

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012



FILED
01/02/2014

ST. JOSEPH COUNTY AIRPORT AUTHORITY
A COMPONENT UNIT OF ST. JOSEPH COUNTY, INDIANA

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

**COMPREHENSIVE ANNUAL FINANCIAL
REPORT FOR THE FISCAL YEAR
ENDED DECEMBER 31, 2012**

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, 2012**

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October 3, 2013

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, 2012, is submitted herewith. This report was prepared by the Department of Administration and Finance of the St. Joseph County Airport Authority in conjunction with H. J. Umbaugh and Associates, 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 2012 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 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 who are appointed by the St. Joseph County Commissioners.

PROFILE OF SOUTH BEND AIRPORT

The South Bend Airport is located in North Central Indiana, approximately four (4) miles west of downtown South Bend and two (2) 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. In 1999, the facility became South Bend Regional Airport to more clearly identify its location for national and international travelers. Finally in 2011, the name was changed to the South Bend Airport. The South Bend 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 twentieth year of South Shore Railroad service to South Bend 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 Airport has the typical airport tenant mixture, such as: rental cars, restaurateur, 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 six (6) taxi 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 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, Performance Plus (custodial service), Transportation Security Administration (screen point security), and Clear Channel/Interspace Airport Advertising.

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 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 Airport is a full service commercial airport categorized as a Non-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). The 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 Twelve (2012), which marked the thirty-ninth 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 \$1.7 Billion 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 AIRPORT
ST. JOSEPH COUNTY

The financial outlook of the Airport is dependent 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 dependent upon a few large manufacturing operations such as the Studebaker and the Bendix Corporations.

In recent years, while there is still significant manufacturing activity by national companies such as AM General's 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 over 125,000 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 including: Bethel College, Holy Cross College, and Saint Mary's College. Indiana University has a campus in South Bend and also supports a Purdue University extension in this area.

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 crosses the County and provides connecting traffic from Chicago to Detroit, 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 the major nanotechnology research and development centers in the United States. The Midwest Institute for Nanoelectronics Discovery (MIND) is one of four (4) centers funded by the Semiconductor Research Corporation's Nanoelectronics Research initiative (NRI). 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 2012, 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 2012, construction was completed on a major expansion to the South Bend Airport Terminal.

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

The \$16,000,000 Terminal Expansion Project was 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 \$4.50 per enplaning passenger. This charge was increased in 2011 from \$3.00 to accommodate the debt service requirements of the proposed Bond issue.

The AIP program features 95 percent contribution administered by the FAA, 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 Twelve (2012) 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.

Other 2012 activities included continued improvement to the Airport's marketing outreach to the community. 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 cab drivers for good service.

Special Accomplishments

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

In 2012, 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 not only for its own training, but 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 2012.

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.

The South Bend 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-sixth year as grantee for the Foreign Trade Zone No. 125. It has the distinction of being one of the only Foreign Trade Zones (FTZ) in the United States not contiguous to a Port of Entry. The FTZ is an important economic tool for both importers and exporters in the region. While the Airport Authority has delegated the day-to-day operation of the FTZ to another entity, it continues to be involved with the Michiana Foreign Trade Zone's progress.

Employees

The following employees worked together in 2012 to further improve the image and efficiency of the South Bend Airport:

Kimberly Ann
Katherine Berndt
K. Todd Burget
Richard Buzalski
Brian L. Cassady
Elizabeth M. Cecconi
Chris D. Celichowski
Joshua M. Chapo
Michael A. Clymer
Julie Curtis
Michael A. Daigle
Richard K. Fields
Francis M. Flanagan
Mitzi A. Garner
Ty H. Garton
Leonard J. Genchoff
Michael J. Gerndt
Donald E. Gilbert
Karen A. Gorbitz
James M. Gordon, Jr.
Charles W. Gray
Michael A. Guljas
Scott E. Hancz
Robert E. Herron, Jr.
Richard C. High
Michael Hogberg
Chad Hooten
Scott A. Ingole
Hal K. James
Clifford A. Jenkins
David A. Joachim
Steven Johnson
Lisa Jump
Daniel J. Kopczynski
Kerianne Linn
Bruce MacLachlan
Michael J. Markiewicz
Karla Martin
Kevin A. Matuszak

Corey M. McAlvey
Brian A. McMillen
Christopher Monjeau
Michael A. Muzzey
Ronald A. Nye
Michael J. Ornat
Rosemarie Owsianowski
Kevin M. Plonka
Dawn Pompey
Jeremy Ryan
Reginald M. Sanders
John C. Schalliol
Sandra A. Schick
James J. Stankiewicz
Carl S. Stopczynski
Kevin J. Szucsits
James M. Temple
Talaya Thompson
Anthony Van Overberghe
Maureen Wall
Jay Wardlaw
Carol A. Whitteberry
Matthew L. Willis
Lauren M. Winger

Temporary Employees:

Alicia Carlton
Matt D'Amico
Sadie Halpin
Stephen High
Jack Mueleman
Matthew Turney
Chad Van Overberghe
Levi Young

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 (4) 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 reviewed and approved by the Airport Authority Board via Resolution. It is then adopted by Ordinance by the St. Joseph County Council. The budget is then reviewed by the State Department of Local Government Finance. Prior to adoption by the County Council, 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 reports its 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, 2011. This was the twenty-third consecutive year that the Airport Authority has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a government entity 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 its support of the Airport Authority Staff during the preparation of this report.

We would also like to thank and acknowledge, 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 Dan Hedden of H. J. Umbaugh & Associates who assisted in the compilation of financial statements and 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, Teresa Shuter, and the staff at the Auditor's office.

The Airport Authority Department of Administration and Finance deserves our sincere appreciation for its assistance, especially Lauren Winger, Accounting Manager, for her significant contribution to and coordination of the financial statements and the Management, Discussion and Analysis and Statistical Section; Administrative Assistant, Sandy Schick, who spent many hours processing this report; to Karen Gorbitz, Staff Accountant, for her research work and preparing 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: Michael Daigle, Executive Director, Lisa Jump, H.R. Manager; and Kerianne Linn, Properties Manager. Finally, we would like to acknowledge the assistance of staff members from other Authority Departments: Tim O'Donnell, Julie Curtis, Michael Ornat, Bruce MacLachlan, Brian McMillen, Cliff Jenkins, Dave Joachim, and Carol Whitteberry.

Respectfully submitted,

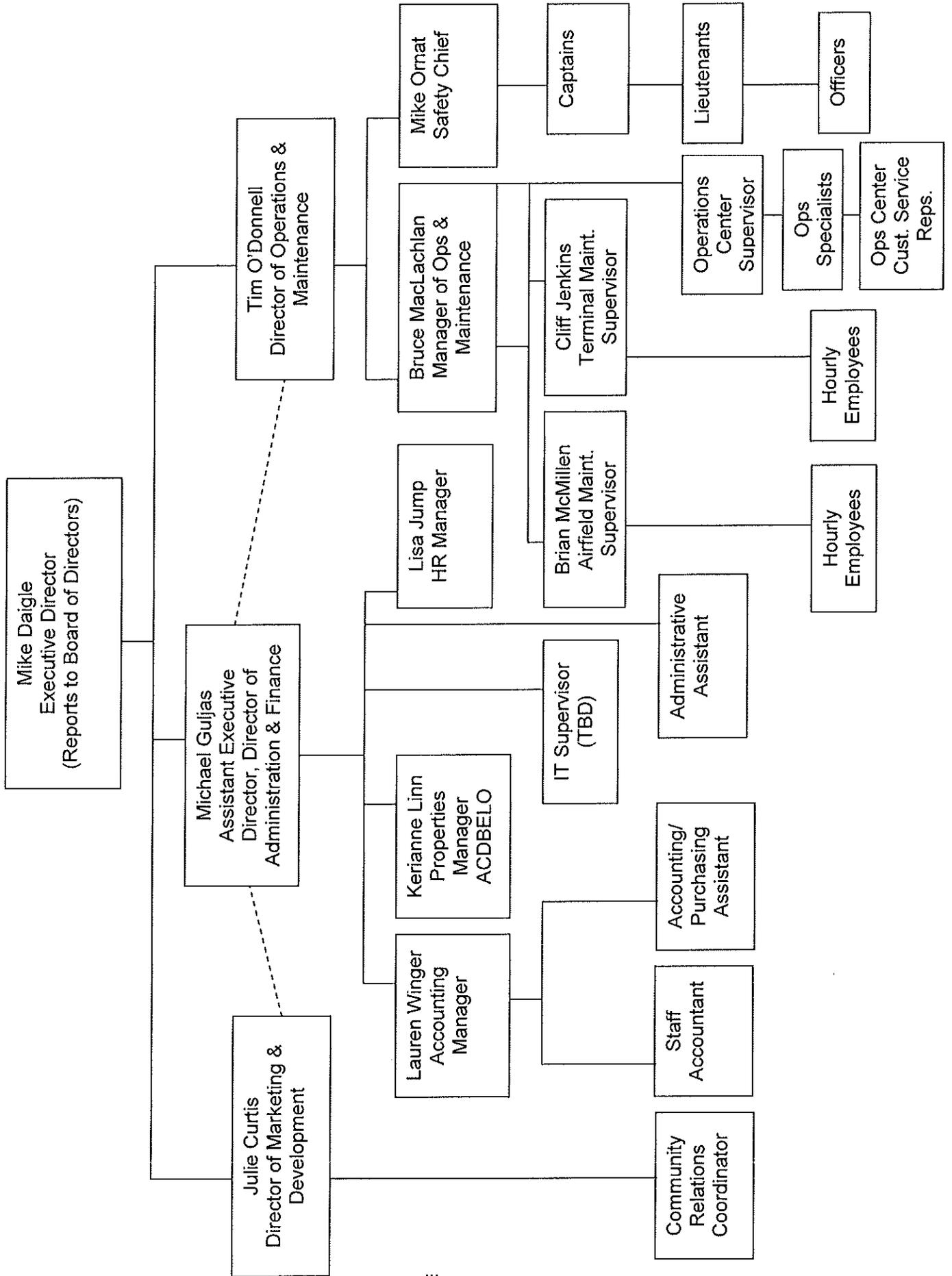


Michael A. Daigle, A.A.E.
Executive Director



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

2012 OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Year Appointed</u>	<u>Current Term Expires</u>
Vice President	Mr. Thomas S. Botkin	2006	12-31-14
Treasurer	Mr. Abraham Marcus	2010	12-31-13
President of The Airport Authority District	Mr. David R. Sage	1991	12-31-12
Secretary	Mr. James V. Wyllie	1995	12-31-15
Executive Director	Mr. Michael A. Daigle, 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, 2011

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.



Christopher P. Moynell

President

Jeffrey R. Emer

Executive Director

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FINANCIAL SECTION

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the St. Joseph County Airport Authority (Airport Authority), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Airport Authority's basic financial statements as listed in the Table of Contents.

Management's Responsibility for Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Airport Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Airport Authority as of December 31, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedules of Funding Progress, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Airport Authority basic financial statements. The accompanying Budgetary Comparison Schedules, Budget/GAAP Reconciliation, Schedule of Expenditures of Passenger Facility Charges, and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Budgetary Comparison Schedules, Budget/GAAP Reconciliation, and Schedule of Expenditures of Passenger Facility Charges are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedule, Budget/GAAP Reconciliation, and Schedule of Expenditures of Passenger Facility Charges are fairly stated, in all material respects in relation to the basic financial statement as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 3, 2013, on our consideration of the Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Airport Authority's internal control over financial reporting and compliance.



Bruce Hartman
State Examiner

October 3, 2013

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, 2012. 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, 2012, the South Bend Airport provided non-stop flights to 10 cities: Atlanta, Chicago, Denver, Detroit, Las Vegas, Minneapolis, Orlando/Sanford, Phoenix-Mesa, Punta Gorda, and Tampa Bay/St. Petersburg with connections world-wide. South Bend Airport's multi-modal terminal serves almost one million air, rail, and bus passengers each year. Four (4) major passenger carriers (Allegiant, Delta, Frontier, and United) were 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 2012, many small airports nationwide continued to be impacted by the downturn in the economy and the struggling airline industry. South Bend's 2012 total enplanements and deplanements reflected a decrease of 1.69 percent versus 2011.

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 west. The Executive Director and the Director of Marketing and Development, working closely with an air service consultant, made numerous contacts, and submitted proposals throughout the year to both established and start-up airlines.

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. In 2012 both Allegiant Air and Frontier Airlines initiated non-stop service to Punta Gorda, Florida, and to Denver, Colorado, respectively.

Although total commercial aircraft flight operations were down in 2012, 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.

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 traffic increased by 5.65 percent in 2012. 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 5.43 percent compared to the 2011 levels.

Another important component of business at the Airport is airfreight. United Parcel Service and Federal Express based aircraft at the facility and also maintained regional sorting facilities on site. Total cargo tonnage increased 7.27 percent in 2012 compared to 2011.

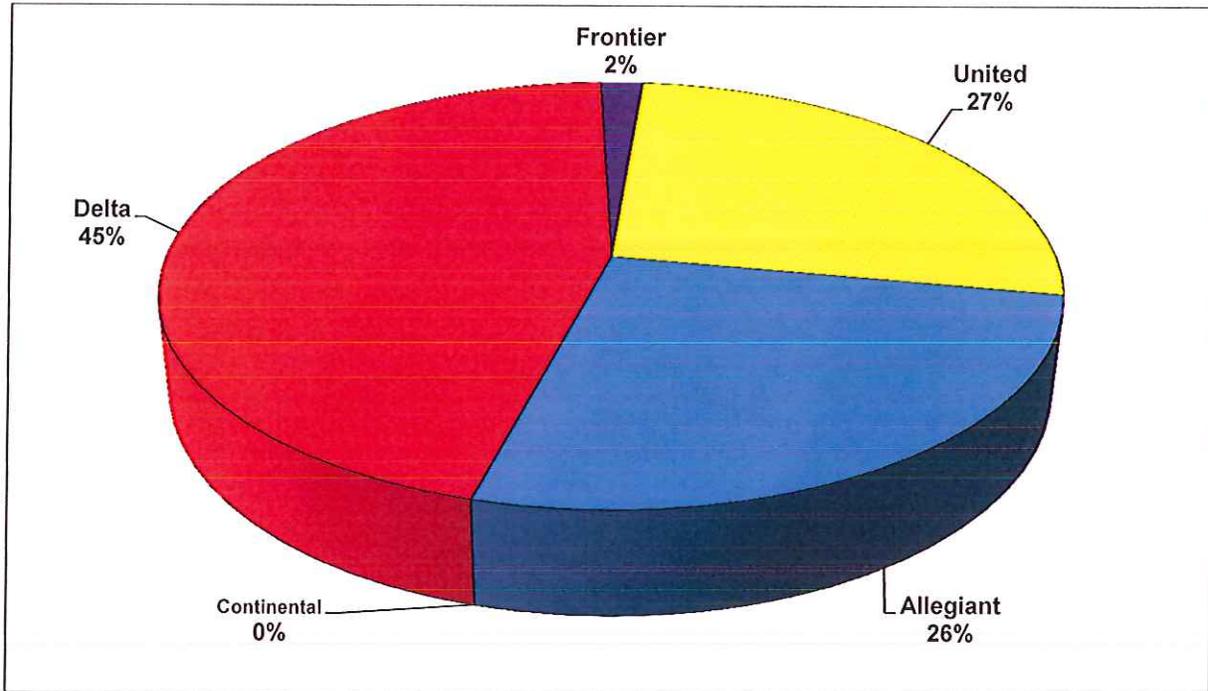
Finally, a review of our facilities would not be complete without a mention of our General Aviation facilities. Fifty-four privately or corporate-owned aircraft were based in South Bend in 2012 along with a full service Fixed Base Operator (F.B.O.) (Atlantic Aviation). General Aviation activities represented 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 2012 vs. 2011**

	<u>2012</u>	<u>2011</u>	<u>Variance</u>
<u>Total Airline Passengers</u> (Enplaned and Deplaned)	589,030	599,127	-1.69%
<u>Weekday Arrivals and Departures</u>	35	37	-5.40%
<u>Weekday Total Available Seats</u>	2,130	2,080	2.40%
<u>Total Cargo (Lbs.)</u>	25,707,338	23,964,639	7.27%

	<u>2012</u>	<u>2011</u>	<u>Variance</u>
<u>Aircraft Operations</u> (Take Off and Landing)			
Air Carriers	12,778	13,682	-6.61%
Freight	1,324	1,374	-3.64%
General Aviation	<u>19,731</u>	<u>18,364</u>	<u>7.44%</u>
Total Operations	33,833	33,420	1.24%
<u>Total Landed Weight</u>	444,683,676	454,398,476	-2.14%
<u>Commuter Bus Passengers</u>	33,668	31,933	5.43%
<u>Train Passengers</u>	272,364	257,800	5.65%
<u>Total Air, Bus, Rail Passengers</u>	895,062	888,860	0.70%

**AIRLINE MARKET SHARE
Enplanements
2012**



Airline Market Share Comparison

	<u>2012</u>	<u>2011</u>	<u>Difference</u>	<u>Change %</u>
Allegiant	77,542	70,097	7,445	10.62%
Continental	0	11,565	-11,565	-100.00%
Delta	133,630	149,248	-15,618	-10.46%
Frontier	5,328	0	5,328	N/A
United	78,100	70,971	7,129	10.04%
	<u>294,600</u>	<u>301,881</u>	<u>-14,410</u>	<u>-2.41%</u>

FINANCIAL HIGHLIGHTS

NET POSITION

Total Assets decreased in 2012 by \$3.39 million or 3.3% percent over 2011. The decrease resulted primarily from the restatement of capital assets in order to more accurately reflect historical costs of the airfield.

Total Liabilities decreased by \$3.75 million compared to 2011. The primary reason for the decrease is the application of funds on hand toward the issuance of the 2012 refunding bonds.

Net Position increased by \$363 thousand or .43% percent.

NET POSITION		
<u>ASSETS</u>	<u>2012</u>	<u>2011</u>
Current and Other Assets	\$ 11,534,547	\$ 16,932,810
Capital Assets	88,516,488	86,735,948
Deferred Outflows	<u>230,856</u>	<u>-</u>
Total Assets	<u>100,281,891</u>	<u>103,668,758</u>
<u>LIABILITIES</u>		
Long-Term Liabilities Outstanding	13,309,479	16,599,080
Other Liabilities	<u>1,736,941</u>	<u>2,197,096</u>
Total Liabilities	<u>15,046,420</u>	<u>18,796,176</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	77,501,806	76,480,093
Restricted	2,116,533	3,321,749
Unrestricted	<u>5,617,132</u>	<u>5,070,740</u>
Total Net Position	<u>\$ 85,235,471</u>	<u>\$ 84,872,582</u>

REVENUE

Total operating and non-operating revenues increased by 6.2% over 2011 revenues. These increases do not include changes in Capital Contributions and Passenger Facility Charge (P.F.C.) Revenue.

Total Operating Revenue increased by 2.46% compared to 2011 levels.

Airport Service Revenue increased by 2.47% 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 (\$1.05 per thousand pounds of aircraft landed weight) and fuel flowage fees, decreased by .2%.

Terminal Rental Revenue received from the airlines increased by 2.16% in 2012.

Terminal Non-Aviation Rental Revenue decreased by 15.35% from 2011. In 2011, the airport received a custodial reimbursement from the Transportation Security Administration (T.S.A.). This was a non-recurring revenue.

Concession Revenue increased by .39% and Parking Revenue increased by .33 percent.

Fixed Base Operations Revenue, a component of General Aviation activity, increased 3.28%. Other Building and Land Rental on the airfield increased by 84.17%. 2011 revenues were lower than normal due to a decrease in recycling revenues. The 2012 revenues returned to a more historical average.

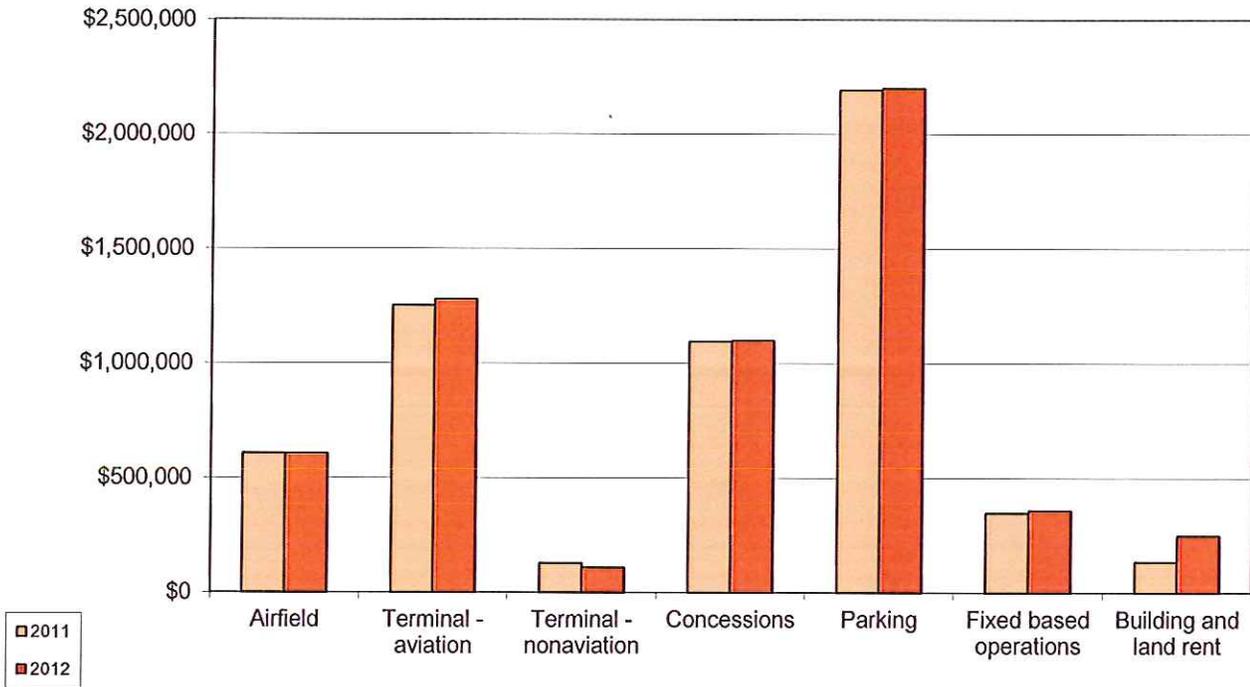
Non-Operating Revenues increased by 14.04% due primarily to Property Tax revenues.

Property Management Revenue decreased by 11.68% due to lower occupancy in an Authority owned building. This is the second consecutive year of decreased revenues in this category.

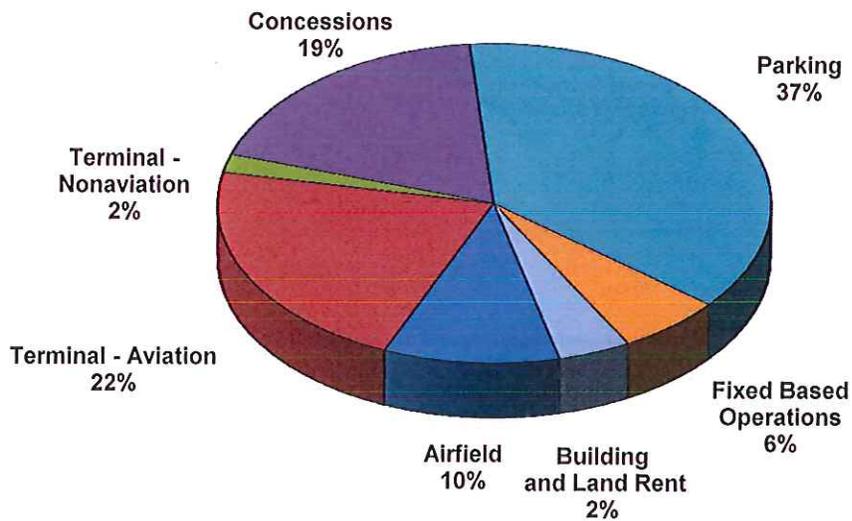
Capital Contributions decreased due to the Airport Improvement Program (A.I.P.) Grants for the construction of the Terminal Expansion Project nearing a close.

Passenger Facility Charge (P.F.C.) Revenues increased in 2012 by 21.9%, as a result of an increase in the P.F.C. rate from \$3.00 to \$4.50 which became effective July 1, 2011. A decrease in passenger traffic offset this increase.

AIRPORT SERVICE REVENUES 2011 vs. 2012



AIRPORT SERVICE REVENUES 2012



EXPENSES

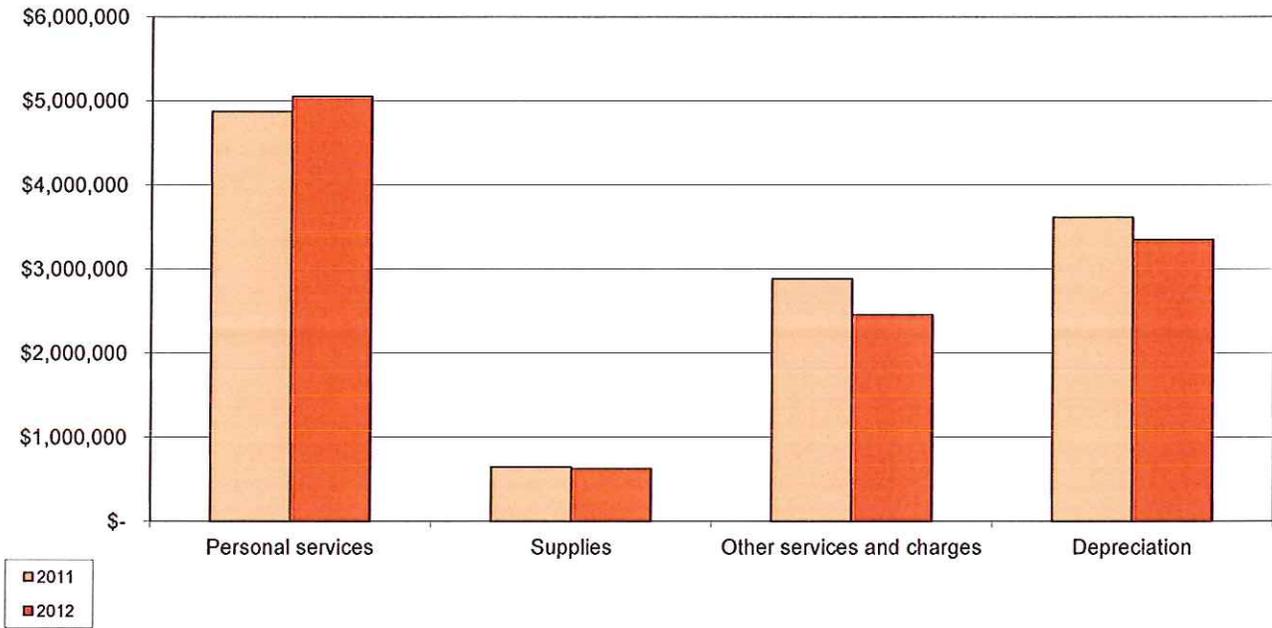
Total Operating and Non-Operating Expenses decreased in 2012 by 1.64% compared to 2011. A large component of this reduction is attributable to the restatement of capital assets and the resulting effect on annual depreciation expense.

Other Services and Charges decreased by 14.8% as the costs incurred during 2011 for Marketing and Air Service Development related expenses, Legal Services, Professional/ Technical Services and in Utilities due to the Terminal Expansion Project were all normalized into operations and the initial costs were not repeated as part of 2012 operations.

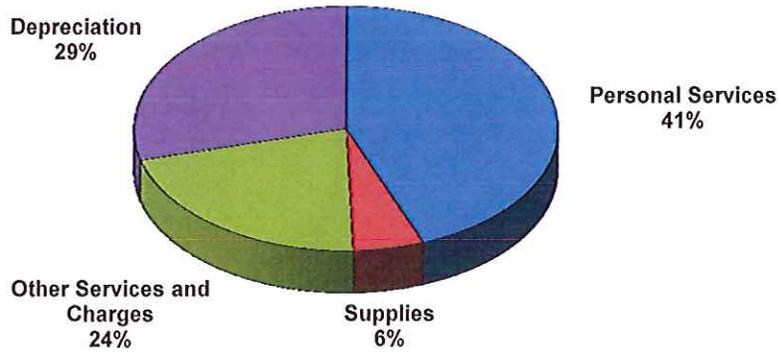
Non-Operating Expenses increased by 39.1% primarily due to the bond issuance costs of \$158,849 and the disposal of capital assets resulting in a \$152,751 loss.

Property Management Expenses decreased by 3.82% in 2012 due to fewer repairs to an office building owned by the Authority. This is the second consecutive year of decreased costs in this area.

OPERATING EXPENSES 2011 vs. 2012



OPERATING EXPENSES 2012



SUMMARY OF OPERATIONS AND CHANGES IN NET POSITION

	<u>2012</u>	<u>2011</u>	<u>Increase/(Decrease)</u>	
			<u>Amount</u>	<u>Percent</u>
Operating Revenues:				
Airport Service Revenues				
Airfield	\$ 605,636	\$ 606,890	\$ (1,254)	(0.21)
Terminal - Aviation	1,277,222	1,250,254	26,968	2.16
Terminal - Nonaviation	108,390	128,043	(19,653)	(15.35)
Concessions	1,097,687	1,093,471	4,216	0.39
Parking	2,198,722	2,191,557	7,165	0.33
Fixed Based Operations	358,468	347,090	11,378	3.28
Building and Land Rent	<u>247,731</u>	<u>134,509</u>	<u>113,222</u>	<u>84.17</u>
Airport Service Revenues - Total	5,893,856	5,751,814	142,042	2.47
Other	<u>12,367</u>	<u>12,625</u>	<u>(258)</u>	<u>(2.04)</u>
Total Operating Revenues	<u>5,906,223</u>	<u>5,764,439</u>	<u>141,784</u>	<u>2.46</u>
Operating Expenses:				
Personal Services	5,050,210	4,871,475	178,735	3.67
Supplies	623,858	642,682	(18,824)	(2.93)
Other Services and Charges	2,454,909	2,880,312	(425,403)	(14.77)
Depreciation	<u>3,347,686</u>	<u>3,611,684</u>	<u>(263,998)</u>	<u>(7.31)</u>
Total Operating Expenses	<u>11,476,663</u>	<u>12,006,153</u>	<u>(529,490)</u>	<u>(4.41)</u>
Net Income (Loss) - Operations	<u>(5,570,440)</u>	<u>(6,241,714)</u>	<u>671,274</u>	<u>10.75</u>
Nonoperating Revenues:				
Property Taxes	2,320,303	1,765,272	555,031	31.44
Other Tax Distributions	446,283	535,170	(88,887)	(16.61)
Interest and Investment Revenue	18,986	16,139	2,847	17.64
Property Management Revenue	227,126	257,154	(30,028)	(11.68)
Federal Operating Grant	101,303	144,568	(43,265)	(29.93)
Other Revenue	<u>32,921</u>	<u>41,072</u>	<u>(8,151)</u>	<u>(19.85)</u>
Total Nonoperating Revenues	<u>3,146,922</u>	<u>2,759,375</u>	<u>387,547</u>	<u>14.04</u>
Nonoperating Expenses:				
Interest Expense	631,215	607,514	23,701	3.90
Property Management Expense	192,996	200,666	(7,670)	(3.82)
Loss on Disposal of Capital Assets	152,751	-	152,751	-
Bond Issuance Costs	158,849	-	158,849	-
Amortization Expense	<u>1,277</u>	<u>9,083</u>	<u>(7,806)</u>	<u>(85.94)</u>
Total Nonoperating Expenses	<u>1,137,088</u>	<u>817,263</u>	<u>319,825</u>	<u>39.13</u>
Net Income (Loss) Before Contributions	<u>(3,560,606)</u>	<u>(4,299,602)</u>	<u>738,996</u>	<u>17.19</u>
Capital Contributions	3,274,595	3,909,443	(634,848)	(16.24)
Passenger Facility Charge Revenue	1,227,862	1,007,280	220,582	21.90
Capital Assets Donated to County Government	-	-	-	-
Sub-Totals	<u>4,502,457</u>	<u>4,916,723</u>	<u>(414,266)</u>	<u>(8.43)</u>
Change in Net Position	<u>941,851</u>	<u>617,121</u>	<u>324,730</u>	<u>(52.62)</u>
Total Net Position - Beginning	<u>84,872,581</u>	<u>84,255,461</u>	<u>617,120</u>	<u>0.73</u>
Total Net Position - Adjustments	<u>(578,961)</u>	<u>-</u>	<u>(578,961)</u>	<u>-</u>
Total Net Position - Ending	<u>\$ 85,235,471</u>	<u>\$ 84,872,582</u>	<u>\$ 362,889</u>	<u>0.43</u>

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

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>2012</u>	<u>2011</u>
Cash Flows		
Operating Activities	\$ (1,984,518)	\$ (2,229,479)
Noncapital Financing Activities	2,809,598	2,691,545
Capital and Related Financing Activities	(6,535,581)	5,718,228
Investing Activities	<u>11,977</u>	<u>11,668</u>
Net Increase (Decrease) in		
Cash and Cash Equivalents	\$ (5,698,524)	\$ 6,191,962
Cash and Cash Equivalents		
Beginning of Year	<u>14,993,293</u>	<u>8,801,331</u>
End of Year	<u>\$ 9,294,769</u>	<u>\$ 14,993,293</u>

The Authority's available Cash and Cash Equivalents decreased from \$14.99 million at the end of 2011 to \$9.29 million at the end of 2012 due primarily to using cash on hand toward the bond refunding and usage of cash toward the Terminal Expansion Project. The \$9.29 million is composed of \$5.19 million available for Unrestricted Operations and \$4.10 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 net investment in Capital Assets as of December 31, 2012, was \$88.5 million (net of Accumulated Depreciation). This net investment in Capital Assets includes land, buildings, roadways, airfield and equipment. In total, this represents a \$1.78 million increase from 2011.

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

During 2012, the Airport Authority District endeavored to restate the carrying value of the airfield to reflect records that were reviewed, amended and/or investigated in order to arrive at a true carrying cost of the Airfield. The net effect of this restatement was a decrease of \$257,547.

During 2012, the Airport Authority District disbursed \$6.27 million for major capital activities. This includes \$3.67 million for the Lincolnway relocation project, \$1.965 million for the terminal expansion project, \$602 thousand for land acquisition and \$32 thousand for equipment.

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 July 1, 2011, \$1.50 was added to the existing Passenger Facility Charge (P.F.C.) of \$3.00 per enplaned passenger with the approval of the Federal Aviation Administration (FAA) and the St. Joseph County Airport Authority Board. The P.F.C. receipts are intended to be used to repay the debt service on the 2002 and 2011 Bond issues 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 \$40,172,802. As of December 31, 2012, the Airport Authority had received a total of \$20,238,272. 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

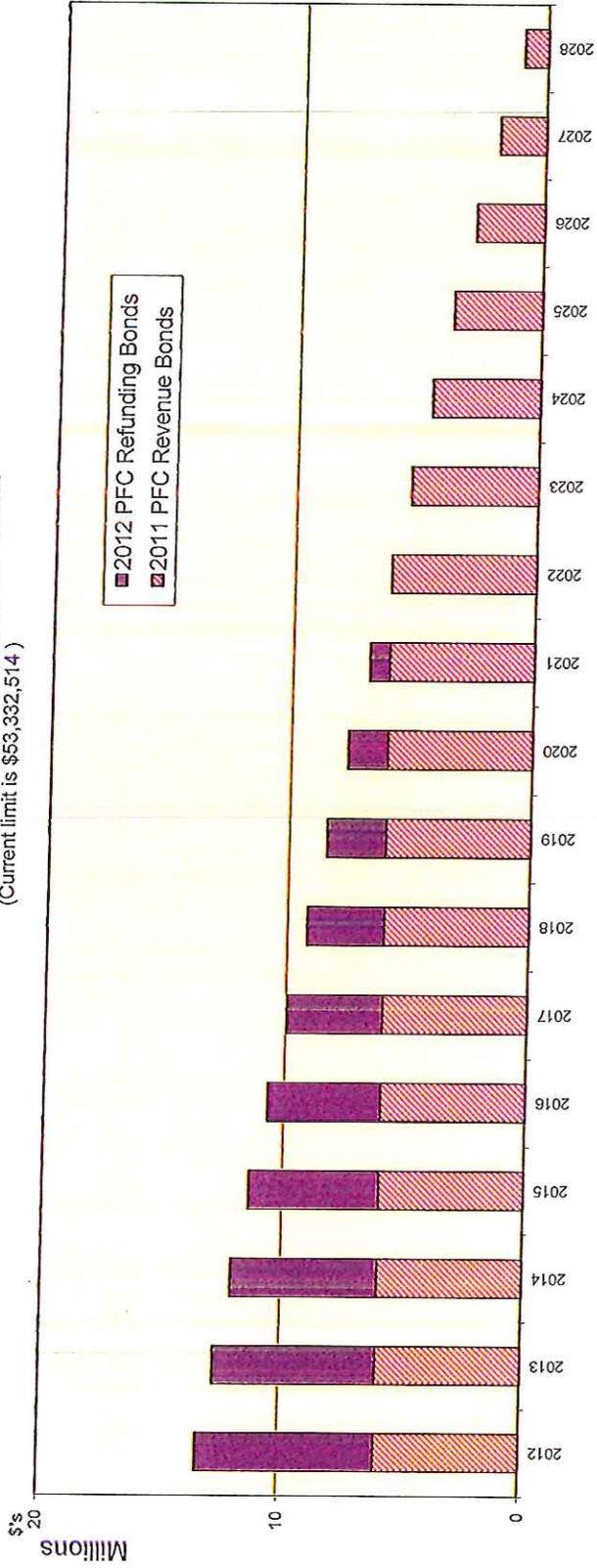
The Airport Authority had \$12,790,000 in Outstanding Long-Term Debt plus \$655 thousand in Outstanding Short-Term Debt as of December 31, 2012. Long-Term and Short-Term Debt consisted of 2011 General Obligation Bonds and 2012 General Obligation Refunding Revenue Bonds. The 2011 Bonds (\$6 million) mature in 2030 and interest rates range from 4.3 percent to 5.0 percent. The 2012 Bonds (\$7.445 million) mature on January 1, 2023 at interest rates ranging from 2.0 to 3.5 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 Airport.

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 \$2,666,625,723. The debt limit is \$53,332,514, and the total outstanding General Obligation Debt is \$13,445,000.

The Authority's General Obligation Debt is rated A+ by Standard and Poors (for both the 2011 and 2012 Bonds). The rating for South Bend reflects the General Obligation Security for these Bonds. Also noted is 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.

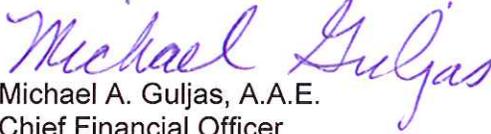
TOTAL DEBT OUTSTANDING AT END OF YEAR

(Current limit is \$53,332,514)



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 (Mguljas@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 ON NET POSITION

As of December 31, 2012

Assets	
Current Assets:	
Unrestricted:	
Cash and cash equivalents	\$ 4,919,930
Accounts Receivable (net of allowance)	454,019
Taxes receivable	217,566
Intergovernmental receivable	1,089,222
Prepaid items	170,962
Loan Receivable	130,968
Other current assets	26,227
	<hr/>
Total unrestricted current assets	7,008,894
Restricted:	
Cash and cash equivalents:	
Construction fund	1,751,291
Passenger facility charge fund	1,337,387
Bond and interest fund	171,118
Cumulative building fund	457,214
Rainy day fund	278,861
Cash with fiscal agent	327,418
Other funds	51,550
Accounts receivable - passenger facility charge	125,680
Taxes receivable	25,134
	<hr/>
Total restricted current assets	4,525,653
	<hr/>
Total current assets	11,534,547
Capital assets:	
Land, improvements to land and construction in progress	40,858,465
Other capital assets (net of accumulated depreciation)	47,658,023
	<hr/>
Total capital assets	88,516,488
	<hr/>
Total noncurrent assets	88,516,488
	<hr/>
Total assets	100,051,035
Deferred outflows of resources	
Deferred amount on refunding	230,856
	<hr/>
Total Assets and Deferred Outflows	\$ 100,281,891

(The Notes to the Financial Statements
are an Integral Part of This Statement)

ST. JOSEPH COUNTY AIRPORT AUTHORITY

STATEMENT ON NET POSITION

As of December 31, 2012

Liabilities	
Current liabilities:	
Unrestricted:	
Accounts payable	\$ 190,679
Accrued payroll payable	157,003
Deferred revenue	110,660
Compensated absences	219,221
Retainage payable	384,114
Other current liabilities	<u>20,264</u>
Total unrestricted current liabilities	<u>1,081,941</u>
Restricted:	
General obligation bonds payable	<u>655,000</u>
Total current liabilities	<u>1,736,941</u>
Noncurrent liabilities:	
Unrestricted:	
Compensated absences	147,524
Net pension obligation	120,163
Other postemployment benefits payable	<u>127,124</u>
Total noncurrent unrestricted liabilities	<u>394,811</u>
Restricted:	
Contracts payable	109,515
General obligation bonds payable (net of unamortized premiums)	<u>12,805,153</u>
Total noncurrent restricted liabilities	<u>12,914,668</u>
Total noncurrent liabilities	<u>13,309,479</u>
Total liabilities	<u>\$ 15,046,420</u>
Net Position:	
Net investment in capital assets	77,501,806
Restricted for debt service	1,634,185
Restricted for capital assets	482,348
Unrestricted	<u>5,617,132</u>
Total net position	<u>\$ 85,235,471</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 NET POSITION

For the 12 Months Ended December 31, 2012

Operating revenues:	
Airfield	\$ 605,636
Terminal - aviation	1,277,222
Terminal - nonaviation	108,390
Concessions	1,097,687
Parking	2,198,722
Fixed based operations	358,468
Building and land rent	247,731
Other	12,367
Total operating revenues	<u>5,906,223</u>
Operating expenses:	
Personal services	5,050,210
Supplies	623,858
Other services and charges	2,454,909
Depreciation	3,347,686
Total operating expenses	<u>11,476,663</u>
Operating loss	<u>(5,570,440)</u>
Nonoperating revenues:	
Property taxes	2,320,303
Other tax distributions	446,283
Interest and investment revenue	18,986
Property management revenue	227,126
Federal operating grant	101,303
Other revenue	32,921
Total nonoperating revenues	<u>3,146,922</u>
Nonoperating expenses:	
Interest expense	631,215
Property management expense	192,996
Loss on disposal of assets	152,751
Bond issuance costs	158,849
Amortization expense	1,277
Total nonoperating expenses	<u>1,137,088</u>
Loss before contributions	<u>(3,560,606)</u>
Capital contributions	3,274,595
Passenger facility charge revenue	1,227,862
Sub-totals	<u>4,502,457</u>
Change in net position	941,851
Total net position - beginning	84,872,581
Total net position - adjustments - See Note F	<u>(578,961)</u>
Total net position - ending	<u>\$ 85,235,471</u>

(The Notes to the Financial Statements
are an Integral Part of This Statement)

ST. JOSEPH COUNTY AIRPORT AUTHORITY

STATEMENT OF CASH FLOWS

For the 12 Months Ended December 31, 2012

Cash flows from operating activities:

Receipts from customers and users	\$ 6,026,572
Payments to suppliers and contractors	(3,061,178)
Payments to employees	(4,982,833)
Other nonoperating revenue	<u>32,921</u>

Net cash provided (used) by operating activities (1,984,518)

Cash flows from noncapital financing activities:

Property management activity	616
Interest received on loan to renter	7,009
Principal received on loan to renter	16,893
Operating grant received	101,303
Property and county income taxes	<u>2,683,777</u>

Net cash provided (used) by noncapital financing activities 2,809,598

Cash flows from capital and related financing activities:

Passenger facility charges	1,238,594
Capital contributions	2,713,795
Acquisition and construction of capital assets	(6,266,479)
Principal paid on capital debt	(585,000)
Interest paid on capital debt	(527,684)
Call premium on refunded bonds	(107,750)
Principal paid on refunded bonds	(10,775,000)
Interest paid on refunded bonds	(113,601)
Bond proceeds	8,030,000
Premium received on bond issue	16,393
Bond issuance costs	<u>(158,849)</u>

Net cash provided (used) by capital and related financing activities (6,535,581)

Cash flows from investing activities:

Interest received	<u>11,977</u>
-------------------	---------------

Net cash provided (used) by investing activities 11,977

Net increase in cash and cash equivalents (5,698,524)

Cash and cash equivalents, January 1 14,993,293

Cash and cash equivalents, December 31 \$ 9,294,769

(The Notes to the Financial Statements
are an Integral Part of This Statement)

ST. JOSEPH COUNTY AIRPORT AUTHORITY

STATEMENT OF CASH FLOWS

For the 12 Months Ended December 31, 2012

Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (5,570,440)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	3,347,686
Restatement of CBRE for prior year leasing commission not recorded	(15,699)
Net nonoperating receipts (expense)	32,921
(Increase) decrease in assets:	
Accounts receivable	119,500
Intergovernmental	(17,203)
Prepaid items	(49,315)
Net pension assets	(6,462)
Increase (decrease) in liabilities:	
Accounts payable	82,603
Accrued payroll payable	23,972
Deferred Revenue	849
Net Pension Obligation	120,163
Compensated absence payable	(74,549)
Other Post Employment Benefit Payable	21,456
Total adjustments	3,585,922
Net cash provided by operating activities	\$ (1,984,518)

(The Notes to the Financial Statements
are an Integral Part of This Statement)

ST. JOSEPH COUNTY AIRPORT AUTHORITY

NOTES TO THE 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 Position and the Statement of Revenues, Expenses, and Changes in Net Position) 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 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 Position. Its operating statement represents increases (revenue) and decreases (expenses) in total net position. 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.

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

ST. JOSEPH COUNTY AIRPORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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 Net Position.

When both restricted and unrestricted resources are available for use, the Airport Authority's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments

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 Airport Authority 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.

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NOTES TO THE FINANCIAL STATEMENTS

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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 Position because their use is limited by applicable bond indentures, state or federal law, or governing body action.

The financial statements report \$2,116,533 of restricted net position, all of which is restricted by enabling legislation.

5. Capital Assets

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

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

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings 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.

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NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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 (accrued during the previous year) 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 Position. 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.

8. Equity Classification

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

- a. Restricted net position – Consists of net position with constraints placed on its either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net position – All other net position amounts that do not meet the definition of "restricted."

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NOTES TO THE FINANCIAL STATEMENTS

(Continued)

- c. Net Investment in Capital Assets – Consists of investments in capital assets net of related debt.

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

E. Revenue and Expenses

Operating revenue and expenses for the Airport Authority result from providing services and producing and delivering goods and/or services. They also include all revenue and expenses 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 from 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.

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NOTES TO THE 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, 2012, the Airport Authority had deposit balances in the amount of \$9,294,769. 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 \$25,131 in an allowance account for the expected uncollectibility of payments due from airlines due to bankruptcy proceedings.

C. Capital Assets

During 2012, the Airport Authority District restated the carrying value of the airfield. The net effect of this restatement was a decrease of \$257,547.

Capital asset activity for the year ended December 31, 2012, was as follows:

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NOTES TO THE FINANCIAL STATEMENTS

(Continued)

	Balance as Reported December 31, 2011	Reclassifications/ Restatements	Balance as Restated January 1, 2012
Business-type activities:			
Capital assets, not being depreciated:			
Land	\$ 35,592,032	\$ 2	\$ 35,592,034
Construction in progress, nonaviation	503,308	-	503,308
Construction in progress, aviation	<u>7,425,492</u>	<u>-</u>	<u>7,425,492</u>
Total capital assets, not being depreciated	<u>43,520,832</u>	<u>2</u>	<u>43,520,834</u>
Capital assets, being depreciated:			
Buildings	49,639,849	445,789	50,085,638
Airfield	40,991,645	(5,087,319)	35,904,326
Equipment	<u>9,161,787</u>	<u>(445,789)</u>	<u>8,715,998</u>
Totals	<u>99,793,281</u>	<u>(5,087,319)</u>	<u>94,705,962</u>
Less accumulated depreciation for:			
Buildings	22,370,324	-	22,370,324
Airfield	27,915,343	(4,829,770)	23,085,573
Equipment	<u>6,292,498</u>	<u>-</u>	<u>6,292,498</u>
Totals	<u>56,578,165</u>	<u>(4,829,770)</u>	<u>51,748,395</u>
Total capital assets, being depreciated, net	<u>43,215,116</u>	<u>(257,549)</u>	<u>42,957,567</u>
Total capital assets, net	<u>\$ 86,735,948</u>	<u>\$ (257,547)</u>	<u>\$ 86,478,401</u>

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NOTES TO THE FINANCIAL STATEMENTS

(Continued)

	Restated Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:	(Carried Forward)			
Capital assets, not being depreciated:				
Land	\$ 35,592,034	\$ 601,822	\$ -	\$ 36,193,856
Construction in progress, nonaviation	503,308	4,100,443	-	4,603,751
Construction in progress, aviation	<u>7,425,492</u>	<u>60,858</u>	<u>7,425,492</u>	<u>60,858</u>
Total capital assets, not being depreciated	<u>43,520,834</u>	<u>4,763,123</u>	<u>7,425,492</u>	<u>40,858,465</u>
Capital assets, being depreciated:				
Buildings	50,085,638	7,633,438	338,581	57,380,495
Airfield	35,904,326	-	-	35,904,326
Equipment	<u>8,715,998</u>	<u>505,765</u>	<u>846,919</u>	<u>8,374,844</u>
Totals	<u>94,705,962</u>	<u>8,139,203</u>	<u>1,185,500</u>	<u>101,659,665</u>
Less accumulated depreciation for:				
Buildings	22,370,324	1,341,372	257,507	23,454,189
Airfield	23,085,573	1,555,945	-	24,641,518
Equipment	<u>6,292,498</u>	<u>450,369</u>	<u>836,932</u>	<u>5,905,935</u>
Totals	<u>51,748,395</u>	<u>3,347,686</u>	<u>1,094,439</u>	<u>54,001,642</u>
Total capital assets, being depreciated, net	<u>42,957,567</u>	<u>4,791,517</u>	<u>91,061</u>	<u>47,658,023</u>
Total capital assets, net	<u>\$ 86,478,401</u>	<u>\$ 9,554,640</u>	<u>\$ 7,516,553</u>	<u>\$ 88,516,488</u>

D. Construction Commitments

Construction work in progress is composed of the following:

<u>Project</u>	<u>Total Project Authorized</u>	<u>Total Expended to December 31</u>	<u>Committed</u>
Relocation of Lincoln Way West - Phase II	\$ 5,949,229	\$ 4,603,751	\$ 1,345,478
Terminal Expansion - Phase II, III	<u>7,547,208</u>	<u>60,858</u>	<u>7,486,350</u>
Totals	<u>\$13,496,437</u>	<u>\$ 4,664,609</u>	<u>\$ 8,831,828</u>

The Relocation of Lincoln Way West – Phase II is the construction of a new roadway that upon completion will be deeded to St. Joseph County government.

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NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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. General obligation bonds currently outstanding at year end are as follows:

Purpose/Original Issue	Interest Rates	Balance at December 31	Add:	
			Unamortized Bond Premium	Amount
2011 General Obligation Bonds	\$6,000,000 4.3% to 5.0%	\$ 6,000,000		\$ 6,000,000
2012 Refunding Bonds	\$8,030,000 2.0% to 3.5%	<u>7,445,000</u>	<u>\$ 15,153</u>	<u>7,460,153</u>
Totals		<u>\$ 13,445,000</u>	<u>\$ 15,153</u>	<u>\$ 13,460,153</u>

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

	2011 GOB		2012 Refunding Bonds	
	Principal	Interest	Principal	Interest
2013		\$ 281,875	\$ 655,000	\$ 207,113
2014		281,875	675,000	184,013
2015		281,875	700,000	160,212
2016		281,875	715,000	143,525
2017		281,875	735,000	128,447
2018-2022		1,409,375	3,965,000	335,978
2023-2027	\$ 4,075,000	1,014,068	-	-
2028-2031	<u>1,925,000</u>	<u>121,285</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 6,000,000</u>	<u>\$ 3,954,103</u>	<u>\$ 7,445,000</u>	<u>\$ 1,159,288</u>

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NOTES TO THE FINANCIAL STATEMENTS

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2. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2012, 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	\$ 16,775,000	\$ 8,030,000	\$ 11,360,000	\$ 13,445,000	\$ 655,000
Compensated absences	441,294	10,184	84,733	366,745	219,221
Net pension obligation	6,462	113,701	-	120,163	
Other postemployment benefits	105,668	21,456	-	127,124	-
Total non-current liabilities	<u>\$ 17,328,424</u>	<u>\$ 8,175,341</u>	<u>\$ 11,444,733</u>	<u>\$ 14,059,032</u>	<u>\$ 874,221</u>

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

F. Restatements and Reclassifications

The following schedule presents a summary of restated or reclassified beginning balances.

	<u>Balance as Reported December 31, 2011</u>	<u>Prior Period Adjustments/ Reclassifications</u>	<u>Restated Balance as Reported January 1, 2012</u>
Business-type activities:			
Deferred Charges	\$ 245,715		
GASB 65 - eliminate deferred charges		\$ (245,715)	\$ -
Other capital assets (net of accumulated depreciation)	43,215,116		
Capital asset corrections		(5,087,319)	
Accumulated depreciation for capital asset corrections		4,829,772	42,957,569
General obligation bonds payable (net of unamortized premiums)	15,852,469		
Eliminate underwriter's discount from 2011 bonds		(60,000)	15,792,469
Total net position - adjustment for CBRE 2011 net income	617,121		
2011 CBRE activity not recognized in 2011		(15,699)	601,422
Totals	<u>\$ 59,930,421</u>	<u>\$ (578,961)</u>	<u>\$ 59,351,460</u>

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.

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NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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.

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 healthcare plan administered by St. Joseph County. 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. Calculated required contributions are based on projected pay-as-you-go financing requirements. For the year ended December 31, 2012, 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 2011, the most recent actuarial study the Airport has determined, the amount actually contributed to the plan for 2012, and changes in the Airport Authority's net OPEB obligation to the plan:

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NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Annual required contribution	\$ 21,256
Interest on net OPEB obligation	3,790
Adjustment to annual required contribution	<u>(3,590)</u>
Annual OPEB cost	21,456
Contributions made	<u>-</u>
Increase (decrease) in net OPEB obligation	21,456
Net OPEB obligation, beginning of year	<u>105,668</u>
Net OPEB obligation, end of year	<u><u>\$ 127,124</u></u>

The Airport Authority's 2012 OPEB cost, the percentage of the 2012 OPEB cost contributed to the plan, and the net OPEB obligation for 2012, are as follows:

<u>Year</u> <u>Ending</u>	<u>Annual</u> <u>OPEB</u> <u>Cost</u>	<u>Percentage</u> <u>of Annual</u> <u>OPEB Cost</u> <u>Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
12-31-10	\$ 28,749	0%	\$ 84,212
12-31-11	21,456	0%	105,668
12-31-12	21,456	0%	127,124

Funded Status and Funding Progress

As of December 31, 2011, the most recent actuarial valuation date, the plan was 0 percent funded. The actuarial accrued liability for benefits was \$187,276, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$187,276. The covered payroll (annual payroll of active employees covered by the plan) was \$2,944,362, and the ratio of the UAAL to covered payroll was 6.4 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.

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NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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 the 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, 2011, actuarial valuation, the projected unit credit with linear proration to decrement cost method was used. The UAAL is being amortized as a level percent of pay over 30 years based on an open group. Other actuarial assumptions used in the actuarial valuation are as follows:

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	5.0% to 10.0%

C. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Airport Authority contributes to the Indiana Public Retirement System (INPRS), a defined benefit pension plan. INPRS 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

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NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(IC 5-10.2 and 5-10.3) govern, through the INPRS Board, most requirements of the system and give the Airport Authority the authority to contribute to the plan. The INPRS retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at three percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

or the report can be viewed at www.in.gov/inprs/files/INPRSCAFR2012.pdf

Funding Policy

INPRS 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 2012 is 9.75 percent of annual covered payroll. This rate has been increased for 2013 to 10 percent. The contribution requirements of plan members and the Airport Authority are established and may be amended by the INPRS Board of Trustees.

Actuarial Information for the Above Plan

Annual required contribution	\$	394,675
Interest on net pension obligation		452
Adjustment to annual required contribution		<u>(521)</u>
Annual pension cost		394,606
Contributions made		<u>(280,905)</u>
Increase in net pension obligation		113,701
Net pension obligation, beginning of year		<u>6,462</u>
Net pension obligation, end of year	\$	<u><u>120,163</u></u>

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NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Contribution rates:	
Airport Authority	9.75%
Plan members	3%
Actuarial valuation date	06-30-12
Actuarial cost method	Entry age normal (level percent of payroll)
Amortization method	Level dollar, 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 with a 20% corridor

Actuarial Assumptions

Investment rate of return	6.75%
Projected future salary increases:	
Total	3.25% to 4.5%
Attributed to inflation	3.00%
Cost-of-living adjustments	1.00%

Three Year Trend Information

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Employer Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06-30-10	\$ 286,417	\$ 238,555	83%	\$ (116,790)
06-30-11	371,148	247,896	67%	6,462
06-30-12	394,606	280,905	71%	120,163

Funded Status and Funding Progress for the Above Plan

The funded status of the plan as of June 30, 2012, the most recent actuarial valuation date is as follows:

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NOTES TO THE FINANCIAL STATEMENTS

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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)
\$2,317,376	\$ 5,284,729	\$ 2,967,353	44%	\$3,126,609	95%

The Schedule of Funding Progress, presented as RSI for the above plan following the notes to the 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. Effective July 1, 2011, the Passenger Facility Charge was increased to \$4.50 per ticket. The revenues are to be used to repay the debt service on the 2011 and 2012 bond issues, and for any other purposes allowed by the FAA and the Airport Authority Board. During 2012 the Airport Authority earned \$1,227,862 from 37 separate airlines. The Airport Authority is authorized to receive a maximum of \$40,172,802. As of December 31, 2012, the Airport Authority has earned a total of \$20,238,272.

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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)
07-01-10	\$ 3,104,179	\$ 5,245,256	\$ (2,141,077)	59%	\$ 3,193,006	(67%)
07-01-11	2,451,965	4,934,734	(2,482,769)	50%	3,086,545	(80%)
07-01-12	2,317,376	5,284,729	(2,967,353)	44%	3,126,609	(95%)

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)
12-31-10**	\$ -	\$ 187,276	\$ (187,276)	0%	\$ 2,944,362	(6%)
12-31-11	-	205,742	(205,742)	0%	*	*
12-31-12	***	***	***	***	***	***

* Information not available from applicable actuarial report.

** Actuarial valuations were not prepared for the fiscal year ending December 31, 2010. 2010 results were based on the fiscal year ending December 31, 2009 interim GASB report.

*** Actuarial valuations were not prepared for the fiscal year ending December 31, 2012.

SUPPLEMENTAL FINANCIAL INFORMATION

ST. JOSEPH COUNTY AIRPORT AUTHORITY

BUDGETARY COMPARISON

For the Year ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis Amounts</u>	<u>With Final Budget</u>
Revenues:				
Airfield	\$ 623,847	\$ 623,847	\$ 605,636	\$ (18,211)
Terminal - aviation	1,316,323	1,316,323	1,397,571	81,248
Terminal - non-aviation	112,646	112,646	108,390	(4,256)
Concessionaire	1,000,864	1,000,864	1,097,687	96,823
Parking	2,209,785	2,209,785	2,198,722	(11,063)
Fixed based operations	342,223	342,223	358,468	16,245
Building and land rent	242,693	242,693	247,731	5,038
Other	-	-	12,367	12,367
Total revenues	<u>5,848,381</u>	<u>5,848,381</u>	<u>6,026,572</u>	<u>178,191</u>
Expenses:				
Personal services	6,615,697	6,615,697	4,965,630	(1,650,067)
Supplies	1,052,295	1,052,295	623,858	(428,437)
Other services and charges	4,086,208	4,086,208	3,005,943	(1,080,265)
Total operating expenses	<u>11,754,200</u>	<u>11,754,200</u>	<u>8,595,431</u>	<u>(3,158,769)</u>
Debt service:				
Other services and charges	1,255,700	1,255,700	1,225,595	(30,105)
Total expenses	<u>13,009,900</u>	<u>13,009,900</u>	<u>9,821,026</u>	<u>(3,188,874)</u>
Other financing sources (uses):				
Property taxes	2,339,300	2,339,300	2,237,494	(101,806)
Interest income	5,000	5,000	11,977	6,977
Federal and state grants	6,615,000	6,615,000	101,303	(6,513,697)
Capital outlay	(8,230,800)	(8,230,800)	(6,266,479)	1,964,321
Total other financing sources (uses)	<u>728,500</u>	<u>728,500</u>	<u>(3,915,705)</u>	<u>(4,644,205)</u>
Deficiency of revenues and other financing sources under expenses and other financing uses	<u>\$ (6,433,019)</u>	<u>\$ (6,433,019)</u>	<u>\$ (7,710,159)</u>	<u>\$ (1,277,140)</u>

ST. JOSEPH COUNTY AIRPORT AUTHORITY

BUDGETARY COMPARISON

For the Year Ended December 31, 2012

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

- a. Revenues are recorded when received in cash (budgetary) as opposed to when earned (GAAP).
- b. Expenses are recorded when paid in cash (budgetary) as opposed to when 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)	\$	(7,710,159)
Adjustments:		
Capital expenses		6,266,479
Depreciation		(3,347,686)
Amortization		(1,277)
Debt payments		585,000
Capital Contributions		3,274,595
Passenger Facility Charges		1,227,862
Issuance costs paid		(158,849)
Other taxes		446,283
Interest received on loan transactions		7,009
Non-budgeted funds (net)		(119,830)
Property management activity (net)		34,130
Change in operating revenues receivable		(120,349)
Change in wages and benefits payable		(84,580)
Changes in payables and prepaid items		560,414
Increase in taxes receivable		82,809
		<hr/>
Change in net position (GAAP basis)	\$	<u>941,851</u>

ST. JOSEPH COUNTY AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES
For the Year Ended December 31, 2012

Cash balance, January 1	<u>\$ 1,676,632</u>
Receipts:	
Passenger facility charge collections	1,238,594
Interest	<u>968</u>
Total receipts	<u>1,239,562</u>
Disbursements:	
Bond issuance costs	78,549
Transfer to bond and interest fund	<u>1,500,258</u>
Total Disbursements	<u>1,578,807</u>
Cash balance, December 31	<u><u>\$ 1,337,387</u></u>

STATISTICAL SECTION

STATISTICAL SECTION OVERVIEW

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.

Contents	Page
Financial Trends	46
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	49
These schedules contain information to help the reader assess the Authority's most significant local revenue sources.	
Debt Capacity	53
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	58
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	64
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:	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Operating Revenue:										
Airport Service Revenue:										
Airfield	\$ 605,636	\$ 606,890	\$ 605,210	\$ 601,768	\$ 688,895	\$ 644,949	\$ 656,071	\$ 575,730	\$ 616,142	\$ 651,483
Terminal Aviation	1,277,222	1,250,254	1,225,171	1,219,103	1,272,818	1,168,619	1,325,257	1,107,419	1,323,485	1,226,043
Terminal - Non Aviation	108,390	128,043	111,226	129,513	146,078	142,275	130,016	158,929	168,616	174,273
Concessions	1,097,687	1,093,471	1,069,131	1,056,991	1,087,047	1,234,600	1,152,570	1,176,014	1,056,676	1,174,942
Parking	2,198,722	2,191,557	2,207,040	2,037,467	2,547,340	2,474,598	2,390,249	2,140,480	1,978,445	2,114,621
Fixed Base Operations	358,468	347,090	408,748	407,000	383,730	494,342	227,714	336,559	275,482	287,756
Building and Land Rent	247,731	134,509	243,613	321,511	226,897	241,895	157,287	245,010	250,498	180,257
Total Airport Service Revenue	5,893,856	5,751,814	5,870,139	5,773,353	6,352,805	6,401,278	6,039,164	5,740,141	5,669,344	5,809,375
Other	12,367	12,625	12,039	10,619	116,289	14,620	99,788	18,507	19,930	307,826
Total Operating Revenue	5,906,223	5,764,439	5,882,178	5,783,972	6,469,094	6,415,898	6,138,952	5,758,648	5,689,274	6,117,201
Nonoperating Revenue:										
Property Taxes	2,320,303	1,765,272	2,997,689	2,702,107	2,909,741	2,681,849	2,782,173	3,504,509	3,211,004	5,351,948
Other Tax Distributions	446,283	535,170	620,426	836,637	618,671	495,964	524,731	-	-	-
Interest Income	18,986	16,139	15,517	61,882	277,387	733,312	420,128	334,694	147,272	103,343
Other Grants	-	-	-	-	-	-	149,117	-	-	-
Property Management Revenue	227,126	257,154	273,942	328,987	295,774	242,955	257,168	483,473	807,271	-
Federal operating grant	101,303	-	-	-	-	-	-	-	-	-
Operating Grant	-	144,568	148,565	-	-	-	-	-	-	-
Gain on Disposal of Fixed Asset	-	-	-	-	65,717	-	-	34,135	75,609	-
Other	32,921	41,072	101,332	122,378	405,017	190,112	200,561	30,108	8,279	124,159
Total Nonoperating Revenue	3,146,922	2,759,375	4,157,471	4,051,991	4,572,307	4,344,192	4,333,878	4,386,919	4,249,435	5,579,450
Total Revenue	\$ 9,053,145	\$ 8,523,814	\$10,039,649	\$ 9,835,963	\$11,041,401	\$10,760,090	\$10,472,830	\$10,145,567	\$ 9,938,709	\$11,696,651

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

EXPENSE CATEGORY:	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Operating Expenses:										
Personal Services	\$ 5,050,210	\$ 4,871,475	\$ 4,884,509	\$ 4,810,162	\$ 4,884,616	\$ 4,698,058	\$ 4,282,845	\$ 4,189,818	\$ 3,915,002	\$ 3,851,604
Supplies	623,858	642,682	586,715	808,565	732,590	706,584	597,088	624,271	616,920	567,901
Other Services and Charges	2,454,909	2,880,312	2,116,199	3,134,908	3,074,743	2,602,485	2,021,793	2,618,130	2,105,825	2,172,414
Bad Debt Expense	-	-	-	-	-	-	-	-	-	-
Depreciation	3,347,686	3,611,684	3,667,220	3,630,659	3,090,620	2,957,397	2,945,583	2,969,658	3,005,978	3,142,095
Total Operating Expenses	11,476,663	12,006,153	11,254,643	12,384,294	11,782,569	10,964,524	9,847,309	10,401,877	9,643,725	9,734,014
Nonoperating Expenses:										
Interest Expense	631,215	607,514	614,347	675,362	727,662	774,487	170,824	199,594	252,627	314,404
Amortization Expenses	1,277	9,083	14,628	14,628	14,628	14,628	14,628	6,970	30,427	30,428
Premium/Costs Early Bond Call	-	-	-	-	-	-	-	-	-	-
Property Management Expense	192,996	200,666	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	152,751	-	392,349	-	-	-	61,363	-	-	1,519
Bond Issuance Costs	158,849	-	-	-	-	-	-	-	-	-
Total Nonoperating Expenses	1,137,088	817,263	1,834,138	947,034	951,488	1,074,971	474,341	639,238	674,760	346,351
Total Expenses	\$ 12,613,751	\$ 12,823,416	\$ 13,088,781	\$ 13,331,328	\$ 12,734,057	\$ 12,039,495	\$ 10,321,650	\$ 11,041,115	\$ 10,318,485	\$ 10,080,365
Income Before Contributions	\$ (3,560,606)	\$ (4,299,602)	\$ (3,049,132)	\$ (3,495,365)	\$ (1,692,656)	\$ (1,279,405)	\$ 151,180	\$ (895,548)	\$ (379,776)	\$ 1,616,286
Capital Contributions	3,274,595	3,909,443	7,313,647	834,428	4,036,643	3,125,639	2,828,377	2,890,293	5,012,824	4,079,935
Transfer of Capital Assets	-	-	(8,999,393)	-	-	-	(225,754)	-	-	-
Passenger Facility Charge	1,227,862	1,007,280	835,884	820,664	960,513	1,083,989	1,060,891	913,894	1,107,419	1,122,435
Change in Net Assets	\$ 941,851	\$ 617,121	\$ (3,898,994)	\$ (1,840,273)	\$ 3,304,500	\$ 2,930,223	\$ 3,814,694	\$ 2,908,639	\$ 5,740,467	\$ 6,818,656
Net Assets at Year End										
Invested in Capital Assets										
Net of Related Debt	\$ 77,501,806	\$ 76,480,093	\$ 76,503,028	\$ 78,662,042	\$ 79,687,866	\$ 76,431,514	\$ 74,590,274	\$ 67,030,110	\$ 61,497,134	\$ 59,604,389
Restricted for Debt Service	1,634,185	3,097,096	2,653,237	2,933,036	2,803,293	3,459,495	3,421,415	3,279,547	2,806,645	3,687,620
Restricted for Capital Assets	482,348	224,653	929,722	742,198	96,259	528,757	580,113	888,626	650,671	548,596
Unrestricted	5,617,132	5,070,740	4,169,474	5,817,179	7,407,310	6,270,462	5,168,203	8,747,028	12,082,222	7,455,600
Total Net Assets	\$ 85,235,471	\$ 84,872,582	\$ 84,255,461	\$ 88,154,455	\$ 89,994,728	\$ 86,690,228	\$ 83,760,005	\$ 79,945,311	\$ 77,036,672	\$ 71,296,205

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Cash Flows From Operating Activities										
Cash Received From Customers and Users	\$ 6,026,572	\$ 5,873,333	\$ 5,966,212	\$ 5,885,644	\$ 6,779,251	\$ 6,304,894	\$ 5,959,038	\$ 5,701,701	\$ 5,537,717	\$ 5,670,619
Cash Paid to Suppliers and Contractors	(3,061,178)	(3,484,695)	(2,565,804)	(3,192,577)	(3,850,097)	(3,215,578)	(2,957,093)	(3,012,713)	(2,647,808)	(2,718,638)
Cash Paid to Employees	(4,982,833)	(4,659,189)	(5,015,994)	(4,701,127)	(4,900,605)	(4,601,055)	(4,212,974)	(4,190,903)	(4,038,683)	(3,746,521)
Other Cash Received	32,921	41,072	101,332	122,378	256,898	238,355	395,821	-	-	124,158
Net Cash Provided By Operating Activities	<u>(1,984,518)</u>	<u>(2,229,479)</u>	<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>
Cash Flows From Noncapital Financing Activities										
Loan Principal Repayments	-	9,472	-	-	-	-	-	229,640	31,028	28,402
Loan Interest Repayments	-	-	-	-	-	-	-	3,377	21,892	24,519
Loan to Renter	-	(174,814)	-	-	-	-	-	-	-	-
Principal From Loan	16,893	-	-	-	-	-	-	-	-	-
Interest From Loan	7,009	4,471	-	-	-	-	-	-	-	-
Federal and State Grants	-	-	-	250,000	-	-	-	-	-	-
Operating Grant Received	101,303	144,568	-	-	-	-	-	-	-	-
Property and County Income Taxes	2,683,777	2,631,008	3,345,266	5,427,794	1,421,755	3,177,813	3,306,904	4,496,507	2,667,381	5,208,979
Property Management Activity	616	76,840	106,023	35,220	-	-	-	10,246	330,996	-
Fuel Farm and Pollution Clean Up	-	-	-	-	-	-	-	-	-	-
Other Nonoperating Receipts	-	-	-	-	-	-	-	30,108	-	364,874
Net Cash Provided By Noncapital Financing Activities	<u>2,809,598</u>	<u>2,691,545</u>	<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>
Cash Flows From Capital and Related Financing Activities										
Proceeds From Bond	8,030,000	5,940,000	-	-	-	-	-	-	-	-
Passenger Facility Charges	1,238,594	974,465	830,988	820,664	960,513	1,111,775	1,044,598	941,002	1,068,818	1,132,485
Capital Contributions	2,713,795	5,183,670	5,590,147	834,428	4,036,643	3,768,140	5,069,832	5,042,177	512,525	3,613,926
Acquisition and Construction of Capital Assets	(6,266,479)	(5,075,015)	(9,935,902)	(3,081,985)	(5,944,930)	(7,651,783)	(9,150,964)	(6,884,959)	(6,787,203)	(4,686,647)
Principal Paid on Capital Debt	(585,000)	(675,000)	(1,245,000)	(1,375,000)	(1,275,000)	(1,200,000)	(1,125,000)	(1,040,000)	(1,925,000)	(1,495,000)
Interest Paid on Capital Debt	(527,684)	(545,850)	(599,663)	(658,588)	(710,888)	(757,713)	(801,006)	(840,720)	(903,155)	(988,908)
Interest paid on refunded bonds	(113,601)	-	-	-	-	-	-	-	-	-
Call premium on refunded bonds	(107,750)	-	-	-	-	-	-	-	-	-
Principal paid on refunded bonds	(10,775,000)	-	-	-	-	-	-	-	-	-
Premium received on bond issue	16,393	-	-	-	-	-	-	-	-	-
Proceeds from Sales of Capital Assets	-	-	-	-	170,457	-	-	82,656	145,050	-
Refund of Capital Asset Disbursements	-	-	-	-	363,400	-	-	-	-	-
Bond Issue Costs	(158,849)	(84,287)	-	-	-	-	-	230,643	-	-
Net Cash Used by Capital and Related Financing Activities	<u>(6,535,581)</u>	<u>5,717,983</u>	<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>
Cash Flows From Investing Activities										
Interest Received	11,977	11,913	15,517	61,882	277,387	733,312	898,955	606,005	195,266	166,425
Net Cash Provided by Investing Activities	<u>11,977</u>	<u>11,913</u>	<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>
Net Increase In Cash and Cash Equivalents	<u>(5,698,524)</u>	<u>6,191,962</u>	<u>(3,406,878)</u>	<u>428,793</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>
Cash and Cash Equivalents, January 1	<u>14,993,293</u>	<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>
Cash and Cash Equivalents, December 31	<u>\$ 9,294,769</u>	<u>\$ 14,993,293</u>	<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>

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)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
PRINCIPAL REVENUE SOURCES											
AVIATION-RELATED REVENUES											
Airfield	\$ 605,636	\$ 606,890	\$ 605,210	\$ 601,768	\$ 688,895	\$ 644,949	\$ 656,071	\$ 575,730	\$ 616,142	\$ 651,483	\$ 670,304
Terminal Aviation	1,277,222	1,250,254	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
Fixed Base Operations	358,468	347,090	408,748	407,000	383,730	494,342	227,714	336,559	275,482	287,756	231,271
TOTAL AVIATION-RELATED REVENUES	2,241,326	2,204,234	2,239,129	2,227,871	2,345,443	2,307,910	2,209,042	2,019,708	2,215,109	2,165,282	2,095,706
Percent of Total Revenues	24.8%	25.9%	22.3%	22.4%	21.3%	21.4%	21.1%	19.9%	22.3%	18.5%	22.9%
NON-AVIATION REVENUES											
Terminal - Non-Aviation	108,390	128,043	111,226	129,513	146,078	142,275	130,016	158,929	168,616	174,273	177,338
Concessions	1,097,687	1,093,471	1,069,131	1,056,991	1,087,047	1,234,600	1,152,570	1,176,014	1,056,676	1,174,942	1,217,475
Parking	2,198,722	2,191,557	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
Other	12,967	12,625	12,039	10,619	3,358	14,620	99,788	18,507	19,930	307,826	8,250
Building and Land Rent	247,731	134,509	243,613	321,511	226,897	241,895	157,287	245,010	250,498	180,257	257,548
TOTAL NON-AVIATION REVENUES	3,664,897	3,560,205	3,643,049	3,556,101	4,010,720	4,107,988	3,929,910	3,738,940	3,474,165	3,951,919	3,316,110
Percent of Total Revenues	40.5%	41.8%	36.3%	35.7%	36.4%	38.2%	37.5%	36.9%	35.0%	33.8%	36.2%
NON-OPERATING REVENUES											
Property Taxes	2,320,303	1,765,272	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
Other Tax Distributions	446,283	535,170	620,426	836,637	618,671	495,964	524,731	-	-	-	-
Operating Grant	101,303	144,568	148,565	113,728	97,961	-	-	-	-	-	-
Interest Income	18,986	16,139	15,517	61,882	277,387	793,312	420,128	334,694	147,272	103,343	140,570
Other	32,921	41,072	101,332	122,378	405,017	190,112	200,561	30,108	8,279	124,159	174,612
Fuel Farm Cleanup	-	-	-	-	-	-	-	-	-	-	-
Other Grants	-	-	-	-	-	-	-	-	-	-	-
Property Management Revenue	227,126	257,154	273,942	328,987	295,774	242,955	257,168	483,473	807,271	-	349,643
Gain on Disposal of Fixed Assets	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	65,717	-	-	34,135	75,609	-	44,203
TOTAL NON-OPERATING REVENUES	3,146,922	2,759,375	4,157,471	4,165,719	4,670,268	4,344,192	4,333,878	4,386,919	4,249,435	5,579,450	3,754,951
Percent of Total Revenues	34.8%	32.4%	41.4%	41.9%	42.4%	40.4%	41.4%	43.2%	42.8%	47.7%	41.0%
TOTAL REVENUES	\$ 9,053,145	\$ 8,523,814	\$ 10,039,649	\$ 9,949,691	\$ 11,026,431	\$ 10,760,090	\$ 10,472,830	\$ 10,145,567	\$ 9,938,709	\$ 11,696,651	\$ 9,166,767
Enplaned Passengers	294,600	301,881	315,081	314,745	354,015	389,562	367,750	348,364	390,106	402,088	409,001
TOTAL REVENUE PER ENPLANED PASSENGER	\$ 30.73	\$ 28.24	\$ 31.86	\$ 31.61	\$ 31.15	\$ 27.62	\$ 28.48	\$ 29.12	\$ 25.48	\$ 29.09	\$ 22.41
CONTRACT AIRLINE RATES											
Landing Fee (Per 1,000 lbs.)	\$1.05	\$1.02	\$0.99	\$0.96	\$0.93	\$0.90	\$0.87	\$0.84	\$0.82	\$0.80	\$0.78
Terminal Counter Rental Rates (Per sq. foot)	35.59	34.55	33.54	32.56	31.60	30.68	29.79	28.92	28.08	27.26	26.47
Airline Cost Per Enplanement	\$6.39	\$6.15	\$5.81	\$5.79	\$5.54	\$4.66	\$5.39	\$4.83	\$4.97	\$4.67	\$4.56

**ST. JOSEPH COUNTY, INDIANA
 ASSESSED VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS (1)**

<u>Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Total</u>	
	<u>Assessed Value</u>	<u>Assessed Value</u>	<u>Direct Tax Rate</u>	<u>Assessed Value</u>
2012	\$ 6,882,357,309	\$ 1,117,519,859	\$ 5.3095	7,999,877,168
2011	7,291,197,519	846,299,712	5.1872	8,137,497,231
2010	7,255,034,884	1,161,736,880	4.8099	8,416,771,764
2009	7,407,382,632	998,084,354	4.4039	8,405,466,986
2008	8,914,568,570	1,050,299,685	4.9224	9,964,868,255
2007	8,866,005,036	1,099,718,445	4.8540	9,965,723,481
2006	7,711,827,652	1,500,017,115	5.1204	9,211,844,767
2005	7,630,792,983	1,605,819,866	4.8230	9,236,612,849
2004	7,581,872,043	1,482,955,629	4.8918	9,064,827,672
2003	7,849,824,374	1,707,136,607	4.5845	9,556,960,981

Notes:

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

ST. JOSEPH COUNTY, INDIANA
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
(PER \$100 OF ASSESSED VALUE) (1)
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>
2012	\$ 0.0000	\$ 0.6212	\$ 0.0464	\$ 1.1931	\$ 0.2941	\$ 3.0239	\$ 0.0999	\$ 0.0277	\$ 5.3095
2011	0.0000	0.5424	0.0438	1.2211	0.3027	2.9541	0.0934	0.0297	5.1872
2010	0.0000	0.5866	0.0406	1.0728	0.2657	2.7279	0.0821	0.0342	4.8099
2009	0.0000	0.5693	0.0537	1.0297	0.2257	2.4081	0.0821	0.0353	4.4039
2008	0.0024	0.7576	0.0482	1.5417	0.2216	2.2396	0.0821	0.0292	4.9224
2007	0.0024	0.8711	0.0285	1.5419	0.1957	2.1046	0.0821	0.0277	4.8540
2006	0.0024	0.9899	0.0269	1.6033	0.2027	2.1795	0.0856	0.0301	5.1204
2005	0.0024	0.7831	0.0276	1.5969	0.1854	2.1148	0.0831	0.0297	4.8230
2004	0.0024	0.7652	0.0923	1.6201	0.1830	2.1115	0.0827	0.0346	4.8918
2003	0.0033	0.7366	0.1122	1.4792	0.1686	1.9606	0.0768	0.0472	4.5845

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

**ST. JOSEPH COUNTY, INDIANA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Year	Certified Levy (1)	Collections During Year		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2012	\$ 2,471,962	\$ 2,198,324	88.9%	(2)	\$ 2,198,322	88.9%
2011	2,416,836	2,126,937	88.0%	(2)	2,126,935	88.0%
2010	2,878,535	(2)	(2)	(2)	(2)	(2)
2009	2,967,130	(2)	(2)	(2)	(2)	(2)
2008	2,909,741	(2)	(2)	(2)	(2)	(2)
2007	2,812,446	(2)	(2)	(2)	(2)	(2)
2006	(2)	(2)	(2)	(2)	(2)	(2)
2005	(2)	(2)	(2)	(2)	(2)	(2)
2004	(2)	(2)	(2)	(2)	(2)	(2)
2003	(2)	(2)	(2)	(2)	(2)	(2)

Sources:

(1) Budget order approved by Indiana Department of Local Government Finance.

(2) Information not available at the time of the report.

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Adjusted Value (2)	\$ 2,666,625,723	\$ 2,712,499,077	\$ 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
Debt Limit Percentage	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Debt Limit	\$ 53,332,514	\$ 54,249,982	\$ 56,111,812	\$ 56,036,447	\$ 66,432,455	\$ 66,438,157	\$ 61,412,298	\$ 61,577,419	\$ 60,432,184	\$ 63,713,073
Bonds Outstanding	13,445,000	16,775,000	11,450,000	12,895,000	14,070,000	15,345,000	16,545,000	17,670,000	18,710,000	20,635,000
Subtotal	\$ 39,887,514	\$ 37,474,982	\$ 44,661,812	\$ 43,341,447	\$ 52,362,455	\$ 51,093,157	\$ 44,867,298	\$ 43,907,419	\$ 41,722,184	\$ 43,078,073
Amount Available in Debt Service Fund	171,118	1,284,052	534,027	497,709	64,279	589,636	655,517	622,147	96,419	1,046,744
Legal Debt Margin	\$ 39,716,396	\$ 36,190,930	\$ 44,127,785	\$ 42,843,738	\$ 52,298,176	\$ 50,503,521	\$ 44,211,781	\$ 43,285,272	\$ 41,625,765	\$ 42,031,329

Notes:

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

(2) 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
2012	\$ 585,000	\$ 527,684	\$ 1,112,684	\$ 12,613,751	\$ 3,347,686	\$ 585,000	\$ 9,851,065	11.3%
2011	675,000	545,850	1,220,850	12,823,416	3,611,684	675,000	9,886,732	12.3%
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%

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</u>	<u>Gross Bonded Debt (2)</u>	<u>Debt Service Monies Available</u>	<u>Net Bonded Debt</u>	<u>Percentage of Net Bonded Debt To Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
2012	266,931	\$ 7,999,877,168	\$ 13,445,000	\$ 171,118	\$ 13,273,882	0.1659%	49.73
2011	266,931	8,137,497,231	16,775,000	1,284,052	15,490,948	0.1904%	58.04
2010	266,931	8,416,771,764	11,450,000	534,027	10,915,973	0.1297%	40.89
2009	265,559	8,405,466,986	12,695,000	497,709	12,197,291	0.1451%	45.93
2008	265,559	9,964,868,255	14,070,000	64,279	14,005,721	0.1406%	52.74
2007	265,559	9,965,723,481	15,345,000	589,636	14,755,364	0.1481%	55.56
2006	265,559	9,211,844,767	16,545,000	655,517	15,889,483	0.1725%	59.83
2005	265,559	9,236,612,849	17,670,000	622,147	17,047,853	0.1846%	64.20
2004	265,559	9,064,827,672	18,710,000	96,419	18,613,581	0.2053%	70.09
2003	265,559	9,556,960,981	20,635,000	1,046,744	19,588,256	0.2050%	73.76

Notes:

- (1) Source: U. S. Department of Census and the Indiana Department of Workforce Development Services 2000 Population estimate applicable to years 2003 through 2009, 2010 Population Estimate applicable to 2010 and 2012
- (2) Includes funds held by fiscal agent on December 31 payable January 1 of the following year.

**ST. JOSEPH COUNTY AIRPORT AUTHORITY
COMPUTATION OF DIRECT AND OVERLAPPING DEBT (1) (2) (3)
AS OF MAY 1, 2013**

The following schedule shows the outstanding bonded indebtedness of St. Joseph County and the taxing units within and overlapping its jurisdiction as of May 1, 2013 as reported by the respective taxing units.

<u>Issuer</u>	<u>Total Debt</u>	<u>Percent Allocable to County*</u>	<u>Amount Allocable to County</u>
Property Tax Supported Debt:			
St. Joseph County	\$31,578,082	100.00%	\$31,578,082
John Glenn Community School Corporation	17,065,260	0.00% (a)	0
School City of Mishawaka	49,605,067	100.00%	49,605,067
New Prairie United School Corporation	43,720,000	0.00% (b)	0
Penn-Harris-Madison School Corporation	57,290,169	100.00%	57,290,169
South Bend Community School Corporation	175,774,193	100.00%	175,774,193
Union-North United School Corporation	6,900,000	0.00%	0
St. Joseph County Public Library	9,585,000	100.00%	9,585,000
Mishawaka-Penn-Harris Public Library	4,165,000	100.00%	4,165,000
New Carlisle-Olive Township Public Library	3,035,000	100.00%	3,035,000
City of Mishawaka	7,991,457	100.00%	7,991,457
Town of New Carlisle	225,000	100.00%	225,000
Town of North Liberty	241,188	100.00%	241,188
City of South Bend	5,144,135	100.00%	5,144,135
South Bend Redevelopment Authority	46,515,000	100.00%	46,515,000
Town of Walkerton	440,317	100.00%	440,317
German Township	540,000	100.00%	540,000
Penn Township	2,870,000	100.00%	2,870,000
			<hr/>
Total Property Tax Supported Debt			<u><u>\$394,999,608</u></u>
Property Tax Backed Debt:			
St. Joseph County Airport Authority	\$13,445,000	100.00%	<u><u>\$13,445,000</u></u>
Tax Increment Financing Debt - Property Tax Backed:			
St. Joseph County Redevelopment District	\$12,800,000	100.00%	12,800,000
South Bend Redevelopment Authority	30,015,000	100.00%	30,015,000
South Bend Redevelopment District	3,750,000	100.00%	<u><u>3,750,000</u></u>
			<hr/>
Total Tax Increment Financing Debt - Property Tax Backed			<u><u>\$46,565,000</u></u>

- (a) A portion of the School Corporation is located inside LaPorte County. The debt ratio for the Johnson Township taxing unit in LaPorte County is based upon the net assessed valuation for 2010 payable 2011.
- (b) A portion of the School Corporation is located inside LaPorte County. The debt ratio for the Galena Township, Hudson Township, Kankakee Township, LaPorte Corporation-Kankakee Twp #1 and Wills Township taxing units in LaPorte County are based upon the net assessed valuation for 2010 payable 2011.

*Based upon the 2012 payable 2013 net assessed valuation of the respective taxing units.

(Continued on next page)

**ST. JOSEPH COUNTY AIRPORT AUTHORITY
COMPUTATION OF DIRECT AND OVERLAPPING DEBT (1) (2) (3)
AS OF MAY 1, 2013**

<u>Issuer</u>	<u>Total Debt</u>	<u>Percent Allocable to County*</u>	<u>Amount Allocable to County</u>
Tax Increment Financing Revenue Debt:			
St. Joseph County Redevelopment District	\$324,707	100.00%	\$324,707
Mishawaka Redevelopment District	635,000	100.00%	635,000
South Bend Redevelopment Authority	6,705,970	100.00%	<u>6,705,970</u>
Total Tax Increment Financing Revenue Debt			<u><u>\$7,665,677</u></u>
County Option Income Tax Revenue Debt:			
City of South Bend	\$20,867,565	100.00%	<u>\$20,867,565</u>
County Economic Development Income Tax Revenue Debt:			
City of South Bend	\$3,180,000	100.00%	<u>\$3,180,000</u>
Hotel-Motel Tax Supported Debt:			
South Bend Redevelopment Authority	\$3,990,000	100.00%	<u>\$3,990,000</u>
Revenue Supported Debt:			
Town of Lakeville	\$702,700	100.00%	\$702,700
City of Mishawaka	97,110,387	100.00%	97,110,387
Town of New Carlisle	2,170,000	100.00%	2,170,000
Town of North Liberty	942,000	100.00%	942,000
City of South Bend	129,641,772	100.00%	129,641,772
Town of Walkerton	1,738,000	100.00%	<u>1,738,000</u>
Total Revenue Supported Debt			<u><u>\$232,304,859</u></u>

*Based upon the 2012 payable 2013 net assessed valuation of the respective taxing units.

**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)
2012	\$	(4)	9.7%	124,968	461
2011	\$	36,289	10.1%	128,868	461
2010		8,891,812	11.4%	127,611	461
2009		9,289,258	11.6%	128,714	461
2008		9,466,916	6.6%	132,758	461
2007		9,396,281	5.1%	134,771	461
2006		9,008,220	5.1%	136,217	461
2005		8,519,179	5.2%	135,084	461
2004		8,294,939	5.1%	133,412	461
2003		7,886,846	5.3%	132,350	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 2012

ST. JOSEPH COUNTY, INDIANA
 PRINCIPAL EMPLOYERS (1)
 CURRENT YEAR

		2012			
<u>Employer</u>	<u>Type of Business</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	
University of Notre Dame	Higher education	5,000	1	4.00%	
Memorial Hospital & Health Systems	Acute care health services	4,000	2	3.20%	
South Bend Community School Corp.	Public education	3,672	3	2.94%	
St. Joseph's Regional Medical Center	Acute care health services	2,500	4	2.00%	
AM General Corporation	Mfr. military vehicles, other automotive products	2,000	5	1.60%	
Indiana University at South Bend	Higher education	1,445	6	1.16%	
City of South Bend	City government	1,388	7	1.11%	
St. Joseph County	County government	1,248	8	1.00%	
Penn-Harris-Madison School Corp.	Public education	1,179	9	0.94%	
School City of Mishawaka	Retail store	986	10	0.79%	
Totals		<u>23,418</u>		18.74%	

Notes:

(1) Source: The Chamber of Commerce of St. Joseph County.

(2) St. Joseph County total workforce in 2012 was 124,968.

**ST. JOSEPH COUNTY, INDIANA
PRINCIPAL PROPERTY TAXPAYERS (4)
DECEMBER 31, 2012**

Taxpayer:	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value (1)	Taxable Assessed Value	Percentage of Total Taxable Assessed Value (5)	
Edward Rose of Indiana	\$ 141,362,960	1	1.77%	\$ 73,593,900	0.77%	
American Electric Power Company	131,757,072	2	1.65%	108,196,870	1.13%	
AM General Corporation, LLC	123,379,284	3	1.54%	24,926,390	0.26%	
I/N Tek - I/N Kote	87,807,890	4	1.10%	146,506,980	1.53%	
AT&T	77,667,380	5	0.97%	20,489,320	0.21%	
Memorial Health System, Inc. (2)	60,038,156	6	0.75%	17,778,824	0.19%	
University of Notre Dame (3)	56,441,566	7	0.71%	10,907,790	0.11%	
Northern Indiana Public Service Company	55,119,410	8	0.69%	51,202,390	0.54%	
Honeywell International, Inc.	54,569,525	9	0.68%	33,506,150	0.35%	
Schottenstein Stores Corporation	48,859,210	10	0.61%	11,460,460	0.12%	
Totals	\$ 837,002,453		10.46%	\$ 498,569,074	5.22%	

Notes:

- (1) The total net assessed valuation of the St. Joseph County Airport Authority is \$7,999,877,168 for taxes payable in 2012, according to the St. Joseph County Auditor's Office.
- (2) Memorial Hospital filed an appeal for the tax year payable 2009 regarding the assessment of a large parcel which received a greatly reduced exemption, resulting in an assessment of \$64,188,580 for pay 2009. The parcel continued to receive a large assessment and lack of exemption for the tax years payable 2010, 2011 and 2012. According to the St. Joseph County Assessor's Office, the appeal is still open. The Hospital has made payments on this parcel of \$214,000 in May 2013 and a total of \$1,655,210 in 2010, 2011, and 2012. There is presently a total of \$1,344,575 outstanding in unpaid taxes and penalties on this parcel, pending the outcome of the appeal. County officials expect to move forward to resolve the issue some time in 2013. Additionally, the Hospital requested and received a re-plat of the parcel in question, and the parcel received a \$33,392,832 charitable exemption for the tax year payable 2013.
- (3) Assessed values shown are net of all tax-exempt property.
- (4) Source: St. Joseph County Auditor and H.J. Umbaugh and Associates.
- (5) 2002 Payable 2003 Valuation \$955,696,0981.

**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>	
2012	294,600	292,440	11,428,777	14,278,561	12,778	1,324	19,731	11	
2011	301,881	297,246	11,100,994	12,863,645	13,682	1,374	18,364	13	
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	

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 JULY 01, 2013**

<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	AAPNO 219921A	7-01-13 to 7-01-14	General Liability	\$10,000,000	\$29,250.00
Auto Owners	42-365-347-00	7-01-13 to 7-01-14	Business Auto Liability PD-Licensed Vehicles	\$1,000,000 Liability/\$1,000/Ded/Comprehensive \$1,000/Ded/Collision \$5,000 Medical \$1,000,000 Uninsured Motorist	11,446.00
Companion	WC7-Z21-968486-03	7-01-13 to 7-01-14	Workers Compensation	\$1 million Policy Limit	47,757.00
ACE	G27110101001	7-01-13 to 7-01-14	Executive Risk Directors' & Officers' Liability Employment Practices Liability Fiduciary Liability and Crime	\$5,000,000 Limit Liability \$5,000,000 \$5,000,000 \$1,000,000 & \$500,000	23,765.00
Liberty Mutual Ins. Co.	YU2L9L457292013	7-01-13 to 7-01-14	Property Fire, DIC, & In-Transit and All Licensed Vehicles Equipment Breakdown	Value \$93,395,200 \$10,000 Deductible per Incident Extra Expense - \$250,000 Earthquake \$5,000,000	99,492.00
CNA Security Co/Western Surety	7035344IN00 70399235N00 70297587N00	8-22-08 to 10-08-15	Notary Public	Notary Bonds	150.00
CAN	713374549	7-01-13 to 7-01-14	Surety Policy - Treasurer	\$60,000	425.00
					\$212,285.00

Quick Reference Information

Effective March 2013

South Bend Regional Airport
 Operated by the St. Joseph County Airport Authority

4477 Progress Drive
 South Bend, IN 46628
 Michael Daigle, A.A.E., Executive Director
 574-282-4590 Fax 574-239-2585 Email info@sbair.com Website http://www.ftysbn.com

Runways:

9R/27L - 8,412 ft. long x 150 ft. wide; 9L/27R - 4,300 ft. long x 75 ft. wide; 18/36 - 7100 ft. long x 150 ft. wide

Elevation: 799'

Latitude: 41 42' 15.6"N

Longitude: 86 18' 55.1."W (degrees, minutes, seconds)

Based Aircraft: 47

Design Aircraft: 757- (Dimensions) 727 - 200 (Weight)

Passenger Airlines	Monthly Departures	Weekly Departures	Initial Destination	Equipment Used	Seating	Max Seating	Monthly Seats	Weekly Seats	Avg. Daily Seats
Allegiant Air	29	7.25	Cleanwater/St. Pete	MD-80	166	166	4,814	1,204	
Allegiant Air	9	2.25	Las Vegas	MD-80	166	166	1,494	374	
Allegiant Air	9	2.25	Phoenix/Mesa	MD-80	166	166	1,494	374	
Allegiant Air	27	6.75	Sanford/Orlando	MD-80	166	166	4,482	1,121	
Allegiant Air	8	2	Punta Gorda	MD-80	166	166	1,328	332	
Delta Connection	93	23.25	Atlanta	CRJ-100/200	50	50	4,650	1,163	
Delta Connection	56	14	Minneapolis	CRJ-100/200	50	50	2,800	700	
Delta Connection	143	35.75	Detroit	CRJ-100/200	50	50	7,150	1,788	
Frontier	18	4.5	Denver	A319	138	138	2,484	621	
United	131	32.75	ORD/Chicago	ERJ135/140/145	50	50	6,550	1,638	
United	5	1.25	ORD/Chicago	E-170	70	70	350	88	
Total	528	132					37,596	9,399	1,212

Fixed Base Operator Services available

Atlantic Aviation
 574-293-8285
 Charter Service, flight instruction, aircraft maintenance- engine overhaul, propellor 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 EW 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, 2012

<u>FUNCTION</u>	<u>2012</u>	<u>2011</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>
Administration	11	10	10	10	10	10	9	9	11	11
Operations	6	5	7	8	8	8	8	8	8	6
Maintenance	8	9	9	10	10	10	10	10	10	11
Terminal	12	13	13	13	13	13	14	14	14	13
Airfield										
Public Safety	16	17	17	17	17	17	17	17	16	15
<u>TOTAL</u>	<u>53</u>	<u>54</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>

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

<u>FUNCTION</u>	<u>Fiscal Year</u>									
	<u>2012</u>	<u>2011</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>
Operations										
Field Condition Reports	510	506	491	516	684	668	N/A	N/A	N/A	N/A
Notice to Airmen (NOTAMs)	157	159	154	165	271	246	N/A	N/A	N/A	N/A
Field Checks	1,126	1,125	1,122	1,405	1,685	1,568	N/A	N/A	N/A	N/A
Terminal Checks	950	952	924	1,068	1,156	1,129	N/A	N/A	N/A	N/A
Perimeter Checks	1,819	1,816	1,738	2,104	2,198	2,132	N/A	N/A	N/A	N/A
Maintenance										
Terminal										
Square Footage Maintained	275,524	275,571	196,484	150,584	150,584	150,584	N/A	N/A	N/A	N/A
Work Orders Processed	1,020	1,080	685	623	571	525	N/A	N/A	N/A	N/A
Airfield										
Vehicles - Hours of Operation										
Blowers	652	699	708	332	665	537	N/A	N/A	N/A	N/A
Brooms	3,170	2,917	2,960	1,538	2,507	1,570	N/A	N/A	N/A	N/A
Loaders	1,314	1,185	1,216	709	1,227	298	N/A	N/A	N/A	N/A
Plows	672	670	662	444	544	600	N/A	N/A	N/A	N/A
Total Snow Equipment - Hours	5,808	5,471	5,546	3,023	4,943	3,005	N/A	N/A	N/A	N/A
Public Safety										
Aircraft and Other Fire Calls	44	27	23	22	41	37	N/A	N/A	N/A	N/A
Medical Responses	32	29	43	30	26	34	N/A	N/A	N/A	N/A
Arrests	8	11	10	18	10	14	N/A	N/A	N/A	N/A
Various Additional Reports	283	244	23	16	43	19	N/A	N/A	N/A	N/A
Airport Ordinance Violations	439	583	482	482	429	344	N/A	N/A	N/A	N/A
State Citations/Tickets	8	13	12	16	17	15	N/A	N/A	N/A	N/A
Approximate Calls for Service	1,280	1,200	1,228	1,250	1,200	1,180	N/A	N/A	N/A	N/A

Note: (1) Information is not available for years 2003 through 2006.

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

Function	Fiscal Year									
	<u>2012</u>	<u>2011</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>
Operations										
Pick-Up Trucks	2	2	2	2	2	2	N/A	N/A	N/A	N/A
Maintenance										
Terminal										
Pick-Up Trucks	4	4	4	4	4	4	N/A	N/A	N/A	N/A
Cargo Van	1	1	1	1	1	1	N/A	N/A	N/A	N/A
Loaders	1	1	1	1	1	1	N/A	N/A	N/A	N/A
Sweepers	1	1	1	1	1	1	N/A	N/A	N/A	N/A
Airfield										
Blowers/Jet Air Blowers	4	4	4	4	4	4	N/A	N/A	N/A	N/A
Brooms	5	5	5	5	5	3	N/A	N/A	N/A	N/A
Loaders	2	2	2	2	2	2	N/A	N/A	N/A	N/A
Back Hoe Loader	1	1	1	1	1	1	N/A	N/A	N/A	N/A
Plows	3	3	3	3	3	3	N/A	N/A	N/A	N/A
Pick-Up Trucks	5	5	5	5	5	5	N/A	N/A	N/A	N/A
Mowers	4	4	4	4	4	4	N/A	N/A	N/A	N/A
Lighting Trucks	1	1	1	1	1	1	N/A	N/A	N/A	N/A
Sweepers	1	1	1	1	1	1	N/A	N/A	N/A	N/A
Public Safety										
Stations	1	1	1	1	1	1	N/A	N/A	N/A	N/A
Patrol Units	4	4	4	4	4	4	N/A	N/A	N/A	N/A
ARFF Vehicles	4	4	4	4	4	3	N/A	N/A	N/A	N/A
Buses	1	1	1	1	1	1	N/A	N/A	N/A	N/A

Note: (1) Information is not available for years 2003 through 2006.

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

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS
ST. JOSEPH COUNTY AIRPORT AUTHORITY
ST. JOSEPH COUNTY, INDIANA
January 1, 2012 to December 31, 2012



FILED
01/02/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Vice President	Abraham Marcus	01-01-12 to 12-31-13
Treasurer	James V. Wyllie	01-01-12 to 12-31-13
President of the Board	Thomas S. Botkin	01-01-12 to 12-31-13
Secretary	David R. Sage	01-01-12 to 12-31-13
Executive Director	Michael Daigle	01-01-12 to 12-31-13



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the St. Joseph County Airport Authority (Airport Authority), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Airport Authority's basic financial statements and have issued our report thereon dated October 3, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Airport Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Airport Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weakness.

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. We consider the deficiency described in item 2012-1 the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Airport Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

St. Joseph County Airport Authority's Response to Findings

The Airport Authority's response to the findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. The Airport Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Airport Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Bruce Hartman
State Examiner

October 3, 2013

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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302 WEST WASHINGTON STREET
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for the Major Federal Program

We have audited the St. Joseph County Airport Authority's (Airport Authority) compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2012. The Airport Authority's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Airport Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Airport Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133
(Continued)

Opinion on the Major Federal Program

In our opinion, the Airport Authority complied in all material respects with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of the Airport Authority is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Airport Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Airport Authority's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of *OMB Circular A-133*. Accordingly, this report is not suitable for any other purpose. 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.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the business-type activities of the Airport Authority as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Airport Authority's basic financial statements. We issued our report thereon dated October 3, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133
(Continued)

additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditure of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Bruce Hartman
State Examiner

October 3, 2013

ST. JOSEPH COUNTY AIRPORT AUTHORITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Year Ended December 31, 2012

Federal Grantor Agency/Pass-Through Entity 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-03-18-0079-44 AIP-03-18-0079-45	\$ 561,260 <u>2,101,152</u>
Total for federal grantor agency			<u>2,662,412</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Direct Grant:			
Law Enforcement Officer Reimbursement Agreement Program	97.090	HSTS0208HSLR091	<u>107,600</u>
Total federal awards expended			<u>\$ 2,770,012</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 and is presented on the cash basis. The financial statements are 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 Airport Authority was reimbursed by the federal government. 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:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB 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?	no

Section II – Financial Statement Findings

FINDING 2012-1 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the Airport Authority related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

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

1. Preparing Financial Statements: Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the Airport Authority's audited financial statements and then determining how those identified risks should be managed. The Airport Authority has not identified risks to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements, including notes to the financial statements.

The 2012 audited financial statements contain four restatements of the 2011 audited financial statement. The largest of which is for the removal of \$5,087,319 in capital assets with an accumulated depreciation \$4,829,772.

2. Monitoring of Controls: Effective internal control over financial reporting requires the Airport Authority Board to monitor and assess the quality of the Airport Authority's system of internal control. The Airport Authority Board has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the Airport Authority at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

ST. JOSEPH COUNTY AIRPORT AUTHORITY

Section II - Financial Statement Findings

FINDING 2012-1 INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Contact person:

Michael A. Guljas mguljas@sbnair.com 574-282-4590 ext. 223

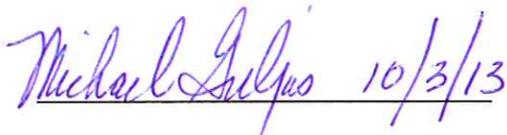
Expected Completion date: 12/31/13

Corrective Action:

We feel that the internal controls of the Airport Authority are currently strong and that our records are materially accurate. We do not believe that there will be a reason for restatements in the future.

We feel that the Authority Board has a thorough knowledge of the financial activities of the Authority which allows them to monitor and assess the quality of the Airport Authority's financial activities.

In order to improve this process, we are implementing a revision to our internal reporting system which will provide the Board monthly and quarterly reports which are more closely in line with the presentation of our annual financial statements.

 Michael A. Guljas 10/3/13

Michael A. Guljas 10/03/13
Director of Administration and Finance
St. Joseph County Airport Authority

ST. JOSEPH COUNTY AIRPORT AUTHORITY
EXIT CONFERENCE

The contents of this report were discussed on October 3, 2013, with Michael Daigle, Executive Director; Lauren Winger, Accounting Manager; Michael Guljas, Director of Administration and Finance; and Thomas S. Botkin, President of the Board. Our audit disclosed no material items that warrant comment at this time.