

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010



**ST. JOSEPH COUNTY AIRPORT AUTHORITY**

A COMPONENT UNIT OF ST. JOSEPH COUNTY, INDIANA

**FILED**

07/12/2011

**ST. JOSEPH COUNTY AIRPORT AUTHORITY**  
A COMPONENT UNIT OF ST. JOSEPH COUNTY, INDIANA'  
SOUTH BEND, INDIANA

**COMPREHENSIVE ANNUAL FINANCIAL  
REPORT FOR THE FISCAL YEAR  
ENDED DECEMBER 31, 2010**

Prepared by the  
Department of Administration and Finance

# **INTRODUCTORY SECTION**

**ST. JOSEPH COUNTY AIRPORT AUTHORITY  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010**

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June 1, 2011

To the Members of the Board:

The Comprehensive Annual Financial Report of the St. Joseph County Airport Authority for the fiscal year ended December 31, 2010, is submitted herewith. This report was prepared by the Department of Administration and Finance of the St. Joseph County Airport Authority in conjunction with the Auditor's Office of St. Joseph County, Indiana, and the Indiana State Board of Accounts.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Airport Authority. We believe the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the Airport Authority; and that all disclosures necessary to enable the reader to gain the maximum understanding of the Airport Authority's financial affairs have been included.

The guidelines recommended by the Government Finance Officers Association of the United States and Canada have been followed in the preparation of this report. The GFOA awards Certificates of Achievement to those governments whose annual financial reports are judged to conform substantially to the high standards of public financial reporting, including generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board. It is our belief that the accompanying 2010 Comprehensive Annual Financial Report meets program standards, and it will be submitted to the Government Finance Officers Association for their review. GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of a Management Discussion and Analysis (MD&A). One should read this letter of transmittal in conjunction with the MD&A that is located immediately following the report of the independent auditor in the Financial Section of this report.

## **THE REPORTING ENTITY**

The St. Joseph County Airport Authority (the "Airport Authority") is a municipal corporation established January 1, 1974, by the St. Joseph County, Indiana, Council, under authority granted by Indiana Statute (I.C. 1971 19-6-2 as amended by Chapter 3.5, commonly known as Public Law 304 and superseded by I.C. 8-22-3). The Authority, a component unit of St. Joseph County, has jurisdiction over a special district and was established for the general purpose of acquiring, maintaining, operating, and financing airports and landing fields in St. Joseph County, Indiana; and in connection therewith is authorized, among other things, to issue general obligation and revenue bonds and to levy taxes in accordance with the provisions of the statute. The Airport Authority administers South Bend Regional Airport in South Bend, Indiana. The Airport Authority has no stockholders or equity holders and all revenues and other receipts must be disbursed in accordance with such statute. The Authority has no component units.

The Airport Authority's bi-partisan Board consists of four members which are appointed by the St. Joseph County Commissioners.

## **PROFILE OF SOUTH BEND REGIONAL AIRPORT**

The South Bend Regional Airport is located in North Central Indiana, approximately 4 miles west of South Bend and two miles south of the Michigan border.

The Airport was owned and operated by St. Joseph County from 1938 until January 1, 1974, when the St. Joseph County Council created the St. Joseph County Airport Authority District. The name of the Airport was also changed on January 1, 1974, from the St. Joseph County Airport to the Michiana Regional Airport to reflect its new regional character (Michigan and Indiana).

In 1993, Michiana Regional Airport was renamed Michiana Regional Transportation Center by the Airport Authority Board. The impetus for the change was the relocation of South Shore rail service to the airport. Finally, in 1999, the facility became South Bend Regional Airport to more clearly identify its location for national and international travelers. South Bend Regional Airport is the only small airport in the United States featuring air, interstate rail, and interstate bus services at one multi-modal terminal location.

The eighteenth year of South Shore Railroad service to South Bend Regional Airport was cause for optimism in that the Airport is attempting to draw "train to plane" passengers from the Northwestern Indiana population. The South Shore is an inter-urban electric rail service with a western terminus of downtown Chicago, Illinois.

The South Bend Regional Airport has the typical airport tenant mixture, such as: rental cars, restaurant, parking operator (Republic Parking System), etc. Hertz, Avis, Budget,

National, Alamo, and Enterprise rental car agencies all occupy terminal building space along with Air Host, Inc., a subsidiary of Hospitality Flight Services, Inc., which operates the restaurant, the gift shop, and the lounge, as well as all coin-operated concessions in the terminal building. A full complement of ground transportation is available (including ten (10) cab companies; and Transpo the city bus line). The Airport also serves as the only intercity bus terminal for the South Bend area housing the Greyhound Bus Line, Indiana Highways, and Hoosier Ride.

In addition to the intercity buses, Coach USA Lines, a commuter limousine service operating between South Bend and Chicago's O'Hare and Midway Airports, also occupies space in the terminal.

Other airport businesses include: AAA Federal Credit Union ATM, Smarte Carte (baggage carts), Performance Plus (custodial service), Transportation Security Administration (screenpoint security), Interspace Airport Advertising, E.C. Delivery, and Rush Delivery.

Atlantic Aviation, Inc. serves the Airport as a full service Fixed Base Operator. Atlantic Aviation, Inc. also sells 100 low lead and Jet A fuel.

Federal Express and United Parcel Service base aircraft at the South Bend Regional Airport. They are located in separate cargo areas. Federal Express operates their facility on the west cargo ramp. The northeast cargo ramp is used by United Parcel Service.

The South Bend Regional Airport is a full service commercial airport categorized as a Small Hub by the Federal Aviation Administration. It consists of two active commercial service runways: Runway 9R/27L, which is 8,400 feet long and 150 feet wide, consisting of concrete construction with an asphalt overlay. Runway 18/36 is 7,100 feet long and 150 feet wide and is a flexible pavement (asphalt) runway. The design aircraft for both 9R/27L and 18/36 is the Boeing 727-200. A third runway, 9L/27R, which is 4,300 feet long and 75 feet wide, is designated for use by General Aviation aircraft up to 60,000 pounds in weight.

The Airport is served on site by an Automated Weather Observation System (AWOS). General Aviation District Office #18 is also located at the Airport. The Air Traffic Control Tower is operational from 6:00 a.m. to 1:00 a.m. seven days a week.

Two Thousand and Ten (2010), which marked the thirty-seventh operational year of the St. Joseph County Airport Authority, was a productive and challenging year, and one which has seen the continued utilization of the multi-modal terminal complex, continued physical growth of the Airport, and continued efforts to improve air service for the South Bend area.

It is estimated that the Airport provides an economic impact to the community in excess of \$433 million per year. Based upon expected future increases in passenger traffic and capital development, this impact should continue to grow for the foreseeable future.

## ECONOMIC CONDITION – SOUTH BEND REGIONAL AIRPORT ST. JOSEPH COUNTY

The financial outlook of the Airport is dependant upon several factors including the number of passengers using the terminal facility, the landed weight of commercial aircraft, the amount of general aviation aircraft activity, and the rental of land and buildings including rentals from cargo operations.

A strong national and local economy, competitive fares, and convenient passenger services are all important factors in the success of the Airport.

St. Joseph County was established in 1830. Its economy was once highly dependant upon a few large manufacturing operations such as the Studebaker and Bendix Corporations.

In recent years, while there is still significant manufacturing activity by national companies such as the AM General Hummer facility and the Honeywell Corporation, the County has seen a shift to a much more diversified economy which now also features a large number of service-related businesses including a regional health care industry, a thriving educational services sector, and significant employment in the accounting and financial services industry. The composition of the County's 6,300 businesses and workforce of almost 128,000 people closely matches that of the U.S. economy overall, thus providing a stable local economic environment.

The County is home to the University of Notre Dame, the largest employer in the county and one of the nation's leading private universities, and several other private colleges: Bethel College, Holy Cross College and Saint Mary's College. Indiana University also has a campus in South Bend with a Purdue University extension.

The location in the county of many colleges, along with the College Football Hall of Fame and the Studebaker National Museum in South Bend, creates a significant tourist industry, ranking fourth in the State of Indiana for tourism revenue.

St. Joseph County has an environment conducive to new business development.

The County workforce has a level of education higher than the national average and the cost of living in the County is significantly lower than the national average.

The County features an excellent transportation infrastructure. Interstate 80-90 transects the County and provides significant traffic between the corridor of Chicago to Detroit and Chicago to Cleveland and beyond.

St. Joseph County is also on the cutting edge of technology. An important development in this area was the establishment by Project Future, the local economic development agency, and the St. Joseph County Chamber of Commerce, of the St. Joseph Valley Metronet. This lightning-fast loop of fiber-optic cable is more than 50 miles long. A high-speed data network with virtually limitless bandwidth, the Metronet unites local businesses, education

and government and provides affordable access to a large number of national carriers and internet service providers. Also, the City of South Bend, in conjunction with the University of Notre Dame, is actively involved in becoming one of only four major nanotechnology research and development centers in the United States. The Midwest Institute for Nanoelectronics Discovery (MIND) aims to develop a new class of semiconductor materials that are more advanced than today's computer chip technologies.

## **MAJOR AIRPORT INITIATIVES**

### **Planned Projects**

In 2010, the Airport Authority continued its land acquisition program which began in 1974. It is primarily aimed at the relocation of Lincoln Way West, which has allowed for the southerly extension of Runway 36 and the acquisition of up to 140 acres of land to accommodate future aviation-related development. The total cost of the projects, when fully complete, will be approximately \$30 million with the majority of the funding coming from Passenger Facility Charge (PFC) revenues and the remainder coming from Airport Improvement Program (AIP) Funds.

In late 2010, construction was underway on a major expansion to the South Bend Regional Airport Terminal. The project is expected to conclude by 2011.

The 45,000 square foot concourse expansion will include five (5) new gates, a dining room, a lounge, a gift shop and a children's room. This much-needed renovation will also consolidate passenger screening operations to a single expanded location.

The \$16,000,000 Terminal Expansion Project is being funded by a combination of AIP funds and a new General Obligation Bond issue which will be repaid with PFC funds.

The Airport Authority currently has approval from the Federal Aviation Administration (FAA) to impose a PFC charge of \$3.00 per enplaning passenger. This charge will be increased to \$4.50 to accommodate the debt service requirements of the proposed bond issue.

The AIP program features 95 percent contribution administered by the Federal Aviation Administration, 2.5 percent contributed by the State of Indiana, and 2.5 percent contributed by the Airport Authority.

### **Airport Facility and Service Improvements**

Two thousand and ten (2010) saw continued improvements to the airport infrastructure, thereby increasing both the safety and functionality of the facility. All of the pavement surfaces, except for one taxiway, have now been rehabilitated, increasing their serviceability for the next ten to fifteen years. The airport proper is now in a position to operate for the foreseeable future without major capital expenditures, allowing it to concentrate on the terminal facility and improving the experiences of the traveling public at the airport.

For 2010, the Airport presented its sixth annual Stakeholder of the Year Award to acknowledge the contribution of Greg Sweeny to the mission of the South Bend Regional Airport. In the last 28 years, Mr. Sweeny, Airports Engineer, with the Chicago District Office of the Great Lakes Region of the Federal Aviation Administration, has been responsible for administering 39 infrastructure grants to SBN valued in excess of \$89 million.

Other 2010 activities included continued improvement to the Airport's website with a host of new features. A major focus was placed on the improvement of taxi service to the public. To that end, the Airport in conjunction with the Convention and Visitor's Bureau of St. Joseph County, held Customer Service Training sessions for taxi cab drivers. A "Mystery" rider program was also continued to reward taxi operators for good service.

### **Special Accomplishments**

The Safety Department celebrated its thirtieth year of service as a public safety department. The South Bend Regional Airport is fortunate to have a triple-trained department which continues to provide aircraft and building rescue, fire fighting support, emergency medical services, and law enforcement activities.

In 2010, the Safety Department continued to use its state-of-the-art fire training facility. The Indiana Department of Environmental Management approved the facility, which is being used by the Safety Department for their own training and also for local and national airport-sponsored fire training exercises.

The Airport's Maintenance Department has long been known for its proficiency in snow and ice removal and continued that tradition in 2010.

The Operations Department, which was formed in 2002, continued to provide support and coordination for the Airport. This function, which includes the monitoring of access control systems and airfield and terminal operations, has become even more critical because of post September 11 security concerns.

The Safety, Maintenance, and Operations Departments work closely to insure optimal regulatory compliance including excellent ratings on yearly FAA and State inspections.

South Bend Regional Airport will continue to be involved in the Blackthorn Business Park initiative sponsored by the City of South Bend, which will be a major force in the economic development of the area.

Also, the Authority is proud to have completed the twenty-fourth year of operation for Foreign Trade Zone No. 125. It has the distinction of being one of the only Zones in the United States not contiguous to a Port of Entry. The Zone is an important economic tool for both importers and exporters in the region. While the Airport Authority has delegated the operation of the Zone to another entity, it continues to follow the Michiana Foreign Trade Zone's progress with great interest.

## Employees

The following employees worked together in 2010 to further improve the image and efficiency of the South Bend Regional Airport:

Norma E. Brown  
K. Todd Burget  
Richard Buzalski  
Brian L. Cassady  
Elizabeth M. Ceconi  
Chris D. Celichowski  
Joshua M. Chapo  
Michael A. Clymer  
Gary A. Davis  
Richard K. Fields  
Francis M. Flanagan  
Sean Flanagan  
Mitzi A. Garner  
Ty H. Garton  
Leonard J. Genchoff  
Michael J. Gerndt  
Donald E. Gilbert  
Terence A. Goralski  
Karen A. Gorbitz  
James M. Gordon, Jr.  
Charles W. Gray  
Michael A. Guljas  
Scott E. Hancz  
Robert E. Herron, Jr.  
Richard C. High  
Chad Hooten  
Scott A. Ingole  
Hal K. James  
Clifford A. Jenkins  
David A. Joachim  
Steven Johnson  
Daniel J. Kopczynski  
David Lachniet  
Kerianne Linn  
Bruce MacLachlan  
Michael J. Markiewicz  
Kevin A. Matuszak

Corey M. McAlvey  
Brian A. McMillen  
Christopher Monjeau  
Michael A. Muzzey  
Ronald A. Nye  
Michael J. Ornat  
Rosemarie Owsianowski  
Jerry Paege  
Kyle T. Phillips  
Kevin M. Plonka  
Reginald M. Sanders  
John C. Schalliol  
Sandra A. Schick  
Kellen Shireman  
Raymond M. Snider  
James J. Stankiewicz  
Carl S. Stopczynski  
Kevin J. Szucsits  
James M. Temple  
Anthony Van Overberghe  
Carol A. Whitteberry  
Matthew L. Willis  
Lauren M. Winger

### Part-Time Employees:

James Mlynarski  
Andrew Pacely  
Joshua Patterson  
James Pawelski  
Marcus Stankiewicz  
Stephen Stopczynski  
Matthew Turney  
Ryan Wagley

## **FINANCIAL INFORMATION**

### **Internal Control Structure and Budgetary Controls**

In developing and implementing the Airport Authority's accounting system, consideration has been given to the adequacy of internal accounting controls, designing them to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived and the evaluation of costs and benefits requires estimates and judgments by management.

We believe that operating within this framework; the Airport Authority's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The accounts of the Airport Authority are maintained in four main funds (Aviation, Construction, Cumulative Building, and Bond and Interest) as required by state statute for budgetary purposes. Annual budgets are adopted and monthly budget reports are prepared on a cash basis. Appropriations lapse with the expiration of the budgetary period unless encumbered by a purchase order or contract. Encumbered appropriations for purchase orders or contracts are carried over and added to the subsequent year's budget. For external financial reporting purposes, the Airport Authority consolidates its financial activity into an enterprise fund which recognizes expenses when incurred. Thus, this component unit financial report has been prepared using the accrual method of accounting.

The annual operating budget of the Airport Authority is prepared by the staff and adopted by ordinance by the Airport Authority Board. It is submitted to the St. Joseph County Council and Commissioners for review and modification. The budget is then reviewed by the State Department of Local Government Finance. Prior to adoption by the Airport Authority Board, the budget is advertised and public hearings are conducted to obtain taxpayer comments.

In 2010 a change was made to the Authority's policy on the capitalization of assets, increasing the threshold for the definition of a Capital Asset from \$5,000 to \$20,000 in value.

### **Audit Function**

The records of the St. Joseph County Airport Authority are audited annually at the close of each calendar year by the Indiana State Board of Accounts which also audits federal projects annually. The State Board of Accounts report their findings regarding federal projects to the Federal Aviation Administration. All financial data is available to the public.

## **Certificate of Achievement**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement For Excellence in Financial Reporting to the St. Joseph County Airport Authority for its comprehensive annual financial report (C.A.F.R.) for the fiscal year ended December 31, 2009. This was the twenty-first consecutive year that the government has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

## **Acknowledgments**

Appreciation is expressed to the Board of the St. Joseph County Airport Authority for their support of the Airport Authority Staff during the preparation of this report.

We would also like to thank and acknowledge, Sherry Parton, Quality Control, of the Indianapolis office of the State Board of Accounts, and Douglas Wiese, Area Supervisor, and auditor John Pajakowski of the Indiana State Board of Accounts for their very significant input and encouragement and also John Julien of Umbaugh & Associates and Yvonne Milligan with the City of Mishawaka who assisted in the accumulation of statistical information for this CAFR.

Also, the preparation of this report would not have been possible without the help of the St. Joseph County Auditor, Peter Mullin, Deputy Auditor, Cindy Bodle, and the staff at the Auditor's office.

The Airport Authority Department of Administration and Finance deserves our sincere appreciation for their assistance, especially Lauren Winger, Accounting Manager, for her significant contribution to and coordination of the Management, Discussion and Analysis and Statistical Section; Administrative Assistant, Sandy Schick, who spent many hours processing the majority of this report; to Karen Gorbitz, Staff Accountant, for her research work and preparing much of the data for the statistical section; and to Mitzi Garner, Purchasing-Accounting Assistant, for her input. Other administrative staff team members contributing to this report are: Frank Flanagan, H.R. Manager; and Kerianne Linn, Properties Manager. Finally, we would like to acknowledge the assistance of staff members from other Authority Departments: Elizabeth Cecconi, Michael Ornat, Bruce MacLachlan, Brian McMillen, Cliff Jenkins, Dave Joachim, and Carol Whiteberry.

Respectfully submitted,

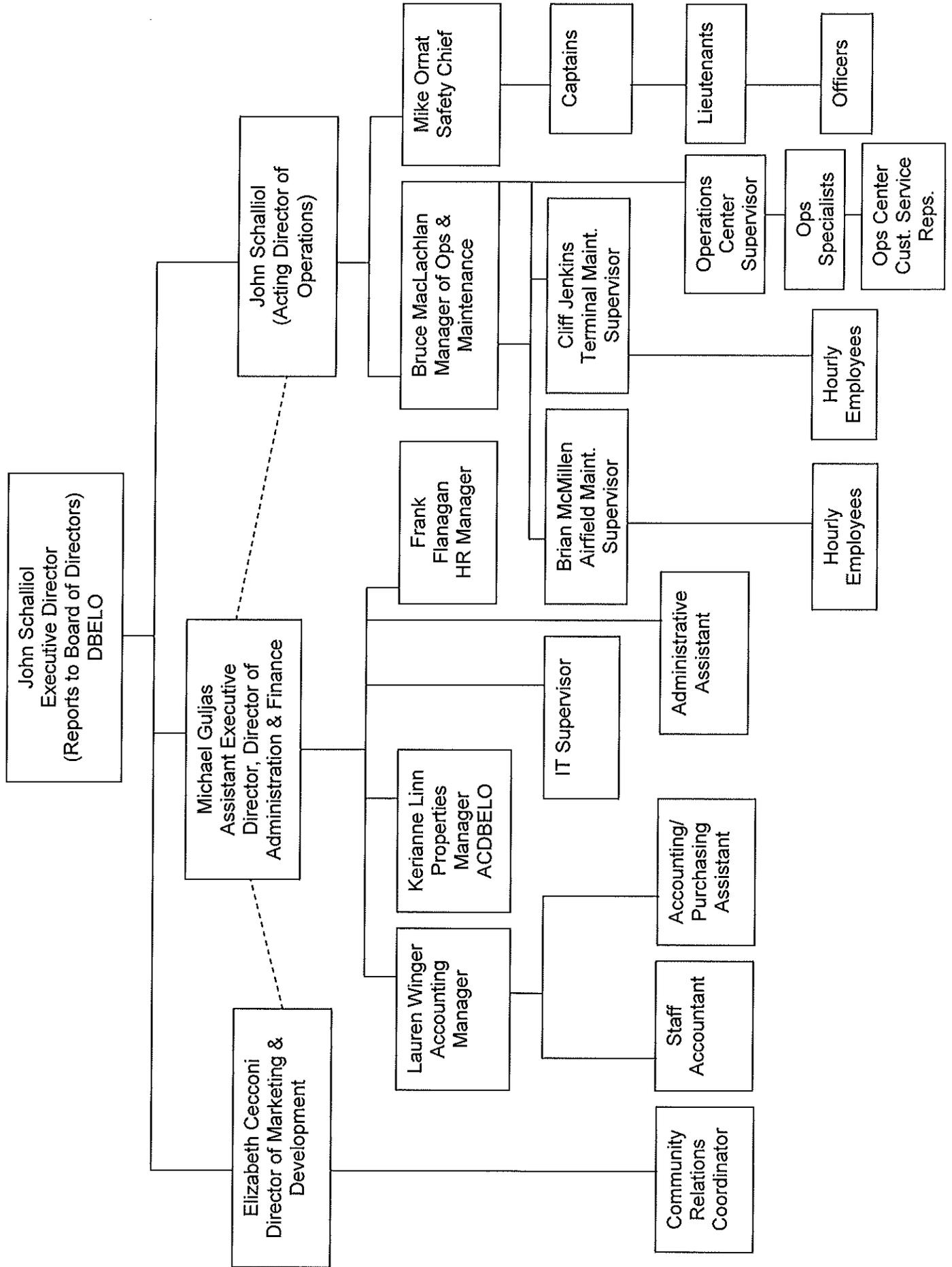


**John C. Schalliol, A.A.E.**  
Executive Director



**Michael A. Guljas, A.A.E.**  
Director of Administration and Finance

# ST. JOSEPH COUNTY AIRPORT AUTHORITY ORGANIZATION CHART



ST. JOSEPH COUNTY AIRPORT AUTHORITY  
SOUTH BEND REGIONAL AIRPORT

2010 OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Year Appointed</u>	<u>Current Term Expires</u>
Treasurer	Mr. Thomas S. Botkin	2006	12-31-14
Secretary	Mr. Abraham Marcus	2010	12-31-13
Vice President	Mr. David R. Sage	1991	12-31-12
President of The Airport Authority District	Mr. James V. Wyllie	1995	12-31-11
Executive Director	Mr. John C. Schalliol, A.A.E.		

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

St. Joseph County  
Airport Authority, Indiana

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

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**FINANCIAL  
SECTION**

## **FINANCIAL SECTION**



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS, SUPPLEMENTARY  
SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES (PFC), AND  
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE ST. JOSEPH COUNTY AIRPORT AUTHORITY,  
ST. JOSEPH COUNTY, INDIANA

We have audited the accompanying financial statements of the St. Joseph County Airport Authority (Airport Authority), as of and for the year ended December 31, 2010. These financial statements are the responsibility of the Airport Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over reporting. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport Authority as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and for the year ended, in conformity with accounting principles generally accepted in the United States.

In accordance with Government Auditing Standards, we have also issued our report dated May 12, 2011, on our consideration of the Airport Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS, SUPPLEMENTARY  
SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES (PFC), AND  
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
(Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Airport Authority's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Management's Discussion and Analysis and Schedule of Funding Progress, as listed in the Table of Contents, are not required parts of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. 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 audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the St. Joseph County Airport Authority's basic financial statements. The introductory section, statistical tables, the Budgetary Comparison Schedules, Budget/GAAP Reconciliation, and the Schedule of Expenditures of Passenger Facility Charges are presented for purposes of additional analysis and are not required parts of the basic financial statements. The Schedule of Expenditures of Passenger Facility Charges, the Budgetary Comparison Schedules, and the Budget/GAAP Reconciliation, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

May 12, 2011

STATE BOARD OF ACCOUNTS  
*State Board of Accounts*

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management Discussion and Analysis (MD&A) provides an introduction to the major activities affecting the operations of the South Bend Airport and an introduction and overview of the financial performance and statements of the St. Joseph County Airport Authority (Authority) for the fiscal year ended December 31, 2010. The information contained in this MD&A should be considered in conjunction with the information contained in the Letter of Transmittal included in the Introduction Section and various historical summaries of activities and financial performance included in the Statistical and Compliance Sections of this report.

Following this MD&A are the basic financial statements of the Authority together with the notes thereto, which are essential to a full understanding of the data contained in the financial statements. In addition to the basic financial statements and accompanying notes, this Section also presents certain **Required Supplementary Information (R.S.I.)** including the Authority's funding progress to support its obligation to provide pension benefits to our employees through the Indiana Public Employees' Retirement Fund (P.E.R.F.). The R.S.I. is followed by **Supplemental Financial Information**, which includes budgetary comparison schedules, a reconciliation of our budget to Generally Accepted Accounting Principles (G.A.A.P.), and a schedule of expenditures of Passenger Facilities Charges.

### AIRPORT ACTIVITIES & HIGHLIGHTS

As of December 31, 2010, the South Bend Airport provided non-stop air passenger service to ten (10) hubs in the United States: Chicago O'Hare, Las Vegas, Cleveland, Detroit, Cincinnati, Mesa, Atlanta, Sanford/Orlando, Tampa Bay, and Minneapolis. Four major passenger carriers (Allegiant, Continental, Delta, and United) are all represented either by the carrier itself or through a regional partner. In some cases, more than one company contracted with the national carrier for this purpose.

In addition, thanks to the multi-modal nature of the Airport, the facility continues to house the South Shore inter-urban electric rail service, which provides travel between South Bend and downtown Chicago. Also, several interstate bus lines operate with the Airport as a terminus, including Coach USA (service to Chicago airports) and Greyhound Bus Lines (nationwide).

In 2010, many small airports nationwide were impacted by the downturn in the economy and the struggling airline industry. However, South Bend's 2010 total enplanements and deplanements reflected an increase of 0.24 percent versus 2009.

As part of its effort to improve air service, the Airport continued its proactive policy of working with existing and potential carriers to explore additional hub opportunities in both the east and southwest. (The Executive Director, working closely with an air service consultant, made numerous contacts, and submitted proposals throughout the year to both established and start-up airlines.) Also, in 2010 a Director of Marketing and Development was hired. This newly created position was intended to focus on not only air service development, but also to increase awareness of the Airport's services to our community and surrounding areas.

In 2005, Allegiant Air inaugurated non-stop service to Las Vegas and Sanford/Orlando, Florida. This was followed by the successful initiation of non-stop service in 2006 to the Tampa Bay, Florida area by the carrier. Allegiant's passenger growth continued in 2010 when it expanded its air service to include non-stop flights to Phoenix/Mesa.

Although total aircraft flight operations were down in 2010, the airlines operated higher passenger loads per flight. Also due to interest in the University of Notre Dame's football program, most carriers operated at full capacity on home game weekends. The airport experienced a turnaround in passenger traffic in the fourth quarter of 2010, which is expected to continue.

South Bend offers a lower than average rate structure to the airlines, thus making the airport an attractive choice from a cost standpoint. We believe that from a passenger standpoint the added convenience of using the less congested facilities of a smaller airport during this period of enhanced security, plus competitive fares and the savings on time, gas, parking, and tolls compared to some larger neighboring airports, will place South Bend in an increasingly favorable position in the national airport system in the future.

The South Shore rail passenger service experienced a decrease of 10 percent in 2010 partially due to service outages on some weekends while construction improvements were completed. Although traffic was down in 2010, low rail fares, high gasoline prices for auto travel, and the convenience of service to downtown Chicago were seen as the major reasons for continued interest in this service.

Also, Coach USA's passenger count increased by 18.22 percent compared to the 2009 levels.

Another important component of business at the Airport is airfreight. United Parcel Service and Federal Express base aircraft at the facility and also maintained regional sorting facilities on site. Total cargo tonnage increased 11.78 percent in 2010 compared to 2009.

Finally, a review of our facilities would not be complete without a mention of our general aviation facilities. Fifty-five privately or corporate-owned aircraft were based in South Bend in 2010 along with a full service fixed base operator (F.B.O.) (Atlantic Aviation). General Aviation activities represented the majority of operations at the Airport. The availability of a first-class General Aviation Facility is a key factor in drawing new business to a community.

**COMPARATIVE INFORMATION ON TRANSPORTATION SERVICES AT THE  
SOUTH BEND AIRPORT 2010 VERSUS 2009**

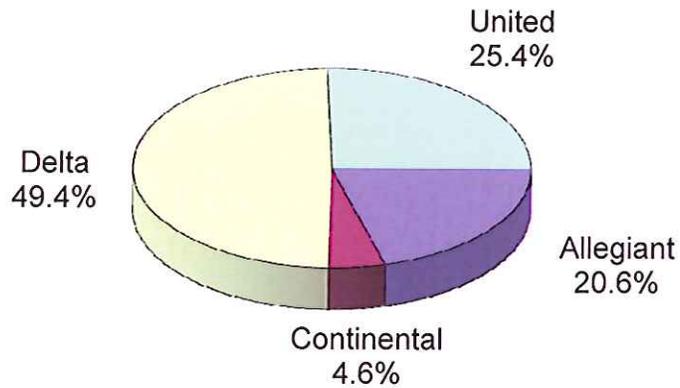
	<u>2010</u>	<u>2009</u>	<u>Variance</u>
<u>Total Airline Passengers</u> (Enplaned and Deplaned)	626,597	625,077	0.24%
<u>Weekday Arrivals and Departures</u>	38	40	-5.00%
<u>Weekday Total Available Seats</u>	2,276	2,360	-3.56%
<u>Total Cargo (Lbs.)</u>	23,708,233	21,210,060	11.78%
	<u>2010</u>	<u>2009</u>	<u>Variance</u>
<u>Aircraft Operations</u> (Take Off and Landing)			
Air Carriers	14,636	15,720	-6.90%
Freight	1,354	1,526	-11.27%
General Aviation	<u>17,505</u>	<u>19,782</u>	<u>-11.51%</u>
Total Operations	33,495	37,028	-9.54%
<u>Total Landed Weight</u>	472,655,944	489,534,337	-3.45%
<u>Commuter Bus Passengers</u>	32,269	27,296	18.22%
<u>Train Passengers</u>	256,886	285,435	-10.00%
<u>Total Air, Bus, Rail Passengers</u>	915,752	937,808	-2.35%

South Bend is fortunate to have so many air transportation choices. As the comparative demonstrates, no one carrier dominates our market. At some other small airports, which feature fewer carriers, the loss of one provider can be significant. South Bend ranks in the top 20 percent of small airports based upon the number of cities served with non-stop flights.

## AIRLINE MARKET SHARE

Enplanements

2010



### Airline Market Share Comparison

	<u>2010</u>	<u>2009</u>	<u>Difference</u>	<u>Change %</u>
Allegiant	64,950	62,748	2,202	3.51%
Continental	14,443	21,400	(6,957)	-32.51%
Delta	155,627	155,339	288	0.19%
United	80,061	75,258	4,803	6.38%
	<u>315,081</u>	<u>314,745</u>	<u>336</u>	<u>0.11%</u>

## FINANCIAL HIGHLIGHTS

### NET ASSETS

Total Assets decreased in 2010 by \$4.4 million or 4.32 percent over 2009. The decrease resulted primarily from an intergovernmental transfer of a Capital Asset.

Unrestricted Current Assets decreased by 15.37 percent. The main component of this change was expenditures for the Terminal Expansion Project.

Total Liabilities decreased by 3.63 percent compared to 2009 reflecting a reduction in long term debt.

Net Assets decreased by \$3.9 million or 4.42 percent.

### NET ASSETS

<u>ASSETS</u>	<u>2010</u>	<u>2009</u>
Current and Other Assets	\$ 12,126,973	\$ 13,617,853
Capital Assets	<u>85,054,341</u>	<u>87,949,765</u>
 Total Assets	 <u>97,181,314</u>	 <u>101,567,618</u>
 <u>LIABILITIES</u>		
Long-Term Liabilities Outstanding	10,881,375	11,544,238
Other Liabilities	<u>2,044,478</u>	<u>1,868,925</u>
 Total Liabilities	 <u>12,925,853</u>	 <u>13,413,163</u>
 <u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	76,503,028	78,662,042
Restricted	3,582,959	3,675,234
Unrestricted	<u>4,169,474</u>	<u>5,817,179</u>
 Total Net Assets	 <u>\$ 84,255,461</u>	 <u>\$ 88,154,455</u>

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## REVENUE

Total Revenue increased by 1.0 percent, not including grants.

Total Operating Revenue increased by 2.26 percent compared to 2009 levels.

Airport Service Revenue increased by 1.68 percent and consisted of Airfield, Terminal, Concessions, Parking, Fixed Base Operations, and Building and Land Rental Revenues.

The Airfield Category, which was composed primarily of landing fees (\$.99 per thousand pounds of aircraft landed weight) and fuel flowage fees, increased by .57 percent.

Terminal Rental Revenue received from the airlines increased by 0.50 percent in 2010.

Terminal Non-Aviation Rental Revenue decreased by 14.12 percent due to the loss of several tenants in the building.

Concession Revenue increased by 1.15 percent and Parking Revenue increased by 8.32 percent. Concession and Parking Revenue are based primarily on the number of passengers utilizing the Airport. The Parking Revenue increase also reflects a rate increase in 2010.

Fixed Base Operation Revenue, a component of General Aviation activity, increased .43 percent due to an increase in rates. Other building and land rental on the airfield decreased by 24.23 percent. This was the result of a decrease in recycling revenue compared to 2009.

Other Operating Revenues for 2010 were mostly derived from a grant which reimbursed the Authority for providing Law Enforcement Officer Presence at the screening checkpoints.

Non-Operating Revenues decreased by 1.06 percent. The combination of Property and Other Taxes increased by 2.2 percent.

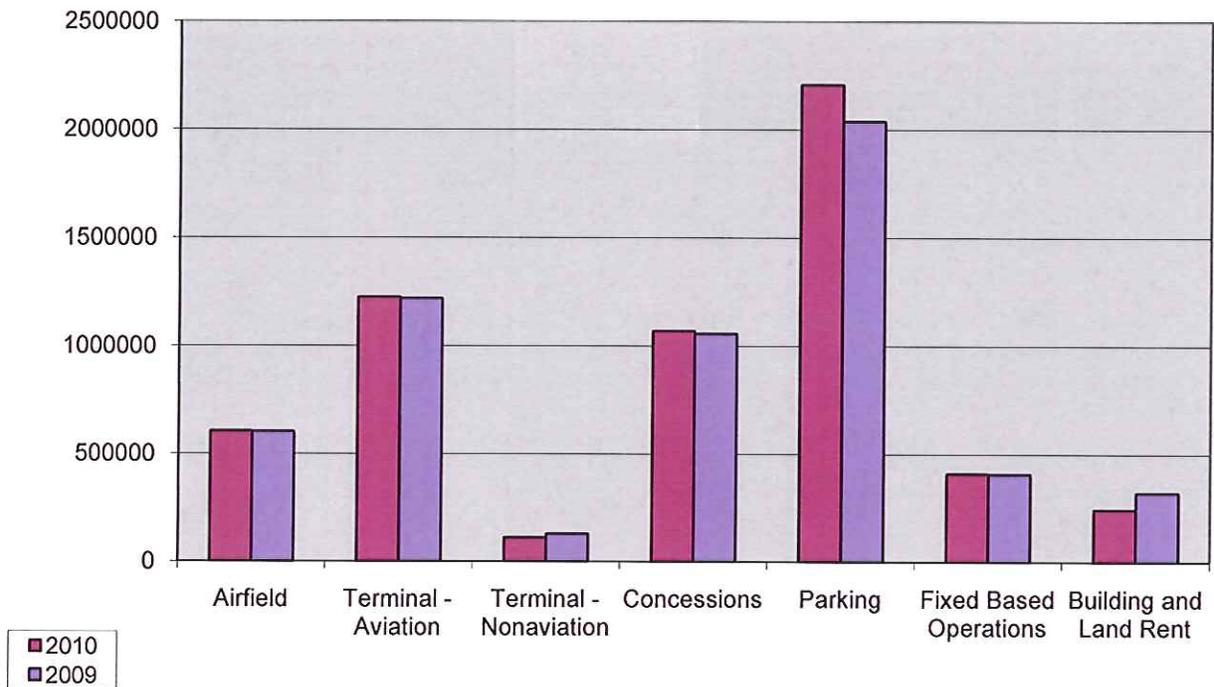
Interest Revenue decreased by 74.92 percent due to lower rates and the need to maintain liquidity for the Terminal Expansion project.

Property Management revenue decreased by 16.73 percent due to lower occupancy in an Authority owned building.

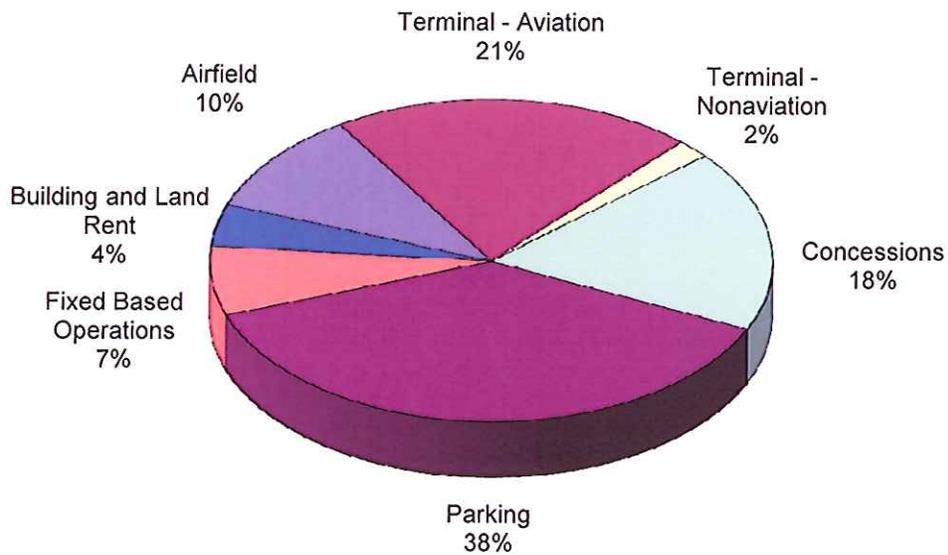
Capital Contributions increased due to the receipt of Airport Improvement Program (A.I.P.) grants for the construction of the Terminal Expansion project.

Passenger Facility Charge Revenues increased in 2010 by 1.85 percent, as an offshoot of slightly higher passenger traffic.

### Operating Revenues



### Airport Service Revenues



## EXPENSES AND INCOME

Total Expenses decreased in 2010 by 1.82 percent compared to 2009.

Personnel Services increased by 1.55 percent in 2010, due in part to the hiring of a Director of Marketing and Development. This was a newly created position.

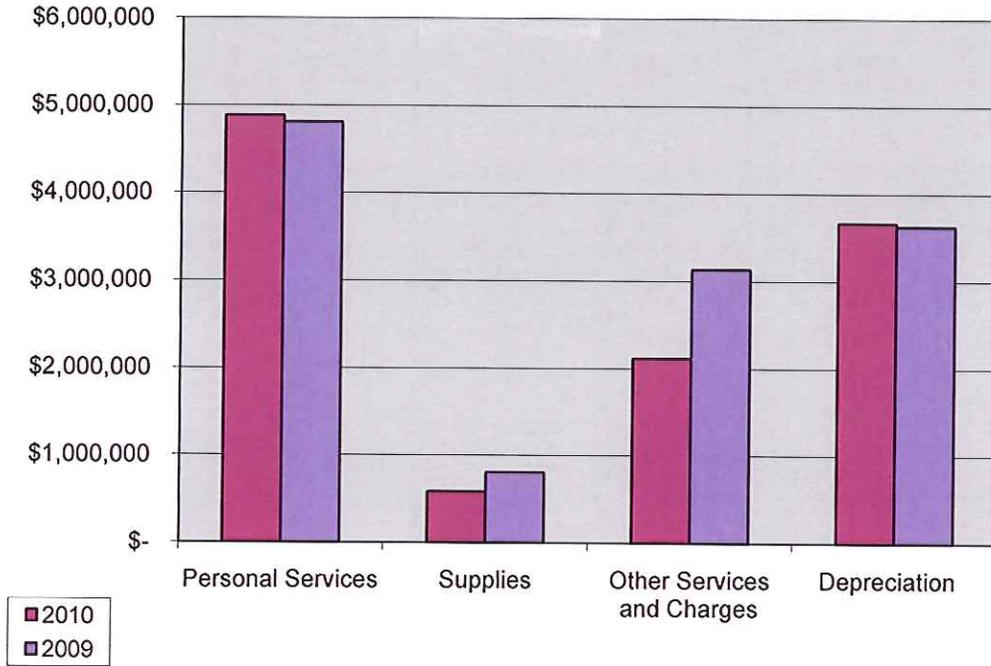
In 2010, the Supplies Category decreased by 27.44 percent, while Other Services and Charges also decreased by 32.50 percent due in part to Capital Assets being reclassified as expenses in 2009.

Also in 2010, the airport was involved in broad ranging cost cutting initiatives. Replacement schedules for equipment and vehicles were revised. Service Contracts were re-evaluated. Changes were made in HVAC systems to save on utility costs and marketing and air service expenditures to consultants were curtailed.

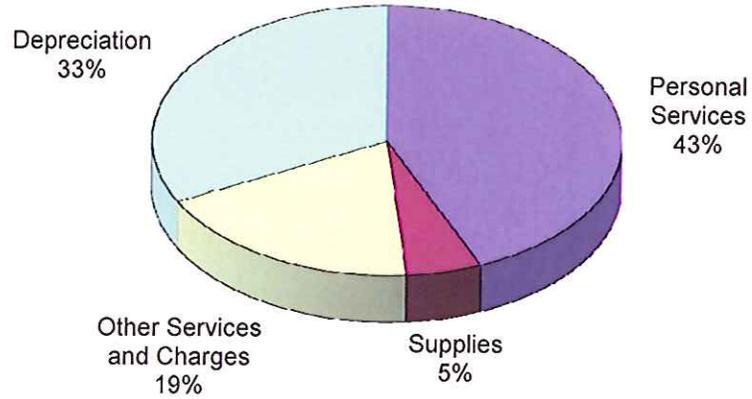
Property Management Expense decreased by 13.44 percent in 2010 due to fewer repairs to an office building owned by the Authority.

An intergovernmental transfer of a road in addition to a change in accounting policy increasing the threshold for the definition of a Capital Asset from \$5,000 to \$20,000 and a resulting write off of Capital Assets were the leading contributing factors to the \$3.9 million decrease in Net Assets.

### Operating Expenses



### Operating Expenses



**SUMMARY OF OPERATIONS AND CHANGES IN NET ASSETS**

	<u>2010</u>	<u>2009</u>	<u>Increase/(Decrease)</u>	
			<u>Amount</u>	<u>Percent</u>
<b>Operating Revenues</b>				
Airport Service Revenues				
Airfield	\$ 605,210	\$ 601,768	\$ 3,442	0.57
Terminal - Aviation	1,225,171	1,219,103	6,068	0.50
Terminal - Nonaviation	111,226	129,513	(18,287)	(14.12)
Concessions	1,069,131	1,056,991	12,140	1.15
Parking	2,207,040	2,037,467	169,573	8.32
Fixed Based Operations	408,748	407,000	1,748	0.43
Building and Land Ren	243,613	321,511	(77,898)	(24.23)
Airport Service Revenues - Total	<u>5,870,139</u>	<u>5,773,353</u>	<u>96,786</u>	<u>1.68</u>
Operating Grants	148,565	113,728	34,837	30.63
Other	12,039	10,619	1,420	13.37
Total Operating Revenue:	<u>6,030,743</u>	<u>5,897,700</u>	<u>133,043</u>	<u>2.26</u>
<b>Operating Expenses</b>				
Personal Services	4,884,509	4,810,162	74,347	1.55
Supplies	586,715	808,565	(221,850)	(27.44)
Other Services and Charges	2,116,199	3,134,908	(1,018,709)	(32.50)
Depreciation	3,667,220	3,630,659	36,561	1.01
Total Operating Expense:	<u>11,254,643</u>	<u>12,384,294</u>	<u>(1,129,651)</u>	<u>(9.12)</u>
Operating Loss	<u>(5,223,900)</u>	<u>(6,486,594)</u>	<u>(996,608)</u>	<u>(19.47)</u>
<b>Non-Operating Revenues</b>				
Property Taxes	2,997,689	2,702,107	295,582	10.94
Other Tax Distributions	620,426	836,637	(216,211)	(25.84)
Interest and Investment Revenue	15,517	61,882	(46,365)	(74.92)
Property Management Revenue	273,942	328,987	(55,045)	(16.73)
Other Revenue	101,332	122,378	(21,046)	(17.20)
Total Non-Operating Revenue:	<u>4,008,906</u>	<u>4,051,991</u>	<u>(43,085)</u>	<u>(1.06)</u>
<b>Non-Operating Expenses</b>				
Interest Expense	614,347	675,362	(61,015)	(9.03)
Property Management Expense	222,493	257,044	(34,551)	(13.44)
Loss on Change in Capital Asset Policy	590,321	-	590,321	-
Loss on Disposal of Capital Assets	392,349	-	392,349	-
Amortization Expense	14,628	14,628	-	-
Total Non-Operating Expense:	<u>1,834,138</u>	<u>947,034</u>	<u>887,104</u>	<u>93.67</u>
Loss Before Contributions:	<u>(3,049,132)</u>	<u>(3,381,637)</u>	<u>332,505</u>	<u>(9.83)</u>
Capital Contributions	7,313,647	720,700	6,592,947	914.80
Passenger Facility Charge Revenue	835,884	820,664	15,220	1.85
Capital Assets Donated to County Governmer	(8,999,393)	-	(8,999,393)	-
Change in Net Assets	<u>(3,898,994)</u>	<u>(1,840,273)</u>	<u>(2,058,721)</u>	<u>111.87</u>
Total Net Assets - Beginning	<u>88,154,455</u>	<u>89,994,728</u>	<u>(1,840,273)</u>	<u>(2.04)</u>
Total Net Assets - Ending	<u>\$ 84,255,461</u>	<u>\$ 88,154,455</u>	<u>(3,898,994)</u>	<u>(4.42)</u>

## SUMMARY OF CASH FLOW ACTIVITIES

The following is a summary of the major sources and uses of cash and cash equivalents for the past two years.

	<u>2010</u>	<u>2009</u>
<b>Cash Flows</b>		
Operating Activities	\$ (1,514,254)	\$ (1,885,682)
Non-Capital Financing Activities	3,451,289	5,713,014
Capital and Related Financing Activities	(5,359,430)	(3,460,481)
Investing Activities	15,517	61,882
	<u>                    </u>	<u>                    </u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ (3,406,878)</b>	<b>\$ 428,733</b>
<b>Cash and Cash Equivalents</b>		
Beginning of Year	12,208,209	11,779,476
	<u>                    </u>	<u>                    </u>
End of Year	<b>\$ 8,801,331</b>	<b>\$ 12,208,209</b>
	<u>                    </u>	<u>                    </u>

The Authority's available Cash and Cash Equivalents decreased from \$12.2 million at the end of 2009 to \$8.8 million at the end of 2010 due primarily to the usage of funds for the acquisition and construction of Capital Assets. The \$8.8 million is composed of \$2.2 million available for unrestricted operations and \$6.6 million, which is restricted for capital projects and future Debt Service payments.

## CAPITAL ACQUISITIONS AND CONSTRUCTION ACTIVITIES

### CAPITAL ASSETS

The St. Joseph County Airport Authority's investment in Capital Assets as of December 31, 2010, was \$85 million (net of Accumulated Depreciation). This investment in Capital Assets includes land, buildings, roadways, airfield and equipment. The total decrease in the St. Joseph County Airport Authority's investment in Capital Assets for the current fiscal year was 3.29 percent.

Major Capital Asset events during the current fiscal year included the following:

During 2010, the Airport Authority District expended \$9.9 million for major capital activities. This includes \$500 thousand for land and easement acquisitions in the south approach to the North South Runway 18/36, \$9.1 million for planning and architectural fees and construction of the Terminal Expansion and \$300 thousand for the purchase of a new access control system.

Capital Asset acquisitions are capitalized at cost. Acquisitions are funded using a variety of financing mechanisms, including federal grants with matching state grants and Airport funds, property taxes, debt issuances, and Airport revenues. Additional information on the Authority's Capital Assets and commitments can be found in the Notes to the Financial Statements in Section III C and D.

### **PASSENGER FACILITY CHARGE (P.F.C.)**

Effective November 1, 1994, a Passenger Facility Charge (P.F.C.) of \$3.00 per enplaned passenger was implemented by the approval of the Federal Aviation Administration (FAA) and the St. Joseph County Airport Authority. The receipts are intended to be used to repay the debt service on the 2002 Bond issue, and for any other purposes allowed by the FAA and the Airport Authority Board. The St. Joseph County Airport Authority is authorized to receive a maximum of \$34,156,074. As of December 31, 2010, the Airport Authority had received a total of \$17,909,986. For further details, please refer to the Schedule of Expenditures of Passenger Facility Charges, which is included later in this financial section.

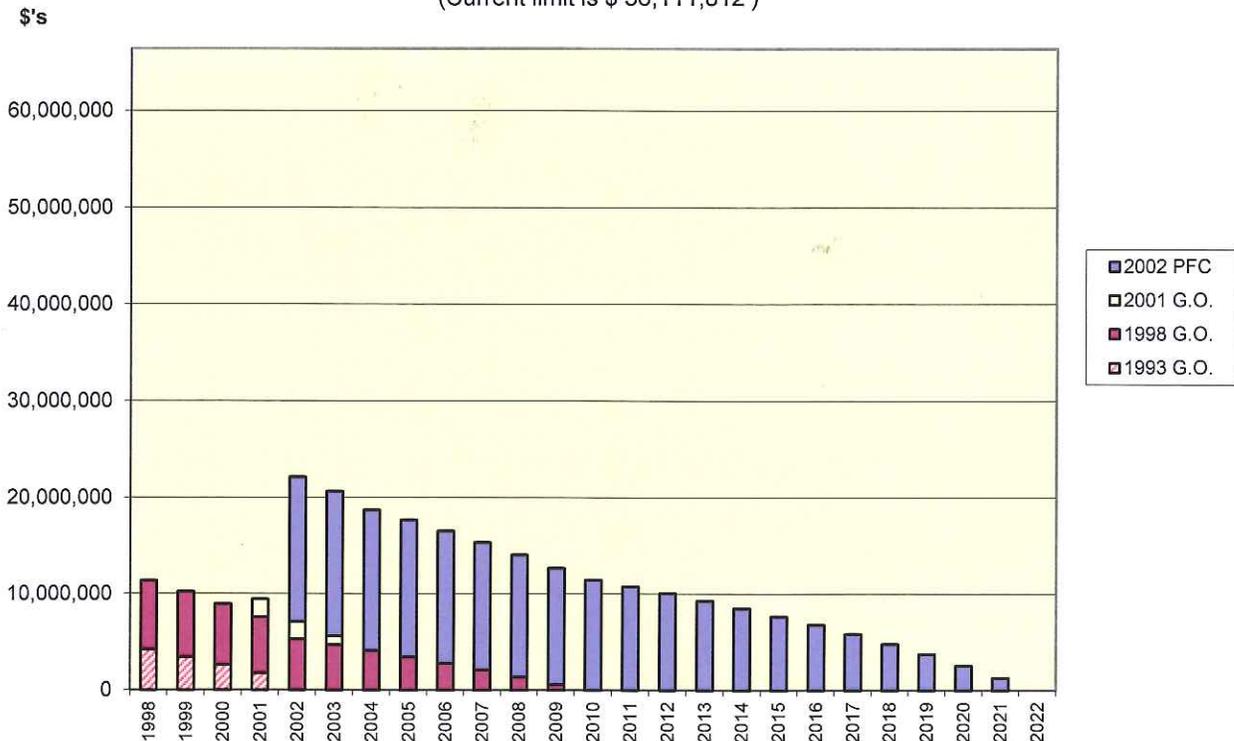
## LONG-TERM DEBT AND CREDIT RATINGS

The Airport Authority had \$10,775,000 in outstanding long-term debt plus \$675 thousand in outstanding Short-Term Debt as of December 31, 2010. Long-term and short-term debt consisted of General Obligation Bonds sold in 2002. The 2002 Bonds (\$15 million) mature in 2022 and interest rates range from 3 percent to 5.25 percent. Both principal and interest are payable from the revenues derived from the proceeds of an approved Passenger Facility Charge (P.F.C.) on each enplanement at South Bend Regional Airport. A 1998 Bond (\$7,155,000) was payable from revenue derived from property taxes. This Bond matured in 2010 and interest rates ranged from 4.4 percent to 4.5 percent.

The General Obligation debt limit for the Airport Authority is 2 percent of the adjusted value of taxable property in St. Joseph County. Per Indiana Statute, the adjusted value is defined as being equal to one third (1/3) of the actual valuation of property in the County. The current adjusted value is \$2,805,590,588. The debt limit is \$56,111,812, and the total outstanding General Obligation debt is \$11,450,000.

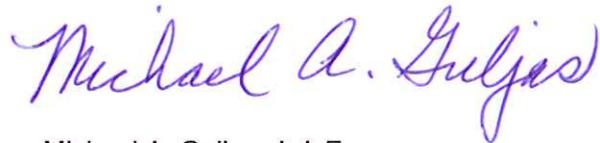
The Authority's General Obligation Debt is rated A1 by Moody's Investor Service. Moody's opinion stated that while their firm maintains a negative outlook on the airport sector, the rating for South Bend reflects the general obligation security for these bonds. Also noted was the fact that the Authority benefits from a relatively diverse revenue stream including parking, terminal revenues, concessions, and general property taxes. Details regarding long-term debt are included in the Notes to the Financial Statements in Section III E.1.

**Total Debt Outstanding  
At End of Year**  
(Current limit is \$ 56,111,812 )



## REQUEST FOR INFORMATION

This Comprehensive Annual Financial Report is designed to provide detailed information on the Authority's operations and to all of those with an interest in the Authority's financial affairs. Questions concerning any of the information provided in this report or any request for additional information should be addressed to the Chief Financial Officer by e-mail ([mikeg@sbnair.com](mailto:mikeg@sbnair.com))  
This report may be downloaded from: <http://www.flysbn.com>



Michael A. Guljas, A.A.E.  
Chief Financial Officer

ST. JOSEPH COUNTY AIRPORT AUTHORITY  
STATEMENT OF NET ASSETS  
December 31, 2010

Assets

Current assets:	
Unrestricted:	
Cash and cash equivalents	\$ 2,236,095
Accounts receivable (net of allowance)	572,602
Taxes receivable	365,519
Intergovernmental receivable	1,797,906
Prepaid items	100,525
Other current assets	<u>43,947</u>
Total unrestricted current assets	<u>5,116,594</u>
Restricted:	
Cash and cash equivalents:	
Construction fund	2,621,898
Passenger facility charge fund	1,917,298
Bond and interest fund	534,027
Cumulative building fund	902,854
Rainy day fund	278,881
Cash with fiscal agent	265,705
Other funds	44,593
Accounts receivable - passenger facility charge	103,842
Taxes receivable	<u>124,938</u>
Total restricted current assets	<u>6,794,016</u>
Total current assets	<u>11,910,610</u>
Noncurrent assets:	
Unrestricted:	
Net pension asset	<u>116,790</u>
Restricted:	
Deferred charges	<u>99,573</u>
Capital assets:	
Land, improvements to land and construction in progress	38,673,330
Other capital assets (net of accumulated depreciation)	<u>46,381,011</u>
Total capital assets	<u>85,054,341</u>
Total noncurrent assets	<u>85,270,704</u>
Total assets	<u>97,181,314</u>
<u>Liabilities</u>	
Current liabilities:	
Unrestricted:	
Accounts payable	104,891
Accrued payroll payable	112,659
Taxes payable	2,421
Compensated absences	207,169
Contracts payable	400,070
Retainage payable	491,132
Other current liabilities	<u>51,146</u>
Total unrestricted current liabilities	<u>1,369,478</u>
Restricted:	
General obligation bonds payable	<u>675,000</u>
Total current liabilities	<u>2,044,478</u>
Noncurrent liabilities:	
Unrestricted:	
Compensated absences	228,128
Other postemployment benefits payable	<u>55,463</u>
Total unrestricted noncurrent liabilities	<u>283,591</u>
Restricted:	
General obligation bonds payable (net of unamortized discounts)	<u>10,597,784</u>
Total noncurrent liabilities	<u>10,881,375</u>
Total liabilities	<u>12,925,853</u>
Invested in capital assets, net of related debt	76,503,028
Restricted for debt service	2,653,237
Restricted for capital assets	929,722
Unrestricted	<u>4,169,474</u>
Total net assets	<u>\$ 84,255,461</u>

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

ST. JOSEPH COUNTY AIRPORT AUTHORITY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
As Of And For The Year Ended December 31, 2010

Operating revenues:	
Airfield	\$ 605,210
Terminal - aviation	1,225,171
Terminal - nonaviation	111,226
Concessions	1,069,131
Parking	2,207,040
Fixed based operations	408,748
Building and land rent	243,613
Operating grant	148,565
Other	<u>12,039</u>
 Total operating revenues	 <u>6,030,743</u>
Operating expenses:	
Personal services	4,884,509
Supplies	586,715
Other services and charges	2,116,199
Depreciation	<u>3,667,220</u>
 Total operating expenses	 <u>11,254,643</u>
 Operating loss	 <u>(5,223,900)</u>
Nonoperating revenues:	
Property taxes	2,997,689
Other tax distributions	620,426
Interest and investment revenue	15,517
Property management revenue	273,942
Other revenue	<u>101,332</u>
 Total nonoperating revenues	 <u>4,008,906</u>
Nonoperating expenses:	
Interest expense	614,347
Property management expense	222,493
Loss on change in capital asset policy	590,321
Loss on disposal of capital assets	392,349
Amortization expense	<u>14,628</u>
 Total nonoperating expenses	 <u>1,834,138</u>
 Loss before contributions	 <u>(3,049,132)</u>
Capital contributions	7,313,647
Passenger facility charge revenue	835,884
Capital assets donated to county government	<u>(8,999,393)</u>
 Change in net assets	 <u>(3,898,994)</u>
Total net assets - beginning	<u>88,154,455</u>
Total net assets - ending	<u>\$ 84,255,461</u>

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

ST. JOSEPH COUNTY AIRPORT AUTHORITY  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
As Of And For The Year Ended December 31, 2010

Cash flows from operating activities:	
Receipts from customers and users	\$ 5,966,212
Payments to suppliers and contractors	(2,565,804)
Payments to employees	(5,015,994)
Other nonoperating activity	<u>101,332</u>
Net cash used by operating activities	<u>(1,514,254)</u>
Cash flows from noncapital financing activities:	
Property management activity	106,023
Property and county income taxes	<u>3,345,266</u>
Net cash provided by noncapital financing activities	<u>3,451,289</u>
Cash flows from capital and related financing activities:	
Passenger facility charges	830,988
Capital contributions	5,590,147
Acquisition and construction of capital assets	(9,935,902)
Principal paid on capital debt	(1,245,000)
Interest paid on capital debt	<u>(599,663)</u>
Net cash used by capital and related financing activities	<u>(5,359,430)</u>
Cash flows from investing activities:	
Interest received	<u>15,517</u>
Net decrease in cash and cash equivalents	(3,406,878)
Cash and cash equivalents, January 1	<u>12,208,209</u>
Cash and cash equivalents, December 31	<u>\$ 8,801,331</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	<u>\$ (5,223,900)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	3,667,220
Work in progress items expensed	73,246
Net nonoperating receipts (expenses)	101,332
(Increase) decrease in assets:	
Accounts receivable	(64,531)
Prepaid items	92,576
Intergovernmental receivable	(37,463)
Net pension assets	47,862
Increase (decrease) in liabilities:	
Accounts payable	(31,133)
Accrued payroll payable	(143,988)
Compensated absence payable	2,104
Taxes payable	<u>2,421</u>
Total adjustments	<u>3,709,646</u>
Net cash used by operating activities	<u>\$ (1,514,254)</u>
Noncash investing, capital and financing activities:	
Disposal of capital assets	\$ 1,625,326
Donation of capital assets to other governmental agencies	8,999,393
Capital assets acquired on account	891,202

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

ST. JOSEPH COUNTY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The St. Joseph County Airport Authority (Airport Authority) was established August 1, 1973, by the St. Joseph County Council under the provisions of Indiana Code 19-6-3.5, which has been recodified as Indiana Code 8-22-3. The Airport Authority operates under the direction of a four-member board which is appointed by the Board of County Commissioners of St. Joseph County, an elected board.

Accounting principles generally accepted in the United States of America require that these basic financial statements present the Airport Authority and its significant component units. There are no significant component units which require inclusion. The Airport Authority is a component unit of St. Joseph County. A financial benefit/burden relationship exists between the County and the Airport Authority.

B. Fund Financial Statements

Enterprise fund financial statements (i.e., the Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Fund Net Assets) report information on all of the Airport Authority's activities. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Airport Authority only has business-type activities.

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

The Airport Authority is reported as an enterprise fund. The fund is accounted for using the capital maintenance (economic resources) measurement focus and the accrual basis of accounting. All assets and liabilities (whether current or noncurrent) associated with its activity are included on the Airport Authority's Statement of Net Assets. Its operating statement represents increases (revenue) and decreases (expenses) in total net assets. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

Enterprise funds distinguish operating revenues and expenses from nonoperating items and other items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative costs, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or other items and separately stated on the Statement of Revenues, Expenses, and Changes in Fund Net Assets.

ST. JOSEPH COUNTY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 Assets

1. Deposits and Investments

Deposits, made in accordance with Indiana Code 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.

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.

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Airport 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 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 which 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 School Corporation on or prior to December 31 of the year collected. Delinquent property taxes outstanding at year end, net of allowance for uncollectible accounts, are recorded as a receivable with an offset to unearned revenue since the amounts are not considered available.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets balance sheet because their use is limited by applicable bond indentures, state or federal law, or governing body action.

The financial statements report \$3,582,959 of restricted net assets, all of which is restricted by enabling legislation.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e., road, bridges, sidewalks, and similar items), are reported in the applicable financial statements.

ST. JOSEPH COUNTY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 and improvements	\$ 20,000	Straight-line	10 to 40 years
Airfield	20,000	Straight-line	15 to 20 years
Equipment	20,000	Straight-line	3 to 10 years

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

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

6. Compensated Absences

- a. Sick Leave – Airport Authority employees working 8-hour shifts earn sick leave at the rate of 48 hours per year. Employees working 24-hour shifts have the same benefits as employees working 8-hour shifts but earn 72 hours per year. Employees working 8-hour shifts may accumulate a maximum of 720 hours of sick leave. Employees working 24-hour shifts may accumulate a maximum of 1,080 hours of sick leave. Employees have the opportunity at the beginning of each calendar year to roll that year's earned sick leave into their accumulated balance, to get paid for those earned hours in advance at their current rate of pay, or to split their earned sick leave time between the two options. At the termination of employment, employees are paid at their current rate of pay for a percentage of their accumulated sick leave. This percentage is based on the number of years of service and whether or not the termination of employment is a retirement.
- b. Vacation Leave – Airport Authority employees working 8-hour shifts earn vacation leave at rates from 80 to 160 hours per year based upon their number of years of service. Employees working 24-hour shifts have the same benefits as employees working 8-hour shifts but earn from 112 to 288 hours vacation leave per year. Vacation leave does not accumulate from year to year.

Vacation and sick leave is accrued when incurred.

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.

ST. JOSEPH COUNTY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

8. Equity Classification

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use 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 assets – All other net assets that do not meet the definition of "restricted."

It is the Airport Authority's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

E. Receipts and Disbursements

Operating receipts and disbursements for the Airport Authority result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

The Executive Director of the Airport Authority submits to the County Council a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the Airport Authority to obtain taxpayer comments. In October of each year, the Airport Authority, through the passage of an ordinance, approves the budget for the next year. Copies of the budget ordinance and the advertisement for funds for which property taxes are levied are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the Executive Director of the Airport Authority receives approval of the Indiana Department of Local Government Finance.

The Airport Authority's management cannot transfer budget appropriations between object classifications of a budget without approval of the Airport Authority board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the Airport Authority. The legal level of budgetary control is by object and department within the fund for the Airport Authority.

ST. JOSEPH COUNTY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

III. Detailed Notes on All Funds

A. 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 deposit policy for custodial credit risk. At December 31, 2010, the Airport Authority had deposit balances in the amount of \$8,801,331. This entire balance was not exposed to custodial credit risk.

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.

B. Receivables

The Airport Authority recognizes \$26,700 in an allowance account for the expected uncollectibility of payments due from airlines due to bankruptcy proceedings.

C. Capital Assets

Capital asset activity for the year ended December 31, 2010, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 34,349,460	\$ 1,181,539	\$ -	\$ 35,530,999
Land improvements, nonaviation	8,999,393	-	8,999,393	-
Construction in progress	2,050,013	10,318,269	9,225,951	3,142,331
<b>Total capital assets, not being depreciated</b>	<b>45,398,866</b>	<b>11,499,808</b>	<b>18,225,344</b>	<b>38,673,330</b>
Capital assets, being depreciated:				
Buildings	42,871,145	8,480,002	1,711,298	49,639,849
Airfield	41,531,353	-	539,708	40,991,645
Equipment	10,523,800	-	1,807,802	8,715,998
<b>Total capital assets, being depreciated</b>	<b>94,926,298</b>	<b>8,480,002</b>	<b>4,058,808</b>	<b>99,347,492</b>
Less accumulated depreciation for:				
Buildings	20,783,968	1,273,229	1,132,835	20,924,362
Airfield	25,015,202	1,681,555	400,046	26,296,711
Equipment	6,576,229	712,436	1,543,257	5,745,408
<b>Totals</b>	<b>52,375,399</b>	<b>3,667,220</b>	<b>3,076,138</b>	<b>52,966,481</b>
<b>Total capital assets, being depreciated, net</b>	<b>42,550,899</b>	<b>4,812,782</b>	<b>982,670</b>	<b>46,381,011</b>
<b>Total business-type activities capital assets, net</b>	<b>\$ 87,949,765</b>	<b>\$ 16,312,590</b>	<b>\$ 19,208,014</b>	<b>\$ 85,054,341</b>

ST. JOSEPH COUNTY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

During 2010, the Airport Authority changed the capitalization threshold from \$5,000 to \$20,000. This resulted in the removal from capital asset records of \$2,433,482 in historical cost of capital assets. The residual book value of \$590,321 was included in nonoperating expense.

D. Construction Commitments

Construction work in progress is composed of the following:

Project	Total Project Authorized	Expended to December 31, 2010	Committed
Relocation of Lincoln Way West - Phase II	\$ 5,300,000	\$ 414,314	\$ 4,885,686
Terminal Expansion - Phase II, III	7,544,536	2,527,881	5,016,655
Other Projects	500,000	200,136	299,864
Totals	<u>\$ 13,344,536</u>	<u>\$ 3,142,331</u>	<u>\$ 10,202,205</u>

E. Long-Term Liabilities

1. General Obligation Bonds

The Airport Authority issues general obligation bonds to be paid by income derived from a passenger facility charge (Note IV.D.) and a tax levy to pay debt service. These general obligation bonds are to provide funds for the acquisition and construction of major capital facilities or assets.

General obligation bonds are direct obligations and pledge the full faith and credit of the Airport Authority. The general obligation bonds, used for north-south runway expansion, are payable in annual installments between \$1,217,050 and \$1,391,362. Annual bond maturities range between \$675,000 and \$1,300,000. General obligation bonds currently outstanding at year end are as follows:

Purpose	Interest Rates	Original Issue	Balance at December 31	Less: Unamortized Discount	Net Bonds Outstanding
2002 General obligation bonds	4.1% to 5.25%	<u>\$ 15,000,000</u>	<u>\$ 11,450,000</u>	<u>\$ 177,216</u>	<u>\$ 11,272,784</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

ST. JOSEPH COUNTY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

	<u>Principal</u>	<u>Interest</u>	
2011	\$ 675,000	\$ 545,500	
2012	700,000	517,050	
2013	775,000	486,944	
2014	800,000	452,025	
2015	825,000	416,225	
2016-2020	5,100,000	1,404,594	
2021-2022	<u>2,575,000</u>	<u>167,063</u>	
 Totals	 <u>\$ 11,450,000</u>	 <u>\$ 3,989,401</u>	

2. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
General obligation bonds	\$ 12,695,000	\$ -	\$ 1,245,000	\$ 11,450,000	\$ 675,000
Compensated absences	<u>433,193</u>	<u>204,622</u>	<u>202,518</u>	<u>435,297</u>	<u>207,169</u>
 Totals	 <u>\$ 13,128,193</u>	 <u>\$ 204,622</u>	 <u>\$ 1,447,518</u>	 <u>\$ 11,885,297</u>	 <u>\$ 882,169</u>

Compensated absences for the Airport Authority typically have been liquidated from the Aviation Fund.

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

ST. JOSEPH COUNTY AIRPORT AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

B. Other Postemployment Benefits

Single-Employer Defined Benefit Healthcare Plan

Plan Description

St. Joseph County Airport Authority Healthcare Plan is a single-employer defined benefit health-care plan administered by Anthem Insurance. The plan provides medical insurance benefits to eligible retirees and their spouses/dependents. Indiana Code 5-10-8 assigns the authority to establish and amend benefit provisions to the Airport Authority.

The St. Joseph County Airport Authority Healthcare Plan does not issue a publicly available financial report.

Funding Policy

The contribution requirements of plan members for the St. Joseph County Airport Authority Healthcare Plan are established by the Airport Authority Board. Currently, retirees are required to pay 100 percent of the monthly premium for medical insurance. Retiree health coverage is implicitly more expensive than active health coverage. This higher cost of coverage creates a liability that the Airport pays in higher premiums for current employees' coverage. The amount of the higher cost of coverage has not been determined. Calculated required contributions are based on projected pay-as-you-go financing requirements. For the year ended December 31, 2010, the Airport contributed \$0 to the plan.

Annual OPEB Cost and Net OPEB Obligation

The Airport Authority's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Airport Authority's annual OPEB cost for the year 2009, the most recent actuarial study the Airport has determined, the amount actually contributed to the plan for 2009, and changes in the Airport Authority's net OPEB obligation to the plan:

Annual required contribution	\$ 28,617
Interest on net OPEB obligation	1,205
Adjustment to annual required contribution	<u>(1,142)</u>
 Annual OPEB cost	 28,680
Contributions made	<u>                  -</u>
 Increase (decrease) in net OPEB obligation	 28,680
Net OPEB obligation, beginning of year	<u>26,783</u>
 Net OPEB obligation, end of year	 <u><u>\$ 55,463</u></u>

ST. JOSEPH COUNTY AIRPORT AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

The Airport Authority has accepted and recorded this calculated liability for December 31, 2009, and in the absence of a more recent determined liability, has chosen to reflect this as their December 31, 2010 liability.

The Airport Authority's 2009 OPEB cost, the percentage of the 2009 OPEB cost contributed to the plan, and the net OPEB obligation for 2009, the second year the Airport has determined this cost, are as follows:

Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12-31-08	\$ 26,783	0%	\$ 26,783
12-31-09	28,680	0%	55,463

Funded Status and Funding Progress

As of December 31, 2009, the most recent actuarial valuation date, the plan was 0 percent funded. The actuarial accrued liability for benefits was \$247,029, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$247,029. The covered payroll (annual payroll of active employees covered by the plan) was \$2,731,722, and the ratio of the UAAL to covered payroll was 9.0 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumption

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2009, actuarial valuation, the projected unit credit actuarial cost method was used. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2009, was 30 years. Other actuarial assumptions used in the actuarial valuation are as follows:

ST. JOSEPH COUNTY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Inflation Rate	4.5%
Investment Return	4.5%
Projected Salary Increases	3%
Post-Retirement Benefit Increases	4.5% to 9.0%
Healthcare Cost Trend Rate	4.5% to 9.0%

C. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Airport 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 the authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3 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  
One North Capitol, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

or the report can be viewed at [www.in.gov/perf/2376.htm](http://www.in.gov/perf/2376.htm)

Funding Policy

PERF members are required to contribute 3 percent of their annual covered salary. The Airport Authority has elected to make this contribution on behalf of employees. The Airport Authority is required to contribute at an actuarially determined rate; the current rate, for calendar year 2010 is 7.5 percent of annual covered payroll. This rate has been increased for 2011 to 8.5 percent and will be 9.75 percent for 2012. The contribution requirements of plan members and the Airport Authority are established and may be amended by the PERF Board of Trustees.

ST. JOSEPH COUNTY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Actuarial Information for the Above Plan

Annual required contribution	\$	284,751
Interest on net pension obligation		(11,937)
Adjustment to annual required contribution		13,603
Annual pension cost		286,417
Contributions made		238,555
Increase in net pension obligation		47,862
Net pension obligation, beginning of year		(164,652)
Net pension obligation, end of year	\$	(116,790)
Contribution rates:		
Airport Authority		7.5%
Plan members		3%
Actuarial valuation date		07-01-10
Actuarial cost method		Entry age normal cost
Amortization method		Level percentage of projected payroll, closed amortization period
Amortization period		30 years
Amortization period (from date)		07-01-07
Asset valuation method		Four-year smoothing of gains/losses on market value

Actuarial Assumptions

Investment rate of return		7.00%
Projected future salary increases:		
Total		4.00%
Cost-of-living adjustments		1.00%

Three Year Trend Information			
Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06-30-08	\$ 197,078	120%	\$ (156,165)
06-30-09	230,319	104%	(164,652)
06-30-10	286,417	83%	(116,790)

ST. JOSEPH COUNTY AIRPORT AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

Funded Status and Funding Progress for the Above Plan

The funded status of the plan as of June 30, 2010, the most recent actuarial valuation date is as follows:

	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
06-30-10	\$ 3,104,179	\$ 5,245,256	\$ 2,141,077	59%	\$ 3,193,006	67%

The Schedule of Funding Progress, presented as RSI for the above plan following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

D. Passenger Facility Charge

Effective November 1, 1994, a Passenger Facility Charge (PFC) of \$3.00 per ticket was implemented by the approval of the Federal Aviation Administration (FAA) and the Airport Authority. The receipts are to be used to repay the debt service on the 2002 bond issue, and for any other purposes allowed by the FAA and the Airport Authority Board. During 2010, the Airport Authority received \$830,989 from 50 separate airlines. The Airport Authority is authorized to receive a maximum of \$34,156,074. As of December 31, 2010, the Airport Authority has received a total of \$17,909,986.

E. Transfer of Capital Assets

Over the past several years the Airport Authority has implemented multiple expansion projects. The expansion of the North/South Runway necessitated the movement of U.S. Highway 20 (Lincolnway West). The airport received federal aid and issued bonds to undertake this project. In 2010, the Airport Authority officially deeded the new Lincolnway West to St. Joseph County government. The total cost of this roadway was \$8,999,393 and is reflected as a separate line item on the Statement of Revenues, Expenses, and Changes in Fund Net Assets.

ST. JOSEPH COUNTY AIRPORT AUTHORITY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULES OF FUNDING PROGRESS

Public Employee's Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-08	\$ 4,109,391	\$ 4,691,527	\$ (582,136)	88%	\$ 3,049,858	(19%)
07-01-09	3,515,462	4,803,489	(1,288,027)	73%	3,191,918	(40%)
07-01-10	3,104,179	5,245,256	(2,141,077)	59%	3,193,006	(67%)

Healthcare Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
12-31-08	\$ -	\$ 222,261	\$ (222,261)	0%	\$ 2,652,157	(8%)
12-31-09	-	247,029	(247,029)	0%	2,731,722	(9%)

The Actuarial Valuation performed for December 31, 2008, was the first valuation performed.

# **SUPPLEMENTAL FINANCIAL INFORMATION**

ST. JOSEPH COUNTY AIRPORT AUTHORITY  
 BUDGETARY COMPARISON SCHEDULES  
 As Of And For The Year Ended December 31, 2010

	Budgeted Amounts		Actual	Variance
	Original	Final	Budgetary Basis Amounts	With Final Budget
<b>Revenues:</b>				
Airfield	\$ 626,232	\$ 626,232	\$ 597,490	\$ (28,742)
Terminal - aviation	1,221,063	1,221,063	1,225,171	4,108
Terminal - nonaviation	121,160	121,160	111,226	(9,934)
Concessionaire	935,083	935,083	1,064,650	129,567
Parking	2,107,766	2,107,766	2,207,040	99,274
Fixed based operations	395,821	395,821	408,748	12,927
Building and land rent	231,252	231,252	244,849	13,597
Other	125,000	125,000	212,434	87,434
<b>Total revenues</b>	<u>5,763,377</u>	<u>5,763,377</u>	<u>6,071,608</u>	<u>308,231</u>
<b>Expenses:</b>				
Personal services	6,300,265	6,300,265	4,989,731	1,310,534
Supplies	987,538	988,146	565,628	422,518
Other services and charges	4,476,295	4,528,825	1,924,565	2,604,260
<b>Total operating expenses</b>	<u>11,764,098</u>	<u>11,817,236</u>	<u>7,479,924</u>	<u>4,337,312</u>
<b>Debt service:</b>				
Other services and charges	1,845,163	1,845,163	1,844,663	500
<b>Total expenses</b>	<u>13,609,261</u>	<u>13,662,399</u>	<u>9,324,587</u>	<u>4,337,812</u>
<b>Other financing sources (uses):</b>				
Property taxes	3,494,354	3,494,354	3,296,128	(198,226)
Interest income	20,000	20,000	10,506	(9,494)
Federal and state grants	6,175,000	6,175,000	5,590,147	(584,853)
Operating transfer	1,222,688	1,222,688	1,218,772	(3,916)
Capital outlay	(8,971,605)	(14,682,260)	(12,677,442)	2,004,818
<b>Total other financing sources (uses)</b>	<u>1,940,437</u>	<u>(3,770,218)</u>	<u>(2,561,889)</u>	<u>1,208,329</u>
<b>Deficiency of revenues and other financing sources under expenses and other financing uses</b>	<u>\$ (5,905,447)</u>	<u>\$ (11,669,240)</u>	<u>\$ (6,814,868)</u>	<u>\$ 5,854,372</u>

ST. JOSEPH COUNTY AIRPORT AUTHORITY  
 BUDGET/GAAP RECONCILIATION  
 For the Year Ended December 31, 2010

The major differences between budgetary (non-GAAP) basis and GAAP basis are:

- a. Revenues are recorded when received in cash (budgetary) as opposed to susceptible to accrual (GAAP).
- b. Expenses are recorded when paid in cash (budgetary) as opposed to when the liability is incurred (GAAP).
- c. Encumbrances outstanding at year-end are recorded as expenses for budgetary purposes.
- d. Capital outlays are recorded as expenses when paid (budgetary) as opposed to additions to fixed assets when costs are incurred (GAAP).
- e. Depreciation and amortization expense is not recognized in budgetary basis.
- f. Principal paid on bonds is recorded as expenses when paid (budgetary) as opposed to a reduction of liabilities (GAAP).

Adjustments necessary to convert the results of operations at the end of the year on a budgetary basis to a GAAP basis are as follows:

Deficiency of revenues and other financing sources under expenses and other financing uses (budgetary basis)	\$ (5,814,868)
Adjustments:	
To adjust revenues for accruals	2,258,583
To adjust expenses for accruals	1,287,357
Encumbrances	3,200,022
Transfers	(1,218,772)
Capital expenses	9,554,556
Depreciation	(3,667,220)
Amortization	(14,628)
Debt payments	1,245,000
Transfer of property to another governmental unit	(8,999,393)
Loss on disposal of assets	(982,670)
Property management activity (net)	51,449
Non-budgeted funds (net)	<u>(798,410)</u>
Change in net assets (GAAP basis)	<u>\$ (3,898,994)</u>

ST. JOSEPH COUNTY AIRPORT AUTHORITY  
SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES  
As Of And For The Year Ended December 31, 2010

Cash balance, January 1	<u>\$ 2,302,774</u>
Receipts:	
Passenger facility charge collections	830,989
Interest	<u>2,307</u>
Total receipts	<u>833,296</u>
Disbursements:	
Transfer to bond and interest fund	<u>1,218,772</u>
Cash balance, December 31	<u>\$ 1,917,298</u>

**STATISTICAL  
SECTION**

## STATISTICAL SECTION

This part of the St. Joseph County Airport Authority's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information reveals about the Authority's overall financial health.

<b>Contents</b>	<b>Page</b>
Financial Trends	40
These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.	
Revenue Capacity	43
These schedules contain information to help the reader assess the Authority's most significant local revenue sources.	
Debt Capacity	46
These schedules present information to help the reader assess the affordability of the Authority's current levels of outstanding debt and the Authority's ability to issue additional debt in the future.	
Demographic and Economic Information	50
These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.	
Operating Information	56
These schedules contain information and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**ST. JOSEPH COUNTY AIRPORT AUTHORITY**  
**SCHEDULE OF REVENUES**  
**LAST TEN YEARS**  
**(G.A.A.P. BASIS)**

REVENUE CATEGORY	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>Airport Service Revenue:</b>										
Airfield	\$ 605,210	\$ 601,768	\$ 688,895	\$ 644,949	\$ 656,071	\$ 575,730	\$ 616,142	\$ 651,483	\$ 670,304	\$ 513,373
Terminal Aviation	1,225,171	1,219,103	1,272,818	1,168,619	1,325,257	1,107,419	1,323,485	1,226,043	1,194,131	1,137,388
Terminal - Non Aviation	111,226	129,513	146,078	142,275	130,016	158,929	168,616	174,273	177,338	194,470
Concessions	1,069,131	1,056,991	1,087,047	1,234,600	1,152,570	1,176,074	1,056,676	1,174,942	1,217,475	1,144,939
Parking	2,207,040	2,037,467	2,547,340	2,474,598	2,390,249	2,140,480	1,978,445	2,114,621	1,655,499	1,607,879
Fixed Base Operations	408,748	407,000	383,730	494,342	227,714	336,559	275,482	287,756	231,271	186,059
Building and Land Rent	243,613	321,511	226,897	241,895	157,287	245,010	250,498	180,257	257,548	335,912
<b>Airport Service Revenue - Total</b>	<b>5,870,139</b>	<b>5,773,353</b>	<b>6,352,805</b>	<b>6,401,278</b>	<b>6,039,164</b>	<b>5,740,141</b>	<b>5,669,344</b>	<b>5,809,375</b>	<b>5,403,566</b>	<b>5,120,020</b>
Operating Grant	148,565	-	-	-	-	-	-	-	-	-
Other	12,039	10,619	116,289	14,620	99,788	18,507	19,930	307,826	8,250	-
<b>Total Airport Service</b>	<b>6,030,743</b>	<b>5,783,972</b>	<b>6,469,094</b>	<b>6,415,898</b>	<b>6,138,952</b>	<b>5,758,648</b>	<b>5,689,274</b>	<b>6,117,201</b>	<b>5,411,816</b>	<b>5,120,020</b>
<b>Nonoperating Revenue:</b>										
Property Taxes	2,997,689	2,702,107	2,909,741	2,681,849	2,782,173	3,504,509	3,211,004	5,351,948	3,045,923	3,007,372
Other Tax Distributions	620,426	836,637	618,671	495,964	524,731	-	-	-	-	-
Interest Income	15,517	61,882	277,387	733,312	420,128	334,694	147,272	103,343	140,570	324,563
Fuel Farm Cleanup	-	-	-	-	-	-	-	-	-	23,962
Other Grants	-	-	-	-	149,117	-	-	-	-	24,500
Property Management Revenue	273,942	328,987	295,774	242,955	257,168	483,473	807,271	-	349,643	-
Gain on Disposal of Fixed Assets	-	-	65,717	-	257,168	34,135	75,609	-	44,203	23,268
Other	101,332	122,378	405,017	190,112	200,561	30,108	8,279	124,159	174,612	82,776
<b>Total Nonoperating Revenue</b>	<b>4,008,906</b>	<b>4,051,991</b>	<b>4,572,307</b>	<b>4,344,192</b>	<b>4,333,878</b>	<b>4,386,919</b>	<b>4,249,435</b>	<b>5,579,450</b>	<b>3,754,951</b>	<b>3,486,441</b>
<b>Total Revenue</b>	<b>\$ 10,039,649</b>	<b>\$ 9,835,963</b>	<b>\$ 11,041,401</b>	<b>\$ 10,760,090</b>	<b>\$ 10,472,830</b>	<b>\$ 10,145,567</b>	<b>\$ 9,938,709</b>	<b>\$ 11,696,651</b>	<b>\$ 9,166,767</b>	<b>\$ 8,606,461</b>

**ST. JOSEPH COUNTY AIRPORT AUTHORITY**  
**SCHEDULE OF EXPENSES AND CHANGES IN NET ASSETS**  
**LAST TEN YEARS**  
**(G.A.A.P. BASIS)**

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>EXPENSE CATEGORY:</b>										
<b>Operating Expenses:</b>										
Personal Services	\$ 4,884,509	\$ 4,810,162	\$ 4,884,616	\$ 4,698,058	\$ 4,282,845	\$ 4,189,818	\$ 3,915,002	\$ 3,851,604	\$ 3,637,335	\$ 3,181,908
Supplies	586,715	808,565	732,590	706,584	597,088	624,271	616,920	567,901	415,534	476,310
Other Services and Charges	2,116,199	3,134,908	3,074,743	2,602,485	2,021,793	2,618,130	2,105,825	2,172,414	2,139,542	1,820,774
Bad Debt Expense	-	-	-	-	-	-	-	-	34,915	-
Depreciation	3,667,220	3,630,659	3,090,620	2,957,397	2,945,583	2,969,658	3,005,978	3,142,095	2,674,795	2,623,726
<b>Total Operating Expenses</b>	<b>11,254,643</b>	<b>12,384,294</b>	<b>11,782,569</b>	<b>10,964,524</b>	<b>9,847,309</b>	<b>10,401,877</b>	<b>9,643,725</b>	<b>9,734,014</b>	<b>8,902,121</b>	<b>8,102,718</b>
<b>Nonoperating Expenses:</b>										
Interest Expense	614,347	675,362	727,662	774,487	170,824	199,594	252,627	314,404	402,478	297,821
Amortization Expenses	14,628	14,628	14,628	14,628	14,628	6,970	30,427	30,428	27,360	14,315
Premium/Costs early Bond Call	-	-	-	-	-	-	-	-	37,455	-
Property Management Expense	222,493	257,044	209,198	285,856	227,526	432,674	391,706	-	-	-
Loss on Change in Capital Asset Policy	590,321	-	-	-	-	-	-	-	-	-
Loss on Disposal/Capital Assets	392,349	-	-	-	61,363	-	-	1,519	-	-
Fuel Farm Cleanup	-	-	-	-	-	-	-	-	174,851	20,671
<b>Total Nonoperating Expenses</b>	<b>1,834,138</b>	<b>947,034</b>	<b>951,488</b>	<b>1,074,971</b>	<b>474,341</b>	<b>639,238</b>	<b>674,760</b>	<b>346,351</b>	<b>642,144</b>	<b>332,807</b>
<b>Total Expenses</b>	<b>\$ 13,088,781</b>	<b>\$ 13,331,328</b>	<b>\$ 12,734,057</b>	<b>\$ 12,039,495</b>	<b>\$ 10,321,650</b>	<b>\$ 11,041,115</b>	<b>\$ 10,318,485</b>	<b>\$ 10,080,365</b>	<b>\$ 9,544,265</b>	<b>\$ 8,435,525</b>
<b>Income Before Contributions</b>	<b>\$ (3,049,132)</b>	<b>\$ (3,495,365)</b>	<b>\$ (1,692,656)</b>	<b>\$ (1,279,405)</b>	<b>\$ 151,180</b>	<b>\$ (895,548)</b>	<b>\$ (379,776)</b>	<b>\$ 1,616,286</b>	<b>\$ (377,498)</b>	<b>\$ 170,936</b>
<b>Capital Contributions</b>	<b>7,313,647</b>	<b>834,428</b>	<b>4,036,643</b>	<b>3,125,639</b>	<b>2,828,377</b>	<b>2,890,293</b>	<b>5,012,824</b>	<b>4,079,935</b>	<b>3,931,456</b>	<b>790,464</b>
Transfer of Capital Assets	(8,999,393)	-	-	-	(225,754)	-	-	-	-	-
Passenger Facility Charge	835,884	820,664	960,513	1,083,989	1,060,891	913,894	1,107,419	1,122,435	1,143,307	1,059,862
Change in Net Assets	(3,898,994)	(1,840,273)	3,304,500	2,930,223	3,814,694	2,908,639	5,740,467	6,818,656	4,697,265	2,021,262
<b>NET ASSETS AT YEAR END</b>										
<b>Invested in Capital Assets</b>										
Net of Related Debt	76,503,028	78,662,042	79,687,866	76,431,514	74,590,274	67,030,110	61,497,134	59,604,389	56,942,112	51,796,837
Restricted	3,582,959	3,675,234	2,899,562	3,988,252	4,001,528	4,168,173	3,457,316	4,236,216	2,428,599	3,058,940
Unrestricted	4,169,474	5,817,179	7,407,310	6,270,462	5,168,203	8,747,028	12,082,222	7,455,600	5,106,838	4,924,507
<b>Total Net Assets</b>	<b>\$ 84,255,461</b>	<b>\$ 88,154,455</b>	<b>\$ 89,994,728</b>	<b>\$ 86,690,228</b>	<b>\$ 83,760,005</b>	<b>\$ 79,945,311</b>	<b>\$ 77,036,672</b>	<b>\$ 71,296,205</b>	<b>\$ 64,477,549</b>	<b>\$ 59,780,284</b>

**ST. JOSEPH COUNTY AIRPORT AUTHORITY**  
**CHANGES IN CASH AND CASH EQUIVALENTS**  
**FOR YEARS ENDED DECEMBER 31**  
**(G.A.A.P. BASIS)**

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>Cash Flows From Operating Activities</b>										
Cash Received From Customers and Users	\$ 5,966,212	\$ 5,885,644	\$ 6,779,251	\$ 6,304,894	\$ 5,959,038	\$ 5,701,701	\$ 5,537,717	\$ 5,670,619	\$ 5,354,472	\$ -
Cash Paid to Suppliers and Contractors	(2,565,804)	(3,192,577)	(3,850,097)	(3,215,578)	(2,957,093)	(3,012,713)	(2,647,808)	(2,718,638)	(2,563,918)	-
Cash Paid to Employees	(5,015,994)	(4,701,127)	(4,900,605)	(4,601,055)	(4,212,974)	(4,190,903)	(4,038,683)	(3,746,521)	(3,627,115)	-
Other Cash Received	101,332	122,378	256,898	238,355	395,621	-	-	124,158	299,633	82,776
Operating Loss	-	-	-	-	-	-	-	-	-	(2,982,698)
Depreciation	-	-	-	-	-	-	-	-	-	2,623,726
Fuel Farm Clean Up	-	-	-	-	-	-	-	-	-	3,291
Net Change in Assets and Liabilities	-	-	-	-	-	-	-	-	-	(16,827)
Net Cash Provided By Operating Activities	<u>(1,514,254)</u>	<u>(1,885,682)</u>	<u>(1,714,553)</u>	<u>(1,273,384)</u>	<u>(815,408)</u>	<u>(1,501,915)</u>	<u>(1,148,774)</u>	<u>(670,382)</u>	<u>(536,928)</u>	<u>(289,732)</u>
<b>Cash Flows From Noncapital Financing Activities</b>										
Loan Principal Repayments	-	-	-	-	-	229,640	31,028	28,402	25,999	23,798
Loan Interest Repayments	-	-	-	-	-	3,377	21,892	24,519	26,921	29,122
Loan principal disbursed	-	-	-	-	-	-	-	-	-	(1,400)
Loan to Fixed Base Operator	-	-	-	-	-	-	-	-	-	-
Principal From Loan	-	-	-	-	-	-	-	-	-	-
Interest From Loan	-	-	-	-	-	-	-	-	-	-
Federal and State Grants	-	250,000	-	-	-	-	-	-	-	-
Property and County Income Taxes	3,345,266	5,427,794	1,421,755	3,177,813	3,306,904	4,496,507	2,667,381	5,208,979	3,126,149	24,500
Property Management Activity	106,023	35,220	-	-	-	10,246	330,996	-	-	2,934,585
Fuel Farm and Pollution Clean Up	-	-	-	-	-	-	-	-	-	-
Other Nonoperating Receipts	-	-	-	-	-	-	-	-	(174,851)	-
Net Cash Provided By Noncapital Financing Activities	<u>3,451,289</u>	<u>5,713,014</u>	<u>1,421,755</u>	<u>3,177,813</u>	<u>3,306,904</u>	<u>4,769,878</u>	<u>3,051,297</u>	<u>5,626,774</u>	<u>3,180,230</u>	<u>3,010,605</u>
<b>Cash Flows From Capital and Related Financing Activities</b>										
Proceeds From Capital Debt	-	-	-	-	-	-	-	-	-	1,835,215
Passenger Facility Charges	830,988	820,664	960,513	1,111,775	1,044,598	941,002	1,068,818	1,132,485	1,149,156	1,110,195
Capital Contributions	5,590,147	834,428	4,036,643	3,766,140	5,069,832	5,042,177	512,525	3,613,926	4,048,896	920,634
Acquisition and Construction of Capital Assets	(9,935,902)	(3,081,985)	(5,944,930)	(7,651,783)	(9,150,964)	(6,684,959)	(6,787,203)	(4,686,647)	(8,234,098)	(5,569,335)
Principal Paid on Capital Debt	(1,245,000)	(1,375,000)	(1,275,000)	(1,200,000)	(1,125,000)	(1,040,000)	(1,925,000)	(1,495,000)	(2,315,000)	(1,350,000)
Interest Paid on Capital Debt	(599,663)	(658,588)	(710,888)	(757,713)	(801,006)	(840,720)	(303,155)	(988,908)	(385,479)	(417,089)
Proceeds From Sale of Land	-	-	-	-	-	-	-	-	-	-
Proceeds from Sales of Capital Assets	-	-	170,457	-	-	82,656	145,050	-	-	-
Refund of Capital Asset Disbursements	-	-	363,400	-	230,643	-	-	-	-	37,068
Bond Issue Costs	-	-	-	-	-	-	-	-	-	(42,096)
Net Cash Used by Capital and Related Financing Activities	<u>(5,359,430)</u>	<u>(3,460,481)</u>	<u>(2,399,805)</u>	<u>(4,729,581)</u>	<u>(4,731,897)</u>	<u>(2,499,844)</u>	<u>(7,288,965)</u>	<u>(2,490,341)</u>	<u>8,903,960</u>	<u>(3,512,486)</u>
<b>Cash Flows From Investing Activities</b>										
Interest Received	15,517	61,882	277,387	733,312	898,955	606,005	195,266	166,425	113,649	295,441
Investments Purchased	-	-	-	-	-	-	-	-	-	-
Investments Sold	-	-	-	-	-	-	-	-	-	-
Net Cash Provided by Investing Activities	<u>15,517</u>	<u>61,882</u>	<u>277,387</u>	<u>733,312</u>	<u>898,955</u>	<u>606,005</u>	<u>195,266</u>	<u>166,425</u>	<u>113,649</u>	<u>295,441</u>
<b>Not Increase in Cash and Cash Equivalents</b>	<u>(3,406,876)</u>	<u>428,733</u>	<u>(2,415,216)</u>	<u>(2,091,840)</u>	<u>(1,341,446)</u>	<u>1,374,124</u>	<u>(5,191,176)</u>	<u>2,632,476</u>	<u>11,660,911</u>	<u>(496,172)</u>
<b>Cash and Cash Equivalents, January 1</b>	<u>12,208,209</u>	<u>11,779,476</u>	<u>14,194,692</u>	<u>16,286,532</u>	<u>17,627,978</u>	<u>16,253,854</u>	<u>21,445,030</u>	<u>18,812,554</u>	<u>7,151,643</u>	<u>7,647,815</u>
<b>Cash and Cash Equivalents, December 31</b>	<u>\$ 8,801,331</u>	<u>\$ 12,208,209</u>	<u>\$ 11,779,476</u>	<u>\$ 14,194,692</u>	<u>\$ 16,286,532</u>	<u>\$ 17,627,978</u>	<u>\$ 16,253,854</u>	<u>\$ 21,445,030</u>	<u>\$ 18,812,554</u>	<u>\$ 7,151,643</u>

**ST. JOSEPH COUNTY AIRPORT AUTHORITY**  
**PRINCIPAL REVENUE SOURCES, COST PER ENPLANED PASSENGER AND**  
**SCHEDULED AIRLINE RATES AND CHARGES**  
**LAST 10 YEARS ENDED DECEMBER 31**  
**(G.A.A.P. BASIS)**

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>PRINCIPAL REVENUE SOURCES</b>										
<b>AVIATION-RELATED REVENUES</b>										
Airfield	\$ 605,210	\$ 601,768	\$ 688,895	\$ 644,949	\$ 656,071	\$ 575,730	\$ 616,142	\$ 651,483	\$ 670,304	\$ 513,373
Terminal Aviation	1,225,171	1,219,103	1,272,818	1,168,619	1,325,257	1,107,419	1,323,485	1,226,043	1,194,131	1,137,388
Fixed Base Operations	408,748	407,000	383,730	494,342	227,714	336,559	275,482	287,756	231,271	186,059
<b>TOTAL AVIATION-RELATED REVENUES</b>	<b>2,239,129</b>	<b>2,227,871</b>	<b>2,345,443</b>	<b>2,307,910</b>	<b>2,209,042</b>	<b>2,019,708</b>	<b>2,215,109</b>	<b>2,165,282</b>	<b>2,095,706</b>	<b>1,836,820</b>
Percent of Total Revenues	22.3%	22.4%	21.3%	21.4%	21.1%	19.9%	22.3%	18.5%	22.9%	21.3%
<b>NON-AVIATION REVENUES</b>										
Terminal - Non Aviation	111,226	129,513	146,078	142,275	130,016	158,929	168,616	174,273	177,338	194,470
Concessions	1,069,131	1,056,991	1,087,047	1,294,600	1,152,570	1,176,014	1,056,676	1,174,942	1,217,475	1,144,939
Parking	2,207,040	2,037,467	2,547,340	2,474,598	2,390,249	2,140,480	1,978,445	2,114,621	1,655,499	1,607,879
Operating Grant	148,565	113,728	97,961	-	-	-	-	-	-	-
Other	12,039	10,619	3,358	14,620	99,788	18,507	19,930	307,826	8,250	-
Building and Land Rent	-	321,511	226,897	241,895	157,287	245,010	250,498	180,257	257,548	335,912
<b>TOTAL NON-AVIATION REVENUES</b>	<b>3,791,614</b>	<b>3,669,829</b>	<b>4,108,681</b>	<b>4,107,988</b>	<b>3,929,910</b>	<b>3,738,940</b>	<b>3,474,165</b>	<b>3,951,919</b>	<b>3,316,110</b>	<b>3,283,200</b>
Percent of Total Revenues	37.8%	36.9%	37.3%	38.2%	37.5%	36.9%	35.0%	33.8%	36.2%	38.1%
<b>NON-OPERATING REVENUES</b>										
Property Taxes	2,997,689	2,702,107	2,909,741	2,681,849	2,782,173	3,504,509	3,211,004	5,351,948	3,045,923	3,007,372
Other Tax Distributions	620,426	836,637	618,671	495,964	524,731	-	-	-	-	-
Interest Income	15,517	61,882	277,387	733,312	420,128	334,694	147,272	103,343	140,570	324,563
Other	101,332	122,378	405,017	190,112	200,561	30,108	8,279	124,159	174,612	82,776
Fuel Farm Cleanup	-	-	-	-	-	-	-	-	-	23,962
Other Grants	-	-	-	-	149,117	-	-	-	-	24,500
Property Management Revenue	273,942	326,987	295,774	242,955	257,168	483,473	807,271	-	349,643	-
Gain on Disposal of Fixed Assets	-	-	-	-	-	-	-	-	-	-
<b>TOTAL NON-OPERATING REVENUES</b>	<b>4,008,906</b>	<b>4,051,991</b>	<b>4,572,307</b>	<b>4,344,192</b>	<b>4,333,878</b>	<b>4,386,919</b>	<b>4,249,435</b>	<b>5,579,450</b>	<b>3,754,951</b>	<b>44,203</b>
Percent of Total Revenues	39.9%	40.7%	41.5%	40.4%	41.4%	43.2%	42.8%	47.7%	41.0%	40.5%
<b>TOTAL REVENUES</b>	<b>\$ 10,039,649</b>	<b>\$ 9,949,691</b>	<b>\$ 11,026,431</b>	<b>\$ 10,760,090</b>	<b>\$ 10,472,830</b>	<b>\$ 10,145,567</b>	<b>\$ 9,938,709</b>	<b>\$ 11,696,651</b>	<b>\$ 9,166,767</b>	<b>\$ 8,606,461</b>
<b>Enplaned Passengers</b>	315,081	314,745	354,015	389,562	367,750	348,364	390,106	402,088	409,001	373,137
<b>TOTAL REVENUE PER ENPLANED PASSENGER</b>	\$ 31.86	\$ 31.61	\$ 31.15	\$ 27.62	\$ 28.48	\$ 29.12	\$ 25.48	\$ 29.09	\$ 22.41	\$ 23.07
<b>CONTRACT AIRLINE RATES</b>										
Landing Fee (Per 1,000 lbs.)	\$0.99	\$0.96	\$0.93	\$0.90	\$0.87	\$0.84	\$0.82	\$0.80	\$0.78	\$0.76
Terminal Counter Rental Rates (Per sq. foot)	33.54	32.56	31.60	30.68	29.79	28.92	28.08	27.26	26.47	25.70
Airline Cost Per Enplanement	\$5.81	\$5.79	\$5.54	\$4.66	\$5.39	\$4.83	\$4.97	\$4.67	\$4.56	\$4.42

**ST. JOSEPH COUNTY, INDIANA**  
**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS (1) (2) (3) (4)**

Year	Real Property		Personal Property		Total	
	<u>Assessed Value</u>	<u>Estimated Actual Value</u>	<u>Assessed Value</u>	<u>Estimated Actual Value</u>	<u>Direct Tax Rate</u>	<u>Estimated Actual Value</u>
2010	(3) (4)	\$ 7,255,034,884	(3) (4)	\$ 1,161,736,880	\$	8,416,771,764
2009	(3) (4)	7,407,382,632	(3) (4)	998,084,354	4.4039	8,405,466,986
2008	(3) (4)	8,914,568,570	(3) (4)	1,050,299,685	4.9224	9,964,868,255
2007	(3) (4)	8,866,005,036	(3) (4)	1,099,718,445	4.8540	9,965,723,481
2006	(3) (4)	7,711,827,652	(3) (4)	1,500,017,115	5.1204	9,211,844,767
2005	(3) (4)	7,630,792,983	(3) (4)	1,605,819,866	4.8230	9,236,612,849
2004	(3) (4)	7,581,872,043	(3) (4)	1,482,955,629	4.8918	9,064,827,672
2003	(3) (4)	7,849,824,374	(3) (4)	1,707,136,607	4.5845	9,556,960,981
2002	(3)	4,437,501,585	(3)	1,532,298,415	6.2258	5,969,800,000
2001	\$1,445,200,628	4,335,601,884	\$499,036,372	1,497,109,116	18.5588	5,832,711,000
			\$1,944,237,000			

**Notes:** (1) Source: Indiana State Department of Local Government Finance and the St. Joseph County Auditor.

(2) Prior to 2002 assessed values were established by the County Assessor on March 1 of each year at 33 1/3 % of the true cash value of the property.

(3) Effective in 2002, 2001 payable 2002 tax rates were converted by state legislation from 33% to 100% of assessed valuation. The conversion has no affect on total dollars. Assessed values were increased and tax rates were decreased accordingly.

(4) Reassessment of real property was undertaken in 2002 for taxes payable in 2003. Its goal was to assess property at market value versus replacement value, which had been the previous method used.

**ST. JOSEPH COUNTY, INDIANA**  
**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS**  
**(PER \$100 OF ASSESSED VALUE) (1) (2)**  
**LAST TEN FISCAL YEARS**

<u>Year</u>	<u>State</u>	<u>County</u>	<u>Township(s)</u>	<u>School District(s)</u>	<u>Library(s)</u>	<u>Cities and Towns</u>	<u>South Bend Transportation</u>	<u>Airport Authority</u>	<u>Total</u>
2010	\$ .0000	\$ .5866	\$ .0406	\$ 1.0728	\$ .2657	\$ 2.7279	\$ .0821	\$ .0342	\$ 4.8099
2009	.0000	.5693	.0537	1.0297	.2257	2.4081	.0821	.0353	4.4039
2008	.0024	.7576	.0482	1.5417	.2216	2.2396	.0821	.0292	4.9224
2007	.0024	.8711	.0285	1.5419	.1957	2.1046	.0821	.0277	4.8540
2006	.0024	.9899	.0269	1.6033	.2027	2.1795	.0856	.0301	5.1204
2005	.0024	.7831	.0276	1.5969	.1854	2.1148	.0831	.0297	4.8230
2004	.0024	.7652	.0923	1.6201	.1830	2.1115	.0827	.0346	4.8918
2003	.0033	.7366	.1122	1.4792	.1686	1.9606	.0768	.0472	4.5845
2002	.0033	.9473	.0382	2.1725	.2496	2.6664	.1079	.0406	6.2258
2001	.01	3.1402	.1123	6.3673	.7366	7.7513	.3150	.1261	18.5588

**Notes:** (1) Source: St. Joseph County Auditor

(2) Prior to 2002 assessed values were established by the County Assessor on March 1 of each year at 33 1/3 % of the true cash value of the property.

Effective in 2002, 2001 payable 2002 tax rates were converted by state legislation from 33% to 100% of assessed valuation. The conversion has no affect on total dollars. Assessed values were increased and tax rates were decreased accordingly.

**ST. JOSEPH COUNTY AIRPORT AUTHORITY  
COMPUTATION OF LEGAL DEBT MARGIN  
LAST 10 FISCAL YEARS (1)**

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Actual Assessed or Adjusted Value (2)	\$ 2,805,590,588	\$ 2,801,822,329	\$ 3,321,622,752	\$ 3,321,907,827	\$ 3,070,614,922	\$ 3,078,870,950	\$ 3,021,609,224	\$ 3,185,653,660	\$ 5,969,800,000	\$ 1,944,237,000
Debt Limit Percentage	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	0.667%	2.0%
Debt Limit	\$ 56,111,812	\$ 56,038,447	\$ 66,432,455	\$ 66,438,157	\$ 61,412,298	\$ 61,577,419	\$ 60,432,184	\$ 63,713,073	\$ 39,818,566	\$ 38,884,740
Bonds Outstanding	<u>11,450,000</u>	<u>12,695,000</u>	<u>14,070,000</u>	<u>15,345,000</u>	<u>16,545,000</u>	<u>17,670,000</u>	<u>18,710,000</u>	<u>20,635,000</u>	<u>22,130,000</u>	<u>9,445,000</u>
Subtotal	\$ 44,661,812	\$ 49,341,447	\$ 52,362,455	\$ 51,093,157	\$ 44,867,298	\$ 43,907,419	\$ 41,722,184	\$ 43,078,073	\$ 17,688,566	\$ 29,439,740
Amount Available in Debt Service Fund	<u>534,027</u>	<u>497,709</u>	<u>64,279</u>	<u>589,696</u>	<u>655,517</u>	<u>622,147</u>	<u>96,419</u>	<u>1,046,744</u>	<u>18,327</u>	<u>138,780</u>
Legal Debt Margin	\$ 44,127,785	\$ 42,843,738	\$ 52,298,176	\$ 50,503,521	\$ 44,211,781	\$ 43,285,272	\$ 41,825,765	\$ 42,031,329	\$ 17,670,239	\$ 29,300,960

Notes: (1) The General Obligation Debt Limit for the Airport Authority is two percent (2%) of the Actual Assessed or Adjusted Value of Taxable property in St. Joseph County.

(2) Prior to 2002, Assessed Values were established as 33 1/3% of the True Cash Value of property. Effective in 2002 2001 payable 2002 tax rates were converted by state legislation from 33% to 100% of assessed valuation. This conversion had no affect on total dollars. Assessed values increased to 100% of the True Cash Value of property and tax rates decreased accordingly.

Per Indiana Statute, the adjusted value is now defined as being equal to one-third (1/3) of the actual assessed value.

**ST. JOSEPH COUNTY AIRPORT AUTHORITY**  
**RATIO OF ANNUAL DEBT SERVICE FOR BONDED DEBT**  
**TO TOTAL GENERAL EXPENDITURES (1) (2)**

Year	Principal	Interest	Total Debt Service	Total Expenses	Less Depreciation	Add Principal	Total General Expenditures	Ratio of Debt Service to Total General Expenditures
2010	\$ 1,245,000	\$ 598,792	\$ 1,843,792	\$ 13,088,781	\$ 3,667,220	\$ 1,245,000	\$ 10,666,561	17.3%
2009	1,375,000	658,588	2,033,588	13,331,328	3,630,659	1,375,000	11,075,669	18.4%
2008	1,275,000	710,888	1,985,888	12,734,057	3,090,620	1,275,000	10,918,437	18.2%
2007	1,200,000	757,713	1,957,713	12,039,495	2,957,397	1,200,000	10,282,098	19.0%
2006	1,125,000	801,006	1,926,006	10,321,650	2,945,583	1,125,000	8,501,067	22.7%
2005	1,040,000	840,720	1,880,720	11,041,115	2,969,658	1,040,000	9,111,457	20.6%
2004	1,925,000	303,155	2,228,155	10,318,485	3,005,978	1,925,000	9,237,507	24.1%
2003	1,495,000	988,908	2,483,908	10,080,365	3,142,095	1,495,000	8,433,270	29.5%
2002	2,315,000	385,479	2,700,479	9,544,265	2,674,795	2,315,000	9,184,470	29.4%
2001	1,350,000	417,099	1,767,099	8,435,525	2,623,726	1,350,000	7,161,799	24.7%

Notes: (1) General Expenditures do not include capital outlays.  
(2) Interest is net of interest capitalized.

**ST. JOSEPH COUNTY AIRPORT AUTHORITY**  
**RATIO OF NET BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA**  
**LAST TEN FISCAL YEARS**

<u>Year</u>	<u>Population (1)</u>	<u>Assessed Value (2) (3)</u>	<u>Gross Bonded Debt (4)</u>	<u>Debt Service Monies Available</u>	<u>Net Bonded Debt</u>	<u>Percentage of Net Bonded Debt To Assessed Value (5)</u>	<u>Net Bonded Debt Per Capita</u>
2010	266,931	\$ 8,416,771,764	\$ 11,450,000	\$ 534,027	10,915,973	.1297%	\$40.89
2009	265,559	8,405,466,986	12,695,000	497,709	12,197,291	.1451%	45.93
2008	265,559	9,964,868,255	14,070,000	64,279	14,005,721	.1406%	52.74
2007	265,559	9,965,723,481	15,345,000	589,636	14,755,364	.1481%	55.56
2006	265,559	9,211,844,767	16,545,000	655,517	15,889,483	.1725%	59.83
2005	265,559	9,236,612,849	17,670,000	622,147	17,047,853	.1846%	64.20
2004	265,559	9,064,827,672	18,710,000	96,419	18,613,581	.2053%	70.09
2003	265,559	9,556,960,981	20,635,000	1,046,744	19,588,256	.2050%	73.76
2002	265,559	5,969,800,000	22,130,000	18,327	22,111,673	.3704%	83.26
2001	265,559	1,944,237,000	9,445,000	138,780	9,306,220	.4787%	35.04

**Notes:** (1) Source: U. S. Department of Census and the Indiana Department of Workforce Development Services  
2000 Population estimate applicable to years 2001 through 2009, 2010 Population Estimate applicable to 2010

(2) Prior to 2002 assessed values were established by the County Assessor on March 1 of each year at 33 1/3% of the true cash value of the property. Effective with 2002, assessed values were established at 100% of the true cash value of property.

(3) A reassessment of real property was undertaken in 2002 for taxes payable in 2003. Its goal was to assess property at market value versus replacement value, which had been the previous method used.

(4) Effective 2001, includes funds held by fiscal agent on December 31 payable January 1 of the following year.

(5) See Note 2

**ST. JOSEPH COUNTY AIRPORT AUTHORITY  
COMPUTATION OF DIRECT AND OVERLAPPING DEBT (1) (2) (3)  
AS OF DECEMBER 31, 2010**

<u>DIRECT DEBT</u>	<u>Total Amount</u>	<u>Applicable to St. Joseph County Percent</u>	<u>Amount</u>
St. Joseph County Airport Authority	\$ 11,450,000	100.00%	\$ 11,450,000
<b><u>OVERLAPPING DEBT</u></b>			
<b>Schools (4)</b>			
South Bend Community School Corporation	\$ 206,941,455	100.00%	\$ 206,941,455
School City Mishawaka	54,778,550	100.00%	54,778,550
Penn Harris Madison School Corporation	87,598,588	100.00%	87,598,588
John Glenn School Corporation	17,823,000	64.89%	11,565,345
New Prairie United School Corporation	41,060,000	35.66%	14,641,996
Union North United School Corporation	8,914,652	51.13%	4,558,062
Total Schools			<u>\$ 380,083,995</u>
<b>Other than Schools:</b>			
St. Joseph County	\$ 10,920,000	100.00%	\$ 10,920,000
City of South Bend	235,177,311	100.00%	235,177,311
Olive Township-			
New Carlisle Library	3,815,000	100.00%	3,815,000
City of Mishawaka	69,903,352	100.00%	69,903,352
Mishawaka-Penn-Harris			
Public Library	6,350,000	100.00%	6,350,000
Public Library of St. Joseph County	12,025,000	100.00%	12,025,000
Total Other			<u>\$ 338,190,663</u>
Total Overlapping Debt			<u>718,274,658</u>
Total Direct and Overlapping Debt			<u>\$ 729,724,658</u>

**Notes:**

- (1) Source: St. Joseph County Auditor and Governmental Agencies
- (2) Includes General Obligation Bonded Debt and Capital Leases.
- (3) Overlapping debt percentages are based on 2009 payable 2010 final assessed valuations.
- (4) Includes school building corporation bonds, common schoolhouse fund loans, and veterans memorial loans.

**ST. JOSEPH COUNTY AIRPORT AUTHORITY  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS**

Year	St. Joseph County Personal Income (in Thousands) (1)	St. Joseph County Per Capita Income (1)	St. Joseph County Unemployment (2)	St. Joseph County Labor Force (2)	Area in Square Miles (3)
2010	(4)	(4)	11.5%	127,457	461
2009	\$ 9,289,258	\$ 34,712	11.6%	128,714	461
2008	9,466,916	35,363	6.6%	132,758	461
2007	9,396,281	34,636	5.1%	134,771	461
2006	9,008,220	33,739	5.1%	136,217	461
2005	8,519,179	32,354	5.2%	135,084	461
2004	8,294,939	31,174	5.1%	133,412	461
2003	7,886,846	29,927	5.3%	132,350	461
2002	7,670,796	28,742	5.3%	132,940	461
2001	7,426,414	28,098	4.5%	133,370	461

- Notes:**
- (1) Source: U.S. Department of Commerce, Bureau of Economic Analysis
  - (2) Source: Indiana Department of Workforce Development Services
  - (3) Source: Michiana Area Council of Governments
  - (4) Information not available for 2010

**ST. JOSEPH COUNTY, INDIANA  
PRINCIPAL EMPLOYERS (1)  
CURRENT YEAR AND NINE YEARS AGO (2)**

		2008		
<u>Employer</u>	<u>Type of Business</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment (3)</u>
University of Notre Dame	Colleges/Universities	4707	1	3.55%
Memorial Health System	Hospitals	3545	2	2.67%
South Bend Community School Corporation	Public Schools	3212	3	2.42%
AM General	Manufacturing/Assembly	2400	4	1.81%
Saint Joseph Regional Medical Center Inc.	Hospitals	2123	5	1.60%
City of South Bend	Government	1361	6	1.03%
1st Source Bank	Banks/Financial Institution	1257	7	0.95%
Martin's Supermarkets	Retail (Groceries)	1092	8	0.82%
Wal-Mart	Retail - Dept.	1031	9	0.78%
Penn-Harris-Madison School Corporation	Public Schools	998	10	0.75%
School City of Mishawaka	Public Schools	986	11	0.74%
Indiana University South Bend	Colleges/Universities	900	12	0.68%
St. Joseph County	Government	900	13	0.68%
Madison Center	Counseling/Mental Health	871	14	0.66%
Honeywell	Manufacturing	777	15	0.59%
Bayer Corporation	Manufacturing	700	16	0.53%
U.S. Postal Service	Postal Service	678	17	0.51%
South Bend Medical Foundation, Inc.	Health Care/Medical Services	633	18	0.48%
Meijer, Inc.	Retail (Groceries/Dept. Store)	631	19	0.48%
Press Ganey Associates, Inc.	Marketing/Public Relations (Healthcare Measurement)	619	20	0.47%
The Diocese of Fort Wayne - South Bend	Private/Parochial Schools	613	21	0.46%
City of Mishawaka	Government	584	22	0.44%
Liberty Mutual Insurance Company	Insurance	574	23	0.43%
Robert Bosch Corporation	Manufacturing	558	23	0.42%
Steel Warehouse Company, Inc.	Manufacturing - Steel	556	25	0.42%
South Bend Clinic	Health Care/Medical Services	545	26	0.41%
I/N Tek - I/N Kote	Manufacturing - Metal	531	27	0.40%
Gurley Leep	Automobile Dealership	500	28	0.38%
		<b>33,882</b>		<b>25.52%</b>

**Notes:** (1) Source: The Chamber of Commerce of St. Joseph County  
(2) Detailed information for 2009 or 2010 is not available. Information prior to 2006 is not available including information for 2001.  
(3) St. Joseph County total workforce in 2008 was 132,758. 2009 total workforce was 128,714 (estimated).

ST. JOSEPH COUNTY, INDIANA  
 PRINCIPAL PROPERTY TAXPAYERS (1)  
 DECEMBER 31, 2010

	2010			2001		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value (2)	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value (3)
Edward Rose of Indiana (Housing)	137,780,890	1	1.64%	45,211,410	7	0.78%
American Electric Power (Utility)	134,561,330	2	1.60%	90,984,300	2	1.56%
Memorial Health System ( Healthcare)	91,102,250	3	1.08%	-	-	0.00%
AM General Corp, LLC (Manufacturing)	88,439,580	4	1.05%	27,964,470	9	0.48%
I/N Tek I/N Kote (Steel)	87,914,260	5	1.04%	258,090,090	1	4.42%
Wal Mart / Sam's Club (Retail)	82,351,970	6	0.98%	-	-	0.00%
SBC/Indiana Bell Telephone Co. (Phone)	74,066,420	7	0.88%	59,989,320	4	1.03%
University Park Mall (Retail)	68,260,830	8	0.81%	-	-	0.00%
Schottenstein Store Corp. (Retail)	57,480,230	9	0.68%	-	-	0.00%
Honeywell (Manufacturer)	52,364,590	10	0.62%	72,429,780	3	1.24%
<b>Total</b>	<b>874,322,350</b>		<b>10.38%</b>	<b>554,669,370</b>		<b>9.51%</b>

Notes: (1) Source: St. Joseph County Auditor and H. J. Umbaugh and Associates  
 (2) 2009 Payable 2010 Valuation \$8,416,771,764  
 (3) 2000 Payable 2001 Valuation \$5,832,711,000

**ST. JOSEPH COUNTY AIRPORT AUTHORITY  
OPERATIONAL STATISTICS INCLUDING PASSENGER ENPLANEMENTS  
LAST TEN FISCAL YEARS**

<u>Year</u>	<u>Airline Passengers</u>			<u>Cargo in Pounds</u>			<u>Flight Operations (1)</u>		
	<u>Enplaned</u>	<u>Deplaned</u>	<u>On</u>	<u>Off</u>	<u>Passenger Carriers</u>	<u>Cargo</u>	<u>General Aviation</u>	<u>Number of Airlines (2)</u>	
2010	315,081	311,516	10,482,119	13,226,108	14,636	1,354	17,505	8	
2009	314,745	310,332	9,502,502	11,707,558	15,720	1,526	19,782	9	
2008	354,015	350,403	16,357,020	19,138,828	19,919	2,638	21,093	13	
2007	389,562	389,722	20,049,901	21,034,841	20,050	2,868	25,405	13	
2006	367,750	361,869	18,837,867	22,377,252	20,704	2,940	33,218	13	
2005	348,364	345,311	15,728,245	19,755,496	22,038	3,334	38,883	13	
2004	390,106	389,927	13,779,325	17,674,620	26,874	3,804	34,670	11	
2003	402,088	400,103	12,757,739	17,403,293	27,126	5,248	32,726	10	
2002	409,001	403,079	11,072,612	15,597,998	27,636	3,340	44,022	9	
2001	373,137	366,270	11,052,464	12,841,371	27,146	2,886	44,100	10	

**Notes:** (1) An operation is defined as a take off or landing.

(2) This represents the number of companies with regularly scheduled service. In some cases, more than one company contracted with a national carrier to provide service to a particular hub.

**ST. JOSEPH COUNTY AIRPORT AUTHORITY  
INSURANCE IN FORCE ON DECEMBER 31, 2010**

<u>Name of Carrier</u>	<u>Policy Number</u>	<u>Policy Period</u>	<u>Description of Coverage</u>	<u>Liability Limits</u>	<u>Annual Premium</u>
Ace Property & Casualty	NO 219921A	7-01-10 to 7-01-11	General Liability \$5,000,000 Hangars Keepers	\$1,000 Medical Expense \$5,000 Each Occurrence	\$39,488.00
Auto Owners	42-365-347-00	7-01-10 to 7-01-11	Business Auto Liability BI PD-Licensed Vehicles	\$1,000,000 Liability/\$1,000/Ded/Comprehensive \$1,000/Ded/Collision \$5,000 Medical \$1,000,000 Uninsured Motorist	11,953.31
Liberty Mutual	WCI A21-968486-019	8-15-10 to 8-15-11	Workers Compensation	BI by Accident - \$1 million each Accident BI by Disease - \$1 million each Employee BI by Disease - \$1 million Policy Limit	50,827.00
Fidelity Deposit	CCP0029470 10	7-01-10 to 7-01-11	Crime/Employee Dishonesty	\$100,000 Employee Dishonesty Computer Fraud \$1,000,000 Deductible per Occurrence	1,400.00
Western Surety	70242749	1-28-10 to 1-28-11	Treasurer's Public Official Bond	\$60,000 Limit Liability	425.00
Travelers Insurance	63922J356A	9-01-10 to 9-01-11	Property Fire, DIC, & In-Transit and All Licensed Vehicles	Value \$66,430,903 \$10,000 Deductible per Incident Extra Expense - \$250,000.00	62,831.00
CNA Security Co/Western Surety	7035344IN00 70399235N00 70297587N00	8-22-08 to 10-08-15	Notary Public	Notary Bonds	150.00
CRC Insurance Services, Inc.	STJ65632	7-01-10 to 7-01-11	Director's & Officers Liability Coverage	\$5 million \$250,000 Deductible/ Incident	16,600.00
St. Paul/Travelers	Binder 061525	7-21-10 to 7-21-11	Fiduciary Dishonesty Coverage	\$250,000 Annual	796.00
					<u>\$184,470.31</u>

**Quick Reference Information**

**Effective June 1, 2011**

**South Bend Regional Airport**  
**Operated by the St. Joseph County Airport Authority**  
 4477 Progress Drive  
 South Bend, IN 46628  
 John C. Schalliol, A.A.E., Executive Director  
 574/282-4590 Fax 574/239-2585 Website <http://www.flysb.com>

**Runways:** 9R/27L - 8,412 ft. long x 150 ft. wide; 9L/27R - 4,300 ft. long x 75 ft. wide; 18/36 - 7,100 ft. long x 150 ft. wide  
**Elevation:** 799' Longitude: 86 18' 55.1"W (degrees, minutes, seconds)  
**Based Aircraft:** 45 Latitude: 41 42' 15.6"N Design Aircraft: 757- (Dimensions) 727 - 200 (Weight)

Passenger Airlines	Weekly Departures	Initial Destination	Equipment Used	Max Seating	Actual Weekly Lift	Avg. Daily Lift
Allegiant Air	2	Clearwater/St. Pete	MD80	150	300	
Allegiant Air	2	Las Vegas	MD80	150	300	
Allegiant Air	2	Phoenix/Mesa	MD80	150	300	
Allegiant Air	4	Sanford/Orlando	MD80	150	600	
Continental Connection	14	Cleveland	DHC-8	37	518	
Delta Connection	20	Atlanta	CRJ	50	1,000	
Delta Connection	11	Cincinnati	CRJ	50	550	
Delta Connection	17	Minneapolis	CRJ	50	850	
Delta Connection	38	Detroit	CRJ	50	1,900	
United	42	ORD/Chicago	CRJ/EMB/ERJ	70	2,332	
<b>Total</b>	<b>152</b>				<b>8,650</b>	<b>1,236</b>

**Fixed Base Operator Services available**

Atlantic Aviation  
 574/233-8285

Charter Service, flight instruction, aircraft maintenance- engine overhaul, propeller overhaul, structural repair, line service  
 Avionics- maintenance/installation

**Air Cargo- Daily Pickup of air cargo provided by:**

Federal Express  
 Mountain Air Cargo  
 UPS

Delta Air Lines  
 Express Mail- USPS  
 Towne Air Freight

**Bus Service- On Airport**

Coach USA to O'Hare, Midway; Greyhound; TRANSPO

**Rail Service- On Airport**

NICTD (South Shore) - Direct to downtown Chicago, 5 daily & 9 weekends

**Rail Service- Off Airport**

Amtrak- 2 trains daily E/W Conrail- 25 trains daily E/W Grand Trunk Western Railroad Norfolk Southern Corp.- 1 daily N/S

ST. JOSEPH COUNTY AIRPORT AUTHORITY  
 FULL TIME EQUIVALENT EMPLOYEES BY FUNCTION  
 LAST TEN FISCAL YEARS

Full-time Equivalent Employees as of December 31, 2010

<u>FUNCTION</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Administration	10	10	10	10	9	9	11	11	10	10
Operations	7	8	8	8	8	8	8	6	8	3
Maintenance										
Terminal	9	10	10	10	10	10	10	11	11	11
Airfield	13	13	13	13	14	14	14	13	11	14
Public Safety	17	17	17	17	17	17	16	15	16	16
<u>TOTAL</u>	<u>56</u>	<u>58</u>	<u>58</u>	<u>58</u>	<u>58</u>	<u>58</u>	<u>59</u>	<u>56</u>	<u>56</u>	<u>54</u>

**ST. JOSEPH COUNTY AIRPORT AUTHORITY  
OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS (1)**

<u>FUNCTION</u>	<u>Fiscal Year</u>									
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
<b>Operations</b>										
Field Condition Reports	491	516	684	668	N/A	N/A	N/A	N/A	N/A	N/A
Notice to Airmen (NOTAMs)	154	165	271	246	N/A	N/A	N/A	N/A	N/A	N/A
Field Checks	1,122	1,405	1,685	1,568	N/A	N/A	N/A	N/A	N/A	N/A
Terminal Checks	924	1,068	1,156	1,129	N/A	N/A	N/A	N/A	N/A	N/A
Perimeter Checks	1,738	2,104	2,198	2,132	N/A	N/A	N/A	N/A	N/A	N/A
<b>Maintenance</b>										
<b>Terminal</b>										
Square Footage Maintained	196,484	150,584	150,584	150,584	N/A	N/A	N/A	N/A	N/A	N/A
Work Orders Processed	685	623	571	525	N/A	N/A	N/A	N/A	N/A	N/A
<b>Airfield</b>										
Vehicles - Hours of Operation										
Blowers	708	332	665	537	N/A	N/A	N/A	N/A	N/A	N/A
Brooms	2,960	1,538	2,507	1,570	N/A	N/A	N/A	N/A	N/A	N/A
Loaders	1,216	709	1,227	298	N/A	N/A	N/A	N/A	N/A	N/A
Plows	662	444	544	600	N/A	N/A	N/A	N/A	N/A	N/A
Total Snow Equipment - Hours	5,546	3,023	4,943	3,005	N/A	N/A	N/A	N/A	N/A	N/A
<b>Public Safety</b>										
Aircraft and Other Fire Calls	23	22	41	37	N/A	N/A	N/A	N/A	N/A	N/A
Medical Responses	43	30	26	34	N/A	N/A	N/A	N/A	N/A	N/A
Arrests	10	18	10	14	N/A	N/A	N/A	N/A	N/A	N/A
Various Additional Reports	23	16	43	19	N/A	N/A	N/A	N/A	N/A	N/A
Airport Ordinance Violations	482	482	429	344	N/A	N/A	N/A	N/A	N/A	N/A
State Citations/Tickets	12	16	17	15	N/A	N/A	N/A	N/A	N/A	N/A
Approximate Calls for Service	2,148	2,850	2,800	2,700	N/A	N/A	N/A	N/A	N/A	N/A

**Note:** (1) Information is not available for years 2001 through 2006.

**ST. JOSEPH COUNTY AIRPORT AUTHORITY  
CAPITAL ASSET STATISTICS BY FUNCTION  
LAST TEN FISCAL YEARS (1)**

Function	Fiscal Year									
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
<b>Operations</b>										
Pick-Up Trucks	2	2	2	2	N/A	N/A	N/A	N/A	N/A	N/A
<b>Maintenance</b>										
<b>Terminal</b>										
Pick-Up Trucks	4	4	4	4	N/A	N/A	N/A	N/A	N/A	N/A
Cargo Van	1	1	1	1	N/A	N/A	N/A	N/A	N/A	N/A
Loaders	1	1	1	1	N/A	N/A	N/A	N/A	N/A	N/A
Sweepers	1	1	1	1	N/A	N/A	N/A	N/A	N/A	N/A
<b>Airfield</b>										
Blowers/Jet Air Blowers	4	4	4	4	N/A	N/A	N/A	N/A	N/A	N/A
Brooms	5	5	5	3	N/A	N/A	N/A	N/A	N/A	N/A
Loaders	2	2	2	2	N/A	N/A	N/A	N/A	N/A	N/A
Back Hoe Loader	1	1	1	1	N/A	N/A	N/A	N/A	N/A	N/A
Plows	3	3	3	3	N/A	N/A	N/A	N/A	N/A	N/A
Pick-Up Trucks	5	5	5	5	N/A	N/A	N/A	N/A	N/A	N/A
Mowers	4	4	4	4	N/A	N/A	N/A	N/A	N/A	N/A
Lighting Trucks	1	1	1	1	N/A	N/A	N/A	N/A	N/A	N/A
Sweepers	1	1	1	1	N/A	N/A	N/A	N/A	N/A	N/A
<b>Public Safety</b>										
Stations	1	1	1	1	N/A	N/A	N/A	N/A	N/A	N/A
Patrol Units	4	4	4	4	N/A	N/A	N/A	N/A	N/A	N/A
ARFF Vehicles	4	4	4	3	N/A	N/A	N/A	N/A	N/A	N/A
Buses	1	1	1	1	N/A	N/A	N/A	N/A	N/A	N/A

**Note:** (1) Information is not available for years 2001 through 2006.

**COMPLIANCE  
SECTION**

**SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS**



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE ST. JOSEPH COUNTY AIRPORT AUTHORITY,  
ST. JOSEPH COUNTY, INDIANA

We have audited the financial statements of the St. Joseph County Airport Authority (Airport Authority), as of and for the year ended December 31, 2010, and have issued our report thereon dated May 12, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Airport Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Airport Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Airport Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Airport Authority's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Airport Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Airport Authority's management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

May 12, 2011

*State Board of Accounts*



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO PASSENGER FACILITY CHARGE PROGRAM AND TO EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE PASSENGER  
FACILITY CHARGE AUDIT GUIDE FOR PUBLIC AGENCIES AND OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE ST. JOSEPH COUNTY AIRPORT AUTHORITY,  
ST. JOSEPH COUNTY, INDIANA

Compliance

We have audited the compliance of the St. Joseph County Airport Authority (Airport Authority) with the types of compliance requirements described in the Passenger Facility Charge Audit Guide for Public Agencies (Guide), issued by the Federal Aviation Administration for its passenger facility charge program, and in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2010. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Airport Authority's management. Our responsibility is to express an opinion on the Airport Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Airport Authority's compliance with those requirements.

In our opinion, the Airport Authority complied in all material respects with the requirements referred to above that are applicable to its passenger facility charge program and its major federal program for the year ended December 31, 2010.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO PASSENGER FACILITY CHARGE PROGRAM AND TO EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE PASSENGER  
FACILITY CHARGE AUDIT GUIDE FOR PUBLIC AGENCIES AND OMB CIRCULAR A-133  
(Continued)

Internal Control Over Compliance

The management of the Airport Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to the passenger facility charge program and federal programs. In planning and performing our audit, we considered the Airport Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Airport Authority's internal control over compliance.

A control deficiency in the Airport Authority's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

This report is intended solely for the information and use of the Airport Authority's management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

May 12, 2011

STATE BOARD OF ACCOUNTS  
*State Board of Accounts*

ST. JOSEPH COUNTY AIRPORT AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended December 31, 2010

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Direct grant:			
Airport Improvement Program	20.106	AIP-03-18-0079-37	\$ 117,015
		AIP-03-18-0079-38	3,246,069
		AIP-03-18-0079-39	1,318,637
		AIP-03-18-0079-40	28,469
		AIP-03-18-0079-41	<u>2,253,055</u>
Total for program			<u>6,963,245</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Direct grant:			
Law Enforcement Officer Reimbursement Agreement Program	97.090	HSTS0208HSLR091	<u>148,566</u>
Total federal awards expended			<u>\$ 7,111,811</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

ST. JOSEPH COUNTY AIRPORT AUTHORITY  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the St. Joseph County Airport Authority (primary government) and is presented in conformity with accounting principles generally accepted in the United States of America which is the basis of accounting used in the presentation of the financial statements. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

ST. JOSEPH COUNTY AIRPORT AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
20.106	Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
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.

ST. JOSEPH COUNTY AIRPORT AUTHORITY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

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ST. JOSEPH COUNTY AIRPORT AUTHORITY  
EXIT CONFERENCE

The contents of this report were discussed on May 12, 2011, with John C. Schalliol, A.A.E., Executive Director; Michael Guljas, Director of Administration and Finance; Lauren Winger, Accounting Manager; and David R. Sage, President of the Board of Directors. Our audit disclosed no material items that warrant comment at this time.