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

EXAMINATION REPORT
OF
PORTER COUNTY AIRPORT AUTHORITY
PORTER COUNTY, INDIANA
January 1, 2007 to December 31, 2008



FILED
05/27/2010

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Management's Discussion and Analysis (Unaudited).....	4-8
Financial Information:	
Statement of Net Assets.....	9
Statement of Revenues, Expenses and Other Changes in Fund Net Assets	10
Statement of Cash Flows	11
Notes to Financial Statements	12-19
Other Reports.....	20
Exit Conference.....	21

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Airport Director/Treasurer	Kyle Kuebler	01-01-07 to 06-30-10
President of the Airport Authority Board	Paul R. Chael	01-01-07 to 06-30-10



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE PORTER COUNTY AIRPORT AUTHORITY,
PORTER COUNTY, INDIANA

We have examined the accompanying financial statements of the business-type activities of the Porter County Airport (Authority), as of and for the years ended December 31, 2007 and 2008. The Authority's management is responsible for the financial statements presented herein. Our responsibility is to express an opinion based on our examination.

Except as described in the following paragraph, we conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards included examining, on a test basis, evidence supporting the financial statement presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As further discussed in Note II.B., the Authority does not maintain a comprehensive detailed record of capital assets.

In our opinion, except for the effects, if any, of the matters referred to above, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority as of December 31, 2007 and 2008, and the respective changes in financial position and cash flows, where applicable, thereof and for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not examine the information and express no opinion on it.

STATE BOARD OF ACCOUNTS

February 25, 2010

Management's Discussion and Analysis

Our discussion and analysis of the Porter County Airport Authority (the Airport) financial performance provides an overview of the Airport's financial activities for the two (2) fiscal year period ending December 31, 2008. Please read it in conjunction with the Airport's financial statements and accompanying notes to the financial statements.

Using This Annual Report

This report consists of two parts - *management's discussion and analysis*, and the *basic financial statements*.

In the "*management discussion and analysis*" section of this report, the management of the Airport discuss various components of the report and provide an analysis of the current financial statement information.

The "*basic financial statement*" section of this report includes a series of financial statements which provide information about the activities of the Airport as a whole. The Statement of Net Assets reveals the assets and liabilities of the Airport on December 31, 2008, while the Statement of Revenues, Expenses and Other Changes in Fund Net Assets summarizes the changes in the assets and liabilities for the audit period then ended. The Statement of Cash Flows summarizes the change in cash and cash equivalents as a result of the financial activity during the audit period. The Notes to the Financial Statements disclose additional information addressed within the body of the financial statements.

Financial Highlights

The Airport's net assets increased by \$190,365 (or 1.67%), as a result of 2008 operations. Operating Revenues increased by \$294,627 (or 12.6%), largely due to the receipt of tax distributions owed the Airport Authority in 2007, and paid in 2008. The Airport's operating expenses increased by \$179,933 (or 6.9%) due largely to the reorganization of staff positions to better manage the growth of the airport, maintenance and repair of infrastructure and equipment, and the continuing increase in cost associated with aviation fuel over this period.

The Airport's capital assets decreased by \$2,624 (or 0.02%) when comparing the years of the audit period, this due to limited capital development in 2008, and depreciation over this same period. The above figure is a net value considering depreciation. Planning and design associated with the first time hangar site development north of the East-West Runway was initiated to handle future demands for such development involving large corporate hangars.

The Airport's outstanding debt increased by \$2,659,020, with the procurement of the \$3.75M Series 2008 Porter County Municipal Airport Authority Airport Revenue Refunding and Improvement Bonds. Bond Proceeds were used to fully pay outstanding debt associated with the Series 1996 Airport Revenue Bond, and notes corresponding to the Airport's Tee Hangars and Fuel Farm. Remaining Bond Proceeds were programmed within the 2008 Series Issue to develop an Airport Master Plan, Phase I of the Northwest Hangar Area previously mentioned, the development of a sixteen (16) unit Tee Hangar, and the reconstruction of certain airport access road infrastructure.

Summarized Financial Statement Information

The following information documents in summary form the financial information related to the activities of the Airport for the last two (2) years.

	Net Assets	
	<u>2008</u>	<u>2007</u>
<u>Assets</u>		
Current Assets	\$ 555,103	\$ 407,423
<u>Noncurrent Assets:</u>		
Restricted Assets	\$ 3,364,326	\$ 681,897
Capital Assets	\$ 11,301,641	\$ 11,304,265
Other Assets: Deferred Charges	\$ 46,643	\$ 5,831
Total Assets	\$ <u>15,267,713</u>	\$ <u>12,399,416</u>
<u>Liabilities</u>		
Current Liabilities	\$ 177,128	\$ 331,635
<u>Noncurrent Liabilities:</u>		
Long Term Liabilities	\$ <u>3,516,108</u>	\$ <u>683,669</u>
Total Liabilities	\$ <u>3,693,236</u>	\$ <u>1,015,304</u>
<u>Net Assets</u>		
Invested In Capital Assets, Net Of Related Debt	\$ 7,670,533	\$ 10,332,177
Restricted For Capital Improvement	\$ 3,329,326	\$ 646,897
Restricted For Fuel Storage Tank Remediation	\$ 35,000	\$ 35,000
Unrestricted	\$ <u>539,618</u>	\$ <u>370,038</u>
Total Net Assets	\$ <u>11,574,477</u>	\$ <u>11,384,112</u>

Changes In Net Assets

	<u>2008</u>	<u>2007</u>
Operating Revenues:		
Fuel sales	\$ 1,636,016	\$ 1,605,477
Hangar fees and rentals	\$ 368,777	\$ 331,467
Aviation Tax Distribution	\$ 596,444	\$ 389,337
Other	<u>\$ 32,426</u>	<u>\$ 12,755</u>
 Total operating revenues	 <u>\$ 2,633,663</u>	 <u>\$ 2,339,036</u>
Operating expenses:		
Salaries and wages	\$ 555,015	\$ 501,893
Office supplies	\$ 3,650	\$ 2,466
Airport supplies	\$ 26,787	\$ 21,674
Insurance	\$ 43,750	\$ 41,520
Utilities	\$ 77,617	\$ 77,807
Fuel	\$ 1,364,645	\$ 1,281,842
Repair and maintenance	\$ 99,317	\$ 74,526
Contractual services	\$ 52,597	\$ 62,378
Runways and taxiways	\$ 35,862	\$ 37,465
Depreciation and amortization	\$ 514,529	\$ 490,978
Bad Debt Expense	\$ -	\$ -
Miscellaneous expenses	<u>\$ 14,133</u>	<u>\$ 15,420</u>
 Total operating expenses	 <u>\$ 2,787,902</u>	 <u>\$ 2,607,969</u>
 Operating loss	 <u>\$ (154,239)</u>	 <u>\$ (268,933)</u>
Nonoperating revenues (expenses):		
Interest and investment revenue	\$ 34,056	\$ 23,514
Cumulative Building Tax Distributions	\$ 237,842	\$ 161,894
Interest Expense	\$ (128,024)	\$ (62,560)
Amortization Bond Cost	\$ (6,942)	\$ (1,943)
Amortization Bond Premium	<u>\$ 134</u>	<u>\$ -</u>
 Total nonoperating revenues (expenses)	 <u>\$ 137,066</u>	 <u>\$ 120,905</u>
 Income (Loss) before contributions and transfers	 \$ (17,173)	 \$ (148,028)
Capital contributions	<u>\$ 207,538</u>	<u>\$ 200,888</u>
 Change in net assets	 \$ 190,365	 \$ 52,860
Total net assets - beginning	<u>\$ 11,384,112</u>	<u>\$ 11,331,252</u>
Total net assets - ending	<u>\$ 11,574,477</u>	<u>\$ 11,384,112</u>

Capital Assets and Debt Administration

Capital Assets

At the end of 2008 the Airport had approximately \$11,301,641 invested in capital assets. This amount represents a net decrease of approximately \$2,624 (or 0.02%) over last year. More detailed information about the Airport's capital assets is presented in Note II (B) to the financial statements. The table below documents the type of assets that makeup the Capital Assets held by the Airport as of December 31, 2008.

Capital Assets At Year End Net Of Depreciation

	<u>2008</u>	<u>2007</u>
Construction In Progress	\$ 150,324	\$ 35,045
Other Capital Assets	<u>\$ 17,050,756</u>	<u>\$ 16,654,130</u>
Subtotal	\$ 17,201,080	\$ 16,689,175
Less Accumulated Depreciation	<u>\$ 5,899,439</u>	<u>\$ 5,384,910</u>
Total Capital Assets (Net)	\$ 11,301,641	\$ 11,304,265

Debt

At year-end, the Airport had approximately \$3,631,108 in revenue bond debt outstanding, versus \$972,088 of debt for revenue bonds and notes at the end of the previous year. More detailed information about the Airport's long term liabilities is presented in Note II (D) to the financial statements. The table below documents the debt held and its use:

Outstanding Debt At Year End

	<u>2008</u>	<u>2007</u>
Revenue Bond Payables	\$ 3,625,000	\$ 770,000
Bond Premium	\$ 6,108	\$ (4,770)
Notes Payable	<u>\$ -</u>	<u>\$ 206,858</u>
Total Debt	\$ 3,631,108	\$ 972,088

Economic Factors

Economic factors throughout the audit period illustrated a period of economic downturn. Since a large segment of the Airport's operation is in support of corporate flight activity, the economic downturn which increased throughout this period subsequently decreased the corporate use of the facility, thereby decreasing associated fuel sales to those users. Total fuel gallons delivered decreased by 335 in 2007, and 99,494 in 2008, over the Fiscal Year 2006 total of 443,052 gallons.

Factors involving reassessment, and certification of assessed valuations, tax levies and budgets, still modified the normal payment cycle regarding taxes collected for airport operation and capital development, this also affecting the associated levies paid during the period.

Concluding Statement

This Management Discussion and Analysis is provided by the Airport and not by a professional financial analyst and/or financial consultant. This Management Discussion and Analysis is not provided for reliance as to the financial health of the Porter County Municipal Airport Authority, but only provided to assist in the understanding of the accounts and financial statements generated by the receipts, expenditures, investments and operations of the Airport. There is no warrantee or guarantee by the Airport Authority as to the accuracy of the statements and conclusions contained in the Management Discussion and Analysis. If you have questions about this report or need additional financial information, contact the Airport Director at Porter County Municipal Airport, 4207 Murvihill Road, Valparaiso, Indiana 46383.

PORTER COUNTY AIRPORT AUTHORITY
STATEMENT OF NET ASSETS
December 31, 2007 And 2008

<u>Assets</u>	<u>2007</u>	<u>2008</u>
Current assets:		
Aviation cash and cash equivalents	\$ 93,799	\$ 135,501
Rotary cash and cash equivalents	165,877	268,266
Accounts receivable (net of allowance)	86,472	49,705
Inventories	61,275	60,228
Grant receivable	-	22,877
Fuel credit	-	18,526
	<u>407,423</u>	<u>555,103</u>
Total current assets		
Noncurrent assets:		
Restricted cash, cash equivalents and investments:		
Cumulative building cash and cash equivalents	154,388	190,114
Capital cash and cash equivalents	489,377	171,200
Airport improvement grants cash and cash equivalents	3,132	180,926
UST ELF cash and cash equivalents	35,000	35,000
Cash with fiscal agent	-	2,787,086
	<u>681,897</u>	<u>3,364,326</u>
Total restricted assets:		
Deferred charges	<u>5,831</u>	<u>46,643</u>
Capital assets:		
Land, improvements to land and construction in progress	1,664,457	1,779,736
Other capital assets (net of accumulated depreciation)	<u>9,639,808</u>	<u>9,521,905</u>
Total capital assets	<u>11,304,265</u>	<u>11,301,641</u>
Total noncurrent assets	<u>11,991,993</u>	<u>14,712,610</u>
Total assets	<u>12,399,416</u>	<u>15,267,713</u>
<u>Liabilities</u>		
Current liabilities:		
Contract payable	-	23,464
Notes payable	48,419	-
Security and parcel deposits payable	3,050	2,800
Deferred revenue	40,166	35,864
Current liabilities payable from restricted assets:		
Revenue bonds payable	<u>240,000</u>	<u>115,000</u>
Total current liabilities	<u>331,635</u>	<u>177,128</u>
Noncurrent liabilities:		
Notes payable	158,439	-
Revenue bonds payable (net of unamortized discounts/premium)	<u>525,230</u>	<u>3,516,108</u>
Total noncurrent liabilities	<u>683,669</u>	<u>3,516,108</u>
Total liabilities	<u>1,015,304</u>	<u>3,693,236</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	10,332,177	7,670,533
Restricted for capital improvement	646,897	3,329,326
Restricted for fuel storage tank site remediation	35,000	35,000
Unrestricted	<u>370,038</u>	<u>539,618</u>
Total net assets	<u>\$ 11,384,112</u>	<u>\$ 11,574,477</u>

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

PORTER COUNTY AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS
As Of And For The Years Ended December 31, 2007 And 2008

	<u>2007</u>	<u>2008</u>
Operating revenues:		
Fuel sales	\$ 1,605,477	\$ 1,636,016
Hangar fees and rentals	331,467	368,777
Aviation tax distributions	389,337	596,444
Other	<u>12,755</u>	<u>32,426</u>
 Total operating revenues	 <u>2,339,036</u>	 <u>2,633,663</u>
Operating expenses:		
Salaries and wages	501,893	555,015
Office supplies	2,466	3,650
Airport supplies	21,674	26,787
Insurance	41,520	43,750
Utilities	77,807	77,617
Fuel	1,281,842	1,364,645
Repair and maintenance	74,526	99,317
Contractual services	62,378	52,597
Runways and taxiways	37,465	35,862
Depreciation and amortization	490,978	514,529
Miscellaneous expenses	<u>15,420</u>	<u>14,133</u>
 Total operating expenses	 <u>2,607,969</u>	 <u>2,787,902</u>
 Operating income (loss)	 <u>(268,933)</u>	 <u>(154,239)</u>
Nonoperating revenues (expenses):		
Interest and investment revenue	23,514	34,056
Cumulative building tax distributions	161,894	237,842
Interest expense	(62,560)	(128,024)
Amortization bond cost	(1,943)	(6,942)
Amortization bond premium	<u>-</u>	<u>134</u>
 Total nonoperating revenues (expenses)	 <u>120,905</u>	 <u>137,066</u>
 Income (loss) before contributions and transfers	 <u>(148,028)</u>	 <u>(17,173)</u>
 Capital contributions	 <u>200,888</u>	 <u>207,538</u>
 Change in net assets	 52,860	 190,365
 Total net assets - beginning	 <u>11,331,252</u>	 <u>11,384,112</u>
 Total net assets - ending	 <u>\$ 11,384,112</u>	 <u>\$ 11,574,477</u>

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

PORTER COUNTY AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
As Of And For The Years Ended December 31, 2007 And 2008

	<u>2007</u>	<u>2008</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 2,322,577	\$ 2,666,128
Payments to suppliers and contractors	(1,609,441)	(1,736,087)
Payments to employees	<u>(513,476)</u>	<u>(555,015)</u>
Net cash provided by operating activities	<u>199,660</u>	<u>375,026</u>
Cash flows from capital and related financing activities:		
Proceeds from capital debt	-	3,750,000
Premium on bonds	-	6,242
Local tax distributions	161,894	237,842
Capital contributions	200,888	184,661
Acquisition and construction of capital assets	(174,005)	(488,441)
Principal paid on capital debt	(271,896)	(1,101,858)
Interest paid on capital debt	(66,575)	(123,254)
Bond Costs	<u>-</u>	<u>(47,754)</u>
Net cash provided (used) by capital and related financing activities	<u>(149,694)</u>	<u>2,417,438</u>
Cash flows from investing activities:		
Interest received	<u>23,514</u>	<u>34,056</u>
Net cash provided by investing activities	<u>23,514</u>	<u>34,056</u>
Net increase in cash and cash equivalents	73,480	2,826,520
Cash and cash equivalents, January 1	<u>868,093</u>	<u>941,573</u>
Cash and cash equivalents, December 31	<u>\$ 941,573</u>	<u>\$ 3,768,093</u>
Reconciliation of operating income to net cash used by operating activities:		
Operating income	<u>\$ (268,933)</u>	<u>\$ (154,239)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	490,978	514,529
(Increase) decrease in assets:		
Accounts receivable	(14,248)	36,767
Inventories	9,098	1,047
Fuel credit	-	(18,526)
Increase (decrease) in liabilities:		
Accounts payable	(2,971)	-
Accrued wages payable	(11,583)	-
Deferred revenue	(2,211)	(4,302)
Security and parcel deposits	<u>(470)</u>	<u>(250)</u>
Total adjustments	<u>468,593</u>	<u>529,265</u>
Net cash provided by operating activities	<u>\$ 199,660</u>	<u>\$ 375,026</u>
Noncash investing, capital and financing activities:		
Purchase of capital assets on account	\$ -	\$ 23,464
Transfer of completed CIP projects	1,416,784	-
Capital contributions receivable	-	22,877
Assets capitalized in prior year on account	3,585	-

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

PORTER COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Authority (primary government) was established under the laws of the State of Indiana. The Authority operates under an appointed Airport Authority Board form of government and provides airport administration services.

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

B. Fund Financial Statements

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

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

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

Proprietary funds distinguish operating revenues from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary 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, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The 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 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.

2. Inventories - Merchandise

A perpetual inventory of merchandise and fuel for resale is maintained. At year end, physical counts of inventories are made and valued at cost using the first-in, first-out method. Appropriate entries are then made to adjust inventory and expense accounts.

PORTER COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Authority in June and in December. 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 March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% 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 which become delinquent if not paid by May 10 and November 10, respectively.

4. Restricted Assets

Certain proceeds of the revenue bonds, as well as certain resources set aside for their repayment, and grant reimbursements are classified as restricted assets on the statement of net assets balance sheet because their use is limited by grant and statutory requirements.

5. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the financial statements.

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.

Depreciation methods and estimated useful lives of capital assets are as follows:

	Depreciation Method	Composite Rate
Buildings	Straight-line	2.0%
Improvements other than buildings	Straight-line	3.5%
Machinery and equipment	Straight-line	7.0%

The Authority has not adopted a capitalization threshold or maintained a comprehensive detailed record of capital assets to support the reported balances for capital assets.

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

6. Compensated Absences

- a. Sick Leave – Authority employees earn sick leave at the rate of 9 days per year. Sick leave may be accumulated to a maximum of 45 days. Accumulated sick leave is not paid to employees upon separation of employment.
- b. Vacation Leave – Authority employees earn vacation leave at rates from 10 days to 25 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.

PORTER COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

- c. Personal Leave – Authority employees earn personal leave at the rate of 3 days per year. Personal leave does not accumulate from year to year.

No liability is reported for vacation, sick, and personal leave.

7. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

II. Detailed Notes on All Funds

A. Deposits and Investments

Deposits, made in accordance with IC 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

B. Capital Assets

The Authority does not maintain a detailed comprehensive record of capital assets. Reported amounts are based upon previously reported balances, with the additions provided by the Authority for the period.

Capital asset activity for the year ended December 31, 2007 and 2008, was as follows:

2007:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 1,629,412	\$ -	\$ -	\$ 1,629,412
Construction in progress	<u>1,340,616</u>	<u>111,213</u>	<u>1,416,784</u>	<u>35,045</u>
Total capital assets, not being depreciated	<u>2,970,028</u>	<u>111,213</u>	<u>1,416,784</u>	<u>1,664,457</u>
Capital assets, being depreciated:				
Buildings	3,351,080	-	-	3,351,080
Improvements other than buildings	9,763,395	1,470,844	-	11,234,239
Machinery and equipment	<u>434,252</u>	<u>5,147</u>	-	<u>439,399</u>
Totals	<u>13,548,727</u>	<u>1,475,991</u>	-	<u>15,024,718</u>

PORTER COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

2007 (continued):	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated (continued):				
Less accumulated depreciation for:				
Buildings	801,251	67,022	-	868,273
Improvements other than buildings	3,712,691	393,198	-	4,105,889
Machinery and equipment	379,990	30,758	-	410,748
	<u>4,893,932</u>	<u>490,978</u>	<u>-</u>	<u>5,384,910</u>
Totals				
Total capital assets, being depreciated, net	<u>8,654,795</u>	<u>985,013</u>	<u>-</u>	<u>9,639,808</u>
Total capital assets, net	<u>\$ 11,624,823</u>	<u>\$ 1,096,226</u>	<u>\$ 1,416,784</u>	<u>\$ 11,304,265</u>
2008:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,629,412	\$ -	\$ -	\$ 1,629,412
Construction in progress	35,045	115,279	-	150,324
	<u>1,664,457</u>	<u>115,279</u>	<u>-</u>	<u>1,779,736</u>
Total capital assets, not being depreciated				
Total capital assets, not being depreciated	<u>1,664,457</u>	<u>115,279</u>	<u>-</u>	<u>1,779,736</u>
Capital assets, being depreciated:				
Buildings	3,351,080	36,051	-	3,387,131
Improvements other than buildings	11,234,239	68,870	-	11,303,109
Machinery and equipment	439,399	291,705	-	731,104
	<u>15,024,718</u>	<u>396,626</u>	<u>-</u>	<u>15,421,344</u>
Totals				
Total capital assets, being depreciated	<u>15,024,718</u>	<u>396,626</u>	<u>-</u>	<u>15,421,344</u>
Less accumulated depreciation for:				
Buildings	868,273	67,743	-	936,016
Improvements other than buildings	4,105,889	395,609	-	4,501,498
Machinery and equipment	410,748	51,177	-	461,925
	<u>5,384,910</u>	<u>514,529</u>	<u>-</u>	<u>5,899,439</u>
Totals				
Total capital assets, being depreciated, net	<u>9,639,808</u>	<u>(117,903)</u>	<u>-</u>	<u>9,521,905</u>
Total capital assets, net	<u>\$ 11,304,265</u>	<u>\$ (2,624)</u>	<u>\$ -</u>	<u>\$ 11,301,641</u>

C. Construction Commitments

Construction work in progress is composed of the following:

PORTER COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Project	Total Project Authorized	Expended to December 31, 2008	Committed
Sewer Extension Project/Zoning Map	\$ 185,996	\$ 8,900	\$ 177,096
Northwest Hangar Area	167,165	61,950	105,215
Apron Reconstruction & Taxiway "B" Phase I	<u>117,095</u>	<u>79,474</u>	<u>37,621</u>
Totals	<u>\$ 470,256</u>	<u>\$ 150,324</u>	<u>\$ 319,932</u>

D. Long-Term Liabilities

1. Revenue Bonds

The Authority issues bonds to be paid by income derived from the acquired or constructed assets. Revenue bonds outstanding at year end are as follows:

Purpose	Interest Rates	Amount
2008 Revenue Bond for Airport Land Improvements	4.25% to 5.65%	<u>\$ 3,625,000</u>

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Principal	Interest
2009	\$ 115,000	\$ 193,403
2010	120,000	188,227
2011	125,000	182,528
2012	135,000	176,652
2013	140,000	169,903
2014-2018	815,000	735,105
2019-2023	1,070,000	492,637
2024-2027	<u>1,105,000</u>	<u>159,795</u>
Totals	<u>\$ 3,625,000</u>	<u>\$ 2,298,250</u>

2. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2008, was as follows:

PORTER COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
1996 Revenue bonds payable	\$ 770,000	\$ -	\$ 770,000	\$ -	\$ -
Less discount	(4,770)	-	(4,770)	-	-
2008 revenue bonds payable	-	3,750,000	125,000	3,625,000	115,000
Add premium	-	6,242	134	6,108	-
Total revenue bonds payable	765,230	3,756,242	890,364	3,631,108	115,000
Notes payable	206,858	-	206,858	-	-
Total long-term liabilities	\$ 972,088	\$ 3,756,242	\$ 1,097,222	\$ 3,631,108	\$ 115,000

E. Restricted Assets

The balances of restricted asset accounts are as follows:

Cumulative building cash and cash equivalents	\$ 190,114
Capital cash and cash equivalents	171,200
Airport improvement grants cash and cash equivalents	180,926
UST ELF cash and cash equivalents	35,000
Cash with fiscal agent	<u>2,787,086</u>
Total restricted assets	<u>\$ 3,364,326</u>

III. Other Information

A. Risk Management

The 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; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); 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.

Medical Benefits to Employees, Retirees, and Dependents

The Authority has chosen to participate in the Porter County Employee Benefit Plan Fund. A risk financing fund established by Porter County for County and Airport employees for risks associated with medical benefits to employees, retirees, and dependents (excluding postemployment benefits). The risk financing fund is where assets are set aside for claim settlements. An excess

PORTER COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

policy through commercial insurance covers individual claims in excess of \$90,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. A premium is charged to each County fund (and the Airport) that accounts for payroll. The total charge allocated to each of the funds is calculated using trends in actual claims experience. Provisions are also made for unexpected and unusual claims.

Claim expenditures and liabilities of the fund are reported when it is probable that a loss has occurred. However, claim liabilities cannot be reasonably estimated.

B. Subsequent Events

On March 17, 2009, the board approved the bids for the Airport Improvement Program Projects the majority of which will be paid for from bond proceeds. The projects were for the Transient Apron Reconstruction awarded to G.E. Marshall, Inc., for \$1,157,307.80; Taxiway "H" Reconstruction and Access Road Improvements to Gough, Inc., for \$210,588.35; Northwest Corporate Development to Gough, Inc. for \$921,904.84; and 16 Unit T-Hangar Construction to Michiana Contracting, Inc., for \$542,251.

C. Contingent Liabilities

The contractor for the de-icing and terminal aprons extension project had submitted a claim for \$177,560 for additional compaction costs. The Authority has denied the claim. Currently, the Authority and the contractor are in litigation over the claim.

D. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Authority contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the Airport authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at three percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF 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 by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

PORTER COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The Airport participates through Porter County's participation in PERF and does not have a separate actuarial evaluation. The County's annual pension cost related information, as provided by the actuary, can be found in the Porter County Annual Reports for 2007 and 2008.

PORTER COUNTY AIRPORT AUTHORITY
OTHER REPORTS

Report covering January 1, 2009 to December 31, 2009 filed concurrent with this report contains our audit results and comments.

PORTER COUNTY AIRPORT AUTHORITY
EXIT CONFERENCE

The contents of this report were discussed on February 25, 2010, with Kyle Kuebler, Airport Director/Treasurer; and Paul R. Chael, President of the Airport Authority Board.