral part these statements.

Evansville Regional Airport

STATEMENTS OF NET POSITION (CONTINUED)
As of December 31, 2021 and 2020

	2021	2020
Liabilities, Deferred Inflows of Resources, and Net Position		
Current liabilities		
Accounts payable	$ 104,540	$ 52,737
Accrued payroll and withholdings payable	11,971	66,157
Taxes payable	537	523
Compensated absences	492,784	391,542
Current liabilities payable from restricted assets:		
Accounts payable	25,352	488,498
Loan payable	808,514	780,584
Total current liabilities	1,443,698	1,780,042
Noncurrent liabilities:		
Loan payable	13,628,204	14,436,718
Net pension obligation	591,210	1,367,937
Compensated absences	206,058	262,449
Derivative liability-interest rate swap	916,371	1,598,594
Total noncurrent liabilities	15,341,843	17,665,698
Total liabilities	16,785,541	19,445,740
Deferred Inflows of Resources		
Pension benefits	959,987	376,563
Property Taxes	1,831,184	-
Total deferred inflows of resources	2,791,171	376,563
Net Position		
Net investment in capital assets	104,893,535	107,019,353
Restricted for other purposes	15,547,179	11,599,176
Unrestricted	7,711,568	7,604,484
Total net assets	128,152,282	126,223,013
Total liabiltities, deferred inflows of resources and net position	$ 147,728,994	$ 146,045,316

The notes to financial statements are an integral part these statements.

Evansville Regional Airport

EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For The Years Ended December 31, 2021 and 2020

	2021	2020
Operating Revenues:		
Airline Income	$ 1,860,665	$ 1,858,054
Parking lot	1,577,033	907,912
Car rental agency	965,442	645,948
Federal operating grant reimbursments	104,410	90,630
Rent - other	868,976	605,303
Fuel flowage fees	41,706	35,031
Golf course	510,208	457,594
Other	47,240	30,153
Total operating revenues	5,975,680	4,630,625
Operating Expenses:		
Personal services:		
Salaries and wages	2,664,265	2,635,463
Employee pensions and benefits	185,211	315,124
Contractual services:		
Communications and transportation	236,772	229,609
Utilities	425,406	453,366
Instruction	183,979	156,273
Repairs	632,193	608,051
Supplies:		
Garage and motor	89,756	88,065
Institutional and medical	301,044	153,365
Safety supplies	2,455	2,265
Office supplies	4,237	6,171
Human resources	2,390	4,425
Materials:		
Repair parts	-	49
Cumulative building repair parts	10,554	10,328
Minor Equipment	51,560	23,403
Current charges:		
Insurance	1,122,302	1,029,540
Subscriptions and dues	11,016	21,620
Golf course	575,392	630,593
Depreciation	5,913,633	5,132,838
Total operating expenses	12,412,165	11,500,547
Loss from Operations	(6,436,485)	(6,869,922)
Nonoperating revenues (expenses):		
Property and other taxes	2,504,343	2,468,312
Passenger facility charge revenue	650,959	542,659
Customer facility charges (rental cars)	501,129	329,034
CARES Act Grants	4,118,141	5,513,895
Grant expense - CARES Act Concessionaire	(50,883)	-
Gain (loss) on sale of assets	(1,549)	-
Interest and investments	58,238	113,387
Interest expense	(494,147)	(409,148)
Total nonoperating revenues (expenses)	7,286,231	8,558,139
Gain (Loss) before Contributions	849,746	1,688,217
Capital Contributions	1,079,523	9,795,835
Change in Net Position	1,929,269	11,484,052
Net position, Beginning of Year	126,223,013	114,738,961
Net position, End of Year	$ 128,152,282	$ 126,223,013

The notes to financial statements are an integral part these statements.

Evansville Regional Airport

EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT
STATEMENTS OF CASH FLOWS
For The Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Receipts from customers and users	$ 4,901,104	$ 4,586,201
Payments to suppliers and contractors	(4,062,184)	(3,884,526)
Payments to employees	(3,244,269)	(3,386,300)
Net cash used by operating activities	(2,405,349)	(2,684,625)
Cash flows from capital and related financing activities:		
Capital contributions	5,420,244	14,847,803
Property and Other Taxes	2,504,343	2,468,311
Acquisition and construction of capital assets	(2,545,635)	(11,229,383)
Principal paid on loan	(780,584)	(643,845)
Interest paid on loan	(494,147)	(409,148)
Net Proceeds from line of credit	-	1,964,666
Customer facility charge (rental cars)	501,129	329,034
Passenger facility charges	650,959	542,659
Net cash provided by capital and related financing activities	5,256,309	5,205,426
Cash flows from investing activities:		
Interest received	58,239	113,388
Net cash provided by investing activities	58,239	113,388
Net increase in cash and cash equivalents	3,942,572	5,298,860
Cash and cash equivalents, January 1	20,208,074	14,909,214
Cash and cash equivalents, December 31	$ 24,150,646	$ 20,208,074
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	(6,436,485)	(6,869,922)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization	5,913,633	5,132,838
Pension expense	(385,456)	(204,182)
(Increase) decrease in assets:		
Accounts receivable	(1,074,576)	(44,426)
Prepaid items	(5,684)	(8,255)
Inventory	3,886	760
Increase (decrease) in liabilities:		
Accounts payable	(411,345)	(459,824)
Wages, deductions and retirements payable	(54,185)	(29,073)
Compensated absence payable	44,850	(202,458)
Taxes payable	14	(83)
Total adjustments	4,031,137	4,185,297
Net cash used by operating activities	$ (2,405,349)	$ (2,684,625)
Reconciliation of Cash at End of Year:		
Nonrestricted cash and cash equivalents:		
General fund	$ 9,960,389	$ 9,444,171
Golf course	6,636	3,935
Restricted cash and cash equivalents:		
Cumulative building	5,127,504	5,375,215
Rainy Day	8,271,298	5,081,694
Passenger facility charge	15,090	30,040
Customer facility charge	769,729	273,020
Total cash at end of year	$ 24,150,647	$ 20,208,075

The notes to financial statements are an integral part these statements.

EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Airport Authority (primary government) was established under the authority granted by the Airport Authority Act of 1959. The Airport Authority is governed by a Board of Trustees, three of which are appointed by the Mayor of the City of Evansville and two of which are appointed by the Board of County Commissioners of Vanderburgh County. The Airport Authority was established for the general purpose of acquiring, maintaining, operating, and financing the airport.

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

The Airport Authority is fiscally dependent on the County, which approves and can modify the Airport Authority's annual budget.

B. Fund Financial Statements

Business-type activity financial statements consist of the 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.

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, 2021 and 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 Fund, 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 $15,547,179 and $11,599,177 of restricted assets at December 31, 2021 and 2020, respectively, of which all expenditures are approved by the board.

4. Capital Assets

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

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

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings	$5,000	Straight-line	10 to 40 years
Improvements other than buildings	$5,000	Straight-line	10 to 20 years
Runways, taxiways, and ramps	$5,000	Straight-line	10 to 30 years
Machinery and equipment	$2,500	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 evaluated prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital assets 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 settling standards that the capital asses 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.

   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 are a consumption of net assets that is applicable to a future reporting period. Deferred inflows of resources are 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 January 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 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the Airport Authority prior to December 31 of the year collected.

Property taxes for the 2021 tax levy were attached as an enforceable lien on properties as of March 1, 2021; these taxes were levied in January 2021, by passage of a tax ordinance. Tax bills were prepared by Vanderburgh County and were issued in April 2021 and October 2021 and payable in May 2021 and December 2021.

Property taxes levied are collected by the Vanderburgh County Treasurer and are scheduled to be distributed to the Airport Authority in January subsequent to year end; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires 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 lien date and assessed valuations are 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). As of December 31, 2021, the Airport Authority had an outstanding property tax receivable balance of $1,084,255.

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

10. 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 Airport 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 on 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 2020 financial information in order to conform to the 2021 presentation.

14. Recently Issued and Adoption of New Accounting Pronouncements

Adopted:

For the year ended December 31, 2021, the Airport Authority did not adopt any significant new accounting pronouncements.

Recently Issued:

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 Airport 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 Airport 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, 2021 and 2020, the Airport Authority had deposit balances in the amounts of $2,153,815 and $1,949,009, respectively. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Cash Equivalents

The Airport Authority invests in the HoosierFund, a money market fund allowed by statute of the State of Indiana, specifically for units of government. The HoosierFund is a daily liquidity account and; thus, is considered a cash equivalent. At December 31, 2021 and 2020, the Airport Authority had cash equivalents in the amounts of $21,996,831 and $18,259,065, respectively.

Per the 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, 2021 and 2020, the Airport Authority had money market funds totaling $21,996,831 and $18,259,065, 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, 2021 and 2020:

December 31, 2021	Fair Value	Level 1	Level 2	Level 3
Derivative instruments				
Interest rate swap	$ (961,371)	$ -	$ (916,371)	$ -

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

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, 2021 and 2020.

C. Derivative Instruments

The fair value balances and notional amounts of the derivative instruments outstanding at December 31, 2021, 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 12/31/21	Current Notional
2017 Bank Credit Agreement (Line of Credit convertible to term loan	Cash flow hedge: Pay-fixed interest rate swap	$ 356,123	Derivative instrument Interest rate swap	$ (504,416)	$ 8,533,390
2019 Bank Credit Agreement (Line of Credit convertible to term loan	Cash flow hedge: Pay-fixed interest rate swap	$ 326,100	Derivative instrument Interest rate swap	$ (411,955)	$ 6,107,817

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 12/31/20	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 Airport Authority determined that the pay-fixed interest rate swap met the criteria for effectiveness for both of the years ended December 31, 2021 and 2020. The pay-fixed, receive-variable interest rate swap is designed to synthetically fix the cash flows on the variable rate debt. The fair value of the interest rate swaps was estimated based on the present value of their estimated future cash flows.

The following table displays the objectives and terms of the Airport Authority's hedging derivative instruments outstanding at December 31, 2021, 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 15, 2020	January 15,2040	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, 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 15, 2020	January 15,2040	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, 2021 with the 2017 credit agreement having a balance of $504,416 and the 2019 credit agreement having a balance of $411,955. Likewise, 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. 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 that will adversely affect the fair market value of the derivative instruments. On a pay-fixed, receive-variable interest rate swap, the Airport Authority will be negatively impacted by the lower rate environment, which will decrease the fair market values of its derivative instrument. The derivative instrument for the 2017 credit agreement fixes the hedged debt at 3.22 percent, and the 2019 credit agreement is fixed at 3.39 percent.

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

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

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

D. Capital Assets

Capital asset activity for the year ended December 31, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 13,913,560	$ -	$ -	$ 13,913,560
Construction-in-progress	14,638,202	2,325,765	14,922,133	2,041,834
Total capital assets, not being depreciated	28,551,762	2,325,765	14,922,133	15,955,394
Capital assets, being depreciated:				
Buildings	55,739,531	83,615	-	55,823,146
Improvements other than buildings	14,848,467	-	-	14,848,467
Runways, taxiways, and ramps	101,160,192	14,865,449	-	116,025,641
Other	35,002	-	-	35,002
Machinery and equipment	5,983,342	192,939	176,092	6,000,189
Totals	177,766,534	15,142,003	176,092	192,732,445
Less accumulated depreciation for:				
Buildings	(26,104,457)	(2,942,458)	-	(29,046,915)
Improvements other than buildings	(10,175,315)	(279,807)	-	(10,455,122)
Runways, taxiways, and ramps	(43,315,086)	(2,340,016)	-	(45,655,102)
Machinery and equipment	(3,998,286)	(351,352)	(174,543)	(4,175,095)
Totals	(83,593,144)	(5,913,633)	(174,543)	(89,332,234)
Total capital assets, being depreciated, net	94,173,390	9,228,370	1,549	103,400,211
Total capital assets, net	$ 122,725,152	$ 11,554,135	$ 14,923,682	$ 119,355,605

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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	38,348,888	11,044,500	20,841,626	28,551,762
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	156,740,025	21,026,509	-	177,766,534
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	(78,460,306)	(5,132,838)	-	(83,593,144)
Total capital assets, being depreciated, net	78,279,719	15,893,671	-	94,173,390
Total capital assets, net	$ 116,628,607	$ 26,938,171	$ 20,841,626	$ 122,725,152

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

	2021	2020
Airport Authority	$5,913,633	$5,132,838
Total depreciation expense	$5,913,633	$5,132,838

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Asset Class	Target Asset Allocation 2021	Target Asset Allocation 2020	Long-Term Expected 2021	Long-Term Expected 2020
Public Equity	22%	22%	4.4%	4.4%
Private Equity	14%	14%	7.6%	7.6%
Fixed Income - Ex Inflation-Linked	20%	20%	1.9%	1.9%
Fixed Income - Inflation-Linked	7%	7%	0.5%	0.5%
Commodities	8%	8%	1.6%	1.6%
Real Estate	7%	7%	5.8%	5.8%
Absolute Return	10%	10%	2.9%	2.9%
Risk Parity	12%	12%	5.5%	5.5%
Total	100%	100%		

	1% Decrease (5.25%)	Current (6.25%)	1% Increase (7.25%)
2021	$ 1,546,274	$ 591,210	$ (205,439)

2020	1% Decrease (5.75%)	Current (6.75%)	1% Increase (7.75%)
	$ 2,230,202	$ 1,367,937	$ 645,719

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E. Construction Work-in-Progress and Commitments

Construction work-in-progress at December 31, 2021 and 2020 is composed of the following:

	2021		2020	
Project	Expended to	Committed	Expended to	Committed
18-36	$ 240,295	$ -	$ -	$ -
Access control	56,793	-	-	-
Airfield maintenance building	109,108	-	-	-
Electric terminal	146,490	-	-	-
Employee parking	719,631	-	-	-
GA terminal	40,300	-	-	-
Land master plan	35,789	-	35,789	-
Other	23,766	-	-	-
Parking lot	669,662	-	608,176	-
Taxiway	-	-	95,254	-
West ramp	-	-	13,898,983	-
Totals	$ 2,041,834	$ -	$ 14,638,202	$ -

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, 2021 are as follows:

	2017 Credit Agreement		2019 Credit Agreement		Total	
Years	Principal	Interest	Principal	Interest	Principal	Interest
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	653,528	189,742	275,602	165,832	929,130	355,574
2027- 2031	3,632,142	613,366	1,529,993	679,383	5,162,135	1,292,749
2032- 2036	1,849,895	75,308	1,818,794	394,883	3,668,689	470,191
2037- 2040	-	-	1,267,539	78,428	1,267,539	78,428
Totals	$8,533,390	$ 1,836,360	$ 5,903,328	$ 2,071,502	$14,436,718	$ 3,907,862

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 percent. There are no open lines of credit at December 31, 2021 or 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. For 2021, passenger facility charge revenues were approximately $651,000 and parking lot revenues were approximately $1,577,000 for a total of $2,228,000. For 2020, passenger facility charge revenues were approximately $543,000 and parking lot revenues were approximately $908,000 for a total of $1,451,000. For 2021, the related debt service principal and interest for the 2017 and 2019 Credit Agreements was approximately $835,000 and $441,000, respectively, for a total of $1,276,000.

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2. Changes in Long-Term Liabilities

Long-term liability activity for the years ended December 31, 2021 and 2020 was as follows:

	2021				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Line of credit	$ -	$ -	$ -	$ -	$ -
Loans payable	15,217,302	-	780,584	14,436,718	808,514
Compensated	653,992	44,850	-	698,842	492,784
Net pension liability	1,367,937	291,502	1,068,229	591,210	-
Total long-term	$ 17,239,231	$ 336,352	$ 1,848,813	$ 15,726,770	$ 1,301,298

	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	856,450	-	202,458	653,992	391,543
Net pension liability	1,530,906	257,484	420,453	1,367,937	-
Total long-term	$ 16,283,837	$ 8,470,661	$ 7,515,267	$ 17,239,231	$ 1,172,127

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

I. Other Information

A. Risk Management

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

B. Pension Plan

Indiana Public Retirement System

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 statues (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board of Trustees, most requirements of the system and give the Airport Authority the authority to contribute to the plan. The PERF retirement benefit consists of the 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 statue at three percent of compensations, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member. INPRS administers the plan and issues a publicly- available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained at: http://www.in.gov/inprs/annualreports.htm.

Benefits Provided

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

Contribution Required

Contributions to PERF are determined by INPRS Board of Trustees in accordance with IC 5-10.2-2-11. The funding policy provides for employer contributions that are sufficient to fund pension benefits, which are actuarially determined. The Airport Authority was required to contribute 11.2 percent of employees' covered payroll to the defined benefit plan for calendar years 2021 and 2020. There were 47 employees participating in PERF with annual salaries equal to $2,476,914 and $2,445,082 in 2021 and 2020, 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 $275,194 and $266,844 to the PERF plan and $77,960 and $74,224 to the annuity savings plan in 2021 and 2020, respectively. The Airport Authority's contributions to PERF, for the years ended December 31, 2021, 2020, and 2019 were $275,194, $266,844, and $263,623, respectively.

Pension Liabilities

At December 31, 2021, the Airport Authority reported a liability of $591,210 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 for assets and June 30, 2020 rolled forward to June 30, 2021 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, 2021, the Airport Authority's portion was 0.04493 percent.

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.

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

For the year ended December 31, 2021, the Airport Authority recognized pension expense (benefit) of ($94,404). The Airport Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows Resources - December 31, 2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 20,221	$ 11,805
Net difference between projected and actual investment earnings on pension plan investments	-	767,633
Change in assumptions	297,383	132,797
Changes in proportion and difference between employer contributions and proportionate share of contributions	-	47,752
Contributions subsequent to the measurement date	153,667	-
Total	$ 471,271	$ 959,987

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:

Deferred Outflows Resources - December 31, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
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	137,809	-
Total	$ 279,118	$ 376,563

At December 31, 2021, the Airport Authority reported $153,667 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, 2022. 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):

2022	$	(191,991)
2023		(146,430)
2024		(84,534)
2025		(219,428)
2026		-
Total	$	(642,383)

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, 2021. 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)

Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and applied to all periods included in the measurement unless otherwise noted.

Inflation Rate:	2.00%
Salary Increases:	2.65 percent - 8.65 percent based on service
Experience Study Rate:	Period of 5 years ended June 30, 2019, demographic assumptions approved by board and used beginning with the June 30, 2020 actuarial valuation. Economic assumptions were updated and approved by the board in May 2021 following the completion of an Asset-Liability study and first used in the June 30, 2021 actuarial valuation.
Investment Rate of Return:	6.25%, net of investment expense
Actuarial Cost Method:	Entry Age Normal (Level Percent of Payroll)
Cost of Living Increases:	As of June 30, 2021: Members in pay were granted a 1.00% COLA on January 1, 2022 and no COLA on January 1, 2023. Thereafter, the following COLAs, compounded annually, were assumed: 0.40% beginning on January 1, 2024 0.50% beginning on January 1, 2034 0.60% beginning on January 1, 2039 As of June 30, 2020: In lieu of a COLA on January 1, 2021, members in pay were provided a 13th check on October 1, 2020. Thereafter, the following COLAs , compounded annually, were assumed: 0.40% beginning on January 1, 2022; 0.50% beginning on January 1, 2034; 0.60% beginning on January 1, 2039

Mortality:	As of June 30, 2021 and 2020: Pub-2010 Public Retirement Plans Mortality Tables (Amount- Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019 Healthy Employees – General Employee table with a 3-year set forward for males and a 1 year set forward for females Retirees – General Retiree table with a 3-year set forward for males and a 1 year set forward for females Beneficiaries – Contingent Survivor table with no set forward for males and a 2-year set forward for females Disableds – General Disabled table with a 140% load

Changes in Assumptions since the Prior Year

As a result of the Asset-Liability work completed and discussed at the May 7, 2021 Board meeting, the Board made portfolio revisions and adopted a new set of economic assumptions for the June 30, 2021 actuarial valuations as follows:

- The investment return assumption was lowered from 6.75% (as of June 30, 2020) to 6.25%.
- Price inflation was lowered from 2.25% (as of June 30, 2020) to 2.00%.
- General wage inflation was lowered from 2.75% (as of June 30, 2020) to 2.65%.

Legislation granted a 1.00% cost-of-living adjustment effective January 1, 2022 to be paid from the Supplemental Reserve Account. No supplemental benefits were granted for fiscal year 2023. This replaces the COLA assumption of 0.4% for fiscal years 2022 and 2023 but does not change the assumption for future years.

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.

Evansville Regional Airport

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

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

Asset Class	Target Asset Allocation 2021	Target Asset Allocation 2020	Long-Term Expected 2021	Long-Term Expected 2020
Public Equity	22%	22%	4.4%	4.4%
Private Equity	14%	14%	7.6%	7.6%
Fixed Income - Ex Inflation-Linked	20%	20%	1.9%	1.9%
Fixed Income - Inflation-Linked	7%	7%	0.5%	0.5%
Commodities	8%	8%	1.6%	1.6%
Real Estate	7%	7%	5.8%	5.8%
Absolute Return	10%	10%	2.9%	2.9%
Risk Parity	12%	12%	5.5%	5.5%
Total	100%	100%		

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Discount Rate

The discount rate used to measure the total pension liability was 6.25 percent for 2021 and 6.75% for 2020. 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 statue. 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 6.25 percent for 2021 and 6.75 percent for 2020, 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 (5.25 percent for 2021 and 5.75 percent for 2020) or one percentage point higher (7.25 percent for 2021 and 7.75 percent for 2020) than the current rate.

	1% Decrease (5.25%)	Current (6.25%)	1% Increase (7.25%)
2021	$ 1,546,274	$ 591,210	$ (205,439)

2020	1% Decrease (5.75%)	Current (6.75%)	1% Increase (7.75%)
	$ 2,230,202	$ 1,367,937	$ 645,719

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, on 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, 2021 are as follows:

2022	$	989,810
2023		945,368
2024		448,430
2025		359,324
2026		332,120
Thereafter		10,983,367
Total	$	14,058,419

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 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.

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 and 2021, the Airport Authority received an additional $650,964 and $611,768, respectively, towards this application. As of December 31, 2021, the Airport Authority has received a cumulative total of $2,901,692.

E. 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 $501,129 and $329,034 for the years ended December 31, 2021 and 2020, respectively.

F. Establishment of Tax Incremental Financing Allocation Area and an Airport Development Zone

Effective February 25, 2008, the Airport Authority designated all of its property as a Tax Incremental Financing Allocation Area (TIF District) and an Airport Development Zone pursuant to Indiana Code 8-22-3.5. The designated area does not include any property acquired by the Airport Authority after this date, including the golf course property acquired in March 2008. The purpose of the TIF District is to capture incremental property taxes on improvements within the District. These funds will be used for future improvements within the defined area or to service debt incurred for such improvements. During calendar years 2021 and 2020, no property was affected by the TIF designation resulting in no TIF funds being received.

G. Terminal Renovation Project

The Airport Authority started design work on a major terminal renovation project in 2016. The purpose of 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.

H. 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.

I. 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 $4.1 million and $5.5 million of nonoperating revenue related to this grant during the years ended December 31, 2021 and 2020, respectively for a total of $9.6 million. The Airport Authority anticipates recognizing the remaining portion of the CARES Act grant by June 30, 2024, when the grant expires. In addition, the Airport Authority was also awarded a grant for approximately $2.1 million during 2021 under the Airports Coronavirus Response and Relief Supplemental Appropriation Act (CRRSA) Grant and anticipates recognizing this grant prior to the end of 2025 when this grant expires.

REQUIRED SUPPLEMENTARY INFORMATION

Evansville Regional Airport

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, 2021 and 2020

	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability (asset)	0.04493%	0.04529%	0.04632%	0.04788%	0.04895%	0.05186%	0.05087%	0.04992%
Proportionate share of the net pension liability (asset)	$591,210	$1,367,937	$1,530,906	$1,626,505	$2,183,926	$2,353,637	$2,071,885	$1,311,865
Covered employee payroll	$2,476,914	$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	23.87%	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	92.51%	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, 2021
- Liability valuation date – June 30, 2020 – The TPL as of June 30, 2021 was determined based on an actuarial valuation prepared as of June 30, 2020 rolled forward one year to June 30, 2021, using the following key actuarial assumptions and other inputs, such as benefit accruals and actual benefit payments during that time period.
- 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 – 6.25%
- COLA – Members in pay were granted a 1.00% COLA on January 1, 2022 and no COLA on January 1, 2023. The COLA assumption thereafter will be 0.4% beginning on January 1, 2024, 0.5% beginning on January 1, 2034,
  and 0.6% beginning on January 1, 2039.
- Future salary increases, including inflation – 2.65% - 8.65%
- Inflation – 2.00%
- 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 Regional Airport

EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS – RETIREMENT PLAN
As of and For The Years Ended December 31, 2021 and 2020
Public Employee's Retirement Fund (PERF)*

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 275,194	$ 266,844	$ 263,623	$ 267,061	$ 265,544	$ 271,707	$ 267,292	$ 264,382
Contributions in relation to the contractually required contributuion	275,194	266,844	263,623	267,061	265,544	271,707	267,292	264,382
Contributuion defieciency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 2,746,914	$ 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	11.11%	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:
  - Assets: June 30, 2021
  - Liabilities: June 30, 2020 – The TPL as of June 30, 2021 was determined based on an actuarial valuation prepared as of June 30, 2020 rolled forward one year to June 30, 2021, using the following key actuarial assumptions and other inputs, such as benefit accruals and actual benefit payments during that time period.
- Actuarial cost method: Entry age normal (Level Percent of Payroll)
- Amortization method: Level dollar
- Remaining amortization period: 20 years, closed
- Asset valuation method: 5 years smoothing of gains and losses on the market value of assets subject to a 20% corridor.
- Inflation: 2.00%
- Salary increases: 2.65% - 8.65% based on service
- Investment rate of return: 6.25%
- 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%, 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 6/30/21 was 8.07%. 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 6/30/21 are 0.44% for 7/1/20- 12/31/20 and 0.37% for 1/1/21-6/30/21. 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 Regional Airport

EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2021

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Award	Assistance Listing Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
Department of Transportation Airport Improvement Program		20.106		
West Ramp	Direct Award		COVID-19: AIP 3-18-0020-062-2019	$ 498,648
Coronavirus Aid Relief, and Economics Security Act (CARES)	Direct Award		COVID-19: AIP 3-18-0020-064-2020	3,419,216
Terminal Renovation-Taxiway	Direct Award		AIP 3-18-0020-065-2020	367,129
Coronavirus Response and Relief Supplemental Appropriation Act CRRSAA - Concessionaire	Direct Award		COVID-19: AIP 3-18-0020-067-2021	51,921
ARF Vehicle, 18-36 Design	Direct Award		AIP 3-18-0020-068-2021	305,445
Cares Addendum, Employee Parking Lot	Direct Award		COVID-19: AIP 3-18-0020-070-2021	648,043
Total - Airport Improvement Program				5,290,402
Total Department of Transportation				5,290,402
Total schedule of federal awards expended				$ 5,290,402

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

Evansville Regional Airport

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, 2021. 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.

There was no pass-through subrecipient activity during the year.

Crowe

Crowe LLP
Independent Member Crowe Global

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, 2021, 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 27, 2022 .

Report on 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 or significant deficiencies may exist that have not been identified.

Report on 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

Crowe LLP

Indianapolis, Indiana
September 27, 2022

Crowe LLP
Independent Member Crowe Global

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 Major Federal Program

Opinion on Major Federal Program

We have audited Evansville-Vanderburgh Airport Authority (the Airport Authority) compliance with the types of compliance requirements identified as subject to audit 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, 2021. 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.

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 major federal program for the year ended December 31, 2021.

Basis for Opinion on Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Airport Authority's and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Airport Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Airport Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Airport Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Airport Authority's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Airport Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Airport Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Airport Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Crowe LLP

Indianapolis, Indiana
September 27, 2022

Evansville Regional Airport

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:

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

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

Auditee qualified as low-risk auditee? Yes

Section II - Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

Evansville Regional Airport

EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT
SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF
PASSENGER FACILITY CHARGES
As of and For The Year Ended December 31, 2021

Cash balance, January 1, 2021	$ 30,040
Receipts:	
Passenger facility charge collections	650,959
Interest	6
Total receipts	650,965
Disbursements:	
Jet bridges	209,765
Construct Safety Area	456,150
Total disbursements	665,915
Cash balance, December 31, 2021	$ 15,090

Evansville Regional Airport

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

A. Basis of Accounting

The accounts of the business-type activity are maintained and the supplemental 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 PFC of $4.50 per ticket was implemented by the approval of the 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 and 2021, the Airport Authority received an additional $650,964 and $611,768, respectively, towards this application. As of December 31, 2021, the Airport Authority has received a cumulative total of $2,901,692.

Crowe LLP
Independent Member Crowe Global

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

Board of Governors
Evansville-Vanderburgh Airport Authority District
Vanderburgh County, Indiana

Report on Compliance of Passenger Facility Charges

Opinion on Passenger Facility Charge Program

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, 2021.

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, 2021.

Basis for Opinion on Passenger Facility Charge Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of the Guide. Our responsibilities under those standards and the Guide are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Airport Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the passenger facility charge program. Our audit does not provide a legal determination of the Airport Authority's compliance with the Guide referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Airport Authority's passenger facility charge program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Airport Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Airport Authority's compliance with the requirements of the passenger facility charge program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Guide, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Airport Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Airport Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of the Airport Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 passenger facility charge 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 passenger facility charge 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 passenger facility charge 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 Supplemental 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, 2021, 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 27, 2022, 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 supplemental schedule of passenger facility charges 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 supplemental schedule of passenger facility charges is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Crowe LLP

Crowe LLP

Indianapolis, Indiana
September 27, 2022

EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT
SCHEDULE OF PASSENGER FACILITY CHARGES FINDINGS AND QUESTIONED COSTS
AND SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2021

SCHEDULE OF PASSENGER FACILITY CHARGES FINDINGS AND QUESTIONED COSTS

Summary of Auditor's Results

- We have issued an unmodified opinion, dated September 27, 2022, on the financial statements of the Evansville- Vanderburgh Airport Authority District as of and for the year ended December 31, 2021.
- Our audit disclosed no material weaknesses or significant deficiencies in relation 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 27, 2022, on the Evansville-Vanderburgh Airport Authority District's compliance for the passenger facility charge program.

Findings related to the Financial Statements

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

Findings and Questioned costs for the Passenger Facility Charge Program

- 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.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

- 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/