

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015



ST. JOSEPH COUNTY AIRPORT AUTHORITY

A COMPONENT UNIT OF ST. JOSEPH COUNTY, INDIANA

Prepared by the Department of Administration and Finance

FILED
09/15/2016

**ST. JOSEPH COUNTY AIRPORT AUTHORITY
ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2015**

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**ST. JOSEPH COUNTY AIRPORT AUTHORITY
ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2015**

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August 1, 2016,

To the Members of the Board:

The Annual Financial Report of the St. Joseph County Airport Authority for the fiscal year ended December 31, 2015, 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. One should read this letter of transmittal in conjunction with the Management Discussion and Analysis (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authority granted by Indiana Statute (I.C. 1971 19-6-2 as amended by Chapter 3.5, commonly known as Public Law 304 and superseded by I.C. 8-22-3).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 The South Bend International 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.

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 six (6) main funds (Aviation, Cumulative Building, Restricted, PFC, Debt Service and Section 125) 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 the spring of 2016 the St. Joseph County Airport Authority in compliance with the Department of Local Government and Finance and State Board of Accounts directives updated its internal controls policies and procedures.

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.

Respectfully submitted,



Executive Director



Director of Administration and Finance

ST. JOSEPH COUNTY AIRPORT AUTHORITY
SOUTH BEND INTERNATIONAL AIRPORT
2015 OFFICIALS

| Office | Official | Year Appointed | Term Expires |
|--------------------|------------------------------|---------------------------|---------------------|
| President | Mr. Abraham Marcus | 2010 | 12/31/2017 |
| Vice President | Mr. David R. Sage | 1991 | 12/31/2016 |
| Treasurer | Dr. Jay Asdell | 2013 | 12/31/2019 |
| Secretary | Mr. Thomas S. Botkin | 2007 | 12/31/2018 |
| Executive Director | Mr. Michael A Daigle, A.A.E. | | |



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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), a component unit of St. Joseph County, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Airport Authority's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 audits 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 Airport Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Airport Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Emphasis of Matter

As discussed in Note IV.E to the financial statements, the Airport Authority adopted new accounting guidance, GASB Statement 68 *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Proportionate Share of the Net Pension Liability, Schedule of Contributions, and Schedule 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 an opinion on the financial statements that collectively comprise the Airport Authority's basic financial statements. The accompanying Budgetary Comparison Schedule, Budget/GAAP Reconciliation, Schedule of Expenditures of Passenger Facility Charges, Introductory and Trend Sections, and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not required parts of the basic financial statements.


The Budgetary Comparison Schedule, Budget/GAAP Reconciliation, Schedule of Expenditures of Passenger Facility Charges, and Schedule of Expenditures of Federal Awards 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, Schedule of Expenditures of Passenger Facility Charges, and Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Trend 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 it.

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 August 1, 2016, 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.


Paul D. Joyce, CPA
State Examiner

August 1, 2016



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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), a component unit of St. Joseph County, as of and for the year ended December 31, 2015, 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 August 1, 2016.

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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in item 2015-001 of the accompanying Schedule of Findings and Questioned Costs, that we consider to be material weaknesses.

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

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)


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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001.

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


Paul D. Joyce, CPA
State Examiner

August 1, 2016

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 International Airport (Airport) and an introduction and overview of the financial performance and statements of the St. Joseph County Airport Authority (Airport Authority) for the fiscal year ended December 31, 2015. 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 Trend and Compliance Sections of this report.

Following this MD&A are the basic financial statements of the Airport 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.)**. 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, 2015, the Airport provided non-stop flights to 10 cities: Atlanta, Chicago, Detroit, Las Vegas, Minneapolis, New York City/Newark, Orlando/Sanford, Phoenix-Mesa, Punta Gorda, and Tampa Bay/St. Petersburg with connections world-wide. The Airport's multi-modal terminal serves approximately one million air, rail, and bus passengers each year. Three (3) major passenger carriers (Allegiant, Delta, 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.

The Airport offers a lower than average rate structure to the airlines, thus making the Airport an attractive choice from a cost standpoint. From a passenger standpoint, the convenience of using the less congested security check points, plus competitive fares, while saving on time, gas, parking, and tolls compared to larger neighboring airports, places South Bend International Airport in an increasingly favorable position in the national airport system.

In addition, thanks to the multi-modal nature of the Airport, the facility continues to house the South Shore inter-urban electric rail service (NICTD), which provides travel between South Bend and downtown Chicago (Millennium Station). The airport also provides several interstate and intrastate-commercial bus line options with the Airport as an originating or terminating station including Greyhound. Additionally Coach USA provides alternative transportation connections to other communities in Indiana and Illinois, plus Midway and O'Hare International airports.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

In 2015 South Bend International (SBN) has continued to soar, beginning September 7 of 2016 SBN is adding a second daily flight to Newark thru December. SBN has welcomed competition by bringing on a second Fixed Based Operator (FBO), supported by an incentive package and partnership with the City of South Bend. The addition of Corporate Wings created more consistent airfield service, pricing and additional capital investment which has expanded public ramp space, and provides SBN additional general aviation capacity.

A major exit lane improvement occurred in 2015. The exit lane rotating door was removed and replaced with different electronic doors that increased security and enhanced the customer experience.

2016 looks to provide more growth opportunity. SBN plans to open its new Federal Inspection Station (FIS) / General Aviation Facility (GAF) by late fall. The addition of the FIS brings Custom and Border Protection (CBP) staff on site, which allows SBN to develop new service opportunities such as; international leisure and business air service and expanded cargo capabilities. Recently, the local market has boomed with the construction of distribution facilities, SBN anticipates capturing additional revenue by offering services which will attract domestic and international cargo operations located nearby.

Looking forward, NICTD is applying to the federal government for funding to double track from downtown Chicago (Millennium station) to SBN. This would reduce the commute times to 90 minutes each way. NICTD projects this to increase ridership volume and revenues. While in the planning stages, this development has growth potential for the Airport Authority and surrounding region.

Below outlines the Airport Authority 2015 Annual statistical report. The report is a comparative analysis of 3 years of numbers, which calculates increase and decrease percentages by comparing the current year versus the previous year.

2015 COMPOSITE STATISTIC CHART

Page 1



| | Airline Enplanements | | | | | Aircraft Landed Weight | | | | | Air Cargo | | | | | Aircraft Operations | | | | |
|-------------|----------------------|---------|---------|--------|--------|------------------------|-------------|-------------|------------|--------|------------|------------|------------|----------|--------|---------------------|--------|--------|-------|---------|
| | 2013 | 2014 | 2015 | Diff. | % | 2013 | 2014 | 2015 | Diff. | % | 2013 | 2014 | 2015 | Diff. | % | 2013 | 2014 | 2015 | Diff. | % |
| Jan. | 23,303 | 19,364 | 20,950 | 1,586 | 8.19% | 36,777,973 | 34,638,633 | 34,772,652 | 134,019 | 0.39% | 2,056,100 | 2,284,129 | 2,098,521 | -185,608 | -8.13% | 2,140 | 1,531 | 2,118 | 587 | 38.34% |
| Feb. | 23,219 | 21,409 | 23,619 | 2,210 | 10.32% | 41,077,805 | 32,919,243 | 35,752,757 | 2,833,514 | 8.61% | 1,903,944 | 2,186,479 | 1,982,029 | -204,450 | -9.35% | 2,325 | 2,039 | 2,076 | 37 | 1.81% |
| March | 32,568 | 31,285 | 32,671 | 1,386 | 4.43% | 42,704,927 | 43,353,768 | 46,639,832 | 3,286,064 | 7.58% | 2,096,123 | 2,237,109 | 2,091,126 | -145,983 | -6.53% | 2,723 | 2,681 | 2,916 | 235 | 8.77% |
| April | 26,338 | 26,621 | 26,834 | 213 | 0.80% | 39,853,695 | 40,950,483 | 38,818,535 | -2,131,948 | -5.21% | 1,817,419 | 2,242,416 | 2,246,031 | 3,615 | 0.16% | 2,769 | 2,929 | 3,062 | 133 | 4.54% |
| May | 27,427 | 26,402 | 24,791 | -1,611 | -6.10% | 40,538,815 | 40,339,561 | 39,040,896 | -1,298,665 | -3.22% | 1,996,430 | 2,369,326 | 2,225,111 | -144,215 | -6.09% | 2,949 | 2,844 | 3,252 | 408 | 14.35% |
| June | 30,328 | 27,605 | 26,927 | -678 | -2.46% | 41,292,318 | 38,385,268 | 39,879,119 | 493,851 | 1.25% | 2,089,399 | 2,127,922 | 2,429,641 | 301,719 | 14.18% | 2,921 | 2,942 | 3,009 | 67 | 2.28% |
| July | 28,509 | 27,893 | 28,250 | 357 | 1.28% | 43,402,776 | 38,315,789 | 40,743,981 | 1,428,192 | 3.63% | 2,072,294 | 2,252,896 | 2,570,119 | 317,223 | 14.08% | 3,140 | 3,497 | 3,279 | -218 | -6.23% |
| Aug. | 26,987 | 25,398 | 26,057 | 659 | 2.59% | 43,686,315 | 38,140,946 | 38,374,476 | -766,470 | -1.96% | 2,384,157 | 2,367,542 | 2,315,735 | -51,817 | -2.19% | 3,186 | 3,441 | 2,844 | -597 | -17.35% |
| Sept. | 23,164 | 22,339 | 25,214 | 2,875 | 12.87% | 37,752,249 | 34,922,720 | 38,678,848 | 3,756,128 | 10.76% | 2,033,344 | 2,226,491 | 2,547,048 | 320,557 | 14.40% | 3,161 | 3,504 | 3,610 | 106 | 3.03% |
| Oct. | 24,524 | 25,210 | 28,379 | 3,169 | 12.57% | 40,523,155 | 38,014,270 | 41,834,156 | 3,819,886 | 10.05% | 2,440,950 | 2,475,675 | 2,562,100 | 86,425 | 3.49% | 3,258 | 3,502 | 3,403 | -99 | -2.83% |
| Nov. | 24,442 | 24,669 | 24,861 | 192 | 0.78% | 39,182,422 | 38,491,632 | 37,528,439 | -963,193 | -2.50% | 2,334,396 | 2,007,529 | 2,065,886 | 58,357 | 2.91% | 2,585 | 2,520 | 3,054 | 534 | 21.19% |
| Dec. | 23,105 | 23,683 | 25,747 | 2,064 | 8.72% | 38,795,520 | 35,513,998 | 39,574,693 | 4,060,695 | 11.43% | 2,238,859 | 2,136,072 | 2,583,764 | 447,692 | 20.96% | 1,965 | 2,073 | 2,290 | 217 | 10.47% |
| Ann. Totals | 314,114 | 301,878 | | | | 485,587,970 | 456,986,311 | | | | 25,463,415 | 26,913,586 | | | | 33,122 | 33,503 | | | |
| YTD | 314,114 | 301,878 | 314,300 | 12,422 | 4.11% | 485,587,970 | 456,986,311 | 471,638,384 | 14,652,073 | 3.21% | 25,463,415 | 26,913,586 | 27,717,111 | 803,525 | 2.99% | 33,122 | 33,503 | 34,913 | 1,410 | 4.21% |

2015 COMPOSITE STATISTIC CHART

Page 2



| | Aviation Fuel Flowage - Gallons | | | | | Car Rental - Gross Sales | | | | | Restaurant/Gift Shop - Gross Sales | | | | | Republic Parking - Gross Sales | | | | |
|-------------|---------------------------------|-----------|-----------|-----------------|-------------------|--------------------------|-------------|--------------|----------------------|-------------------|------------------------------------|-------------|-------------|-----------|--------|--------------------------------|-------------|-------------|----------------------|-------------------|
| | 2013 | 2014 | 2015 | Diff. | % | 2013 | 2014 | 2015 | Diff. | % | 2013 | 2014 | 2015 | Diff. | % | 2013 | 2014 | 2015 | Diff. | % |
| Jan. | 412,880 | 334,419 | 390,967 | 56,548 | 16.91% | \$539,507 | \$531,518 | \$594,979 | \$63,461 | 11.94% | \$91,770 | \$86,630 | \$110,917 | \$24,287 | 28.34% | \$237,542 | \$234,124 | \$251,739 | \$17,615 | 7.52% |
| Feb. | 373,271 | 375,172 | 392,688 | 17,516 | 4.67% | \$550,591 | \$611,767 | \$585,933 | -\$25,834 | -4.22% | \$103,596 | \$99,411 | \$131,990 | \$32,579 | 32.77% | \$250,158 | \$245,499 | \$262,170 | \$16,671 | 6.79% |
| March | 497,170 | 502,409 | 571,238 | 68,829 | 13.70% | \$643,648 | \$723,392 | \$693,886 | -\$29,506 | -4.08% | \$133,406 | \$126,483 | \$162,702 | \$36,219 | 28.34% | \$326,593 | \$342,752 | \$363,277 | \$20,525 | 5.99% |
| April | 463,676 | 472,717 | 472,442 | -275 | -0.06% | \$831,005 | \$744,063 | \$788,384 | \$44,321 | 5.96% | \$108,126 | \$99,794 | \$138,356 | \$38,562 | 38.34% | \$299,770 | \$291,535 | \$310,230 | \$18,695 | 6.41% |
| May | 457,689 | 425,069 | 443,737 | 18,668 | 4.39% | \$836,114 | \$871,256 | \$824,157 | -\$47,099 | -5.41% | \$115,040 | \$111,437 | \$135,973 | \$22,536 | 19.37% | \$258,628 | \$265,652 | \$254,118 | -\$11,534 | -4.34% |
| June | 465,976 | 447,594 | 456,312 | 8,718 | 1.95% | \$895,518 | \$861,318 | \$934,993 | \$73,675 | 8.55% | \$129,211 | \$116,927 | \$140,681 | \$24,754 | 21.35% | \$258,326 | \$256,051 | \$247,260 | -\$8,791 | -3.43% |
| July | 476,282 | 442,595 | 509,142 | 66,547 | 15.04% | \$1,013,190 | \$1,033,283 | \$1,112,974 | \$79,691 | 7.71% | \$139,713 | \$131,351 | \$155,599 | \$24,248 | 18.46% | \$252,402 | \$236,193 | \$242,779 | \$6,586 | 2.79% |
| Aug. | 475,600 | 455,883 | 488,694 | 32,811 | 7.20% | \$1,078,987 | \$1,067,461 | \$1,128,760 | \$61,299 | 5.74% | \$119,846 | \$134,971 | \$150,923 | \$15,951 | 11.32% | \$249,518 | \$229,085 | \$240,787 | \$11,702 | 5.11% |
| Sept. | 507,064 | 479,938 | 567,797 | 87,859 | 18.31% | \$940,271 | \$925,866 | \$1,062,665 | \$136,799 | 14.78% | \$108,821 | \$114,907 | \$154,291 | \$39,384 | 34.27% | \$231,028 | \$221,443 | \$221,272 | -\$171 | -0.08% |
| Oct. | 460,830 | 534,390 | 572,831 | 38,441 | 7.19% | \$876,013 | \$951,955 | \$1,004,687 | \$52,732 | 5.54% | \$93,129 | \$131,014 | \$162,941 | \$25,927 | 18.32% | \$251,363 | \$249,313 | \$278,829 | \$29,516 | 11.84% |
| Nov. | 463,092 | 436,487 | 470,471 | 33,984 | 7.79% | \$708,080 | \$727,795 | \$679,332 | -\$48,463 | -6.66% | \$97,106 | \$134,663 | \$140,234 | \$5,571 | 4.14% | \$226,993 | \$244,091 | \$264,016 | \$19,925 | 8.16% |
| Dec. | 411,374 | 382,780 | 442,969 | 60,189 | 15.72% | \$625,811 | \$621,483 | \$638,042 | \$16,559 | 2.66% | \$105,912 | \$126,853 | \$146,090 | \$17,237 | 13.38% | \$222,331 | \$226,411 | \$234,565 | \$8,154 | 3.60% |
| Ann. Totals | 5,464,904 | 5,289,453 | | | | \$9,538,736 | \$9,671,157 | | | | \$1,345,676 | \$1,423,442 | | | | \$3,064,652 | \$3,042,150 | | | |
| YTD | 5,464,904 | 5,289,453 | 5,779,288 | 489,835 | 9.26% | \$9,538,736 | \$9,671,157 | \$10,048,792 | \$377,635 | 3.90% | \$1,345,676 | \$1,423,442 | \$1,730,697 | \$307,256 | 21.59% | \$3,064,652 | \$3,042,150 | \$3,171,043 | \$128,893 | 4.24% |

2015 COMPOSITE STATISTIC CHART

Page 3



| | South Shore Passengers | | | | | South Shore Ops. | | | | | Bus Passengers | | | | |
|-------------|------------------------|---------|---------|--------|---------|------------------|-------|-------|-------|--------|----------------|--------|--------|--------|---------|
| | 2013 | 2014 | 2015 | Diff. | % | 2013 | 2014 | 2015 | Diff. | % | 2013 | 2014 | 2015 | Diff. | % |
| Jan. | 15,723 | 13,973 | 14,522 | 549 | 3.93% | 207 | 199 | 207 | 8 | 4.02% | 2,636 | 3,498 | 2,665 | -833 | -23.81% |
| Feb. | 17,726 | 15,664 | 15,750 | 86 | 0.55% | 188 | 188 | 188 | 0 | 0.00% | 2,176 | 2,281 | 2,085 | -196 | -8.59% |
| March | 23,150 | 19,725 | 19,077 | -648 | -3.29% | 206 | 207 | 208 | 1 | 0.48% | 2,411 | 2,669 | 2,460 | -209 | -7.83% |
| April | 23,654 | 23,667 | 22,950 | -717 | -3.03% | 202 | 202 | 202 | 0 | 0.00% | 2,464 | 2,712 | 2,524 | -188 | -6.93% |
| May | 21,366 | 21,254 | 20,356 | -898 | -4.23% | 208 | 207 | 206 | -1 | -0.48% | 2,682 | 3,129 | 2,904 | -225 | -7.19% |
| June | 20,847 | 21,453 | 20,161 | -1,292 | -6.02% | 175 | 201 | 202 | 1 | 0.50% | 3,168 | 3,430 | 3,063 | -367 | -10.70% |
| July | 26,987 | 26,685 | 26,640 | -45 | -0.17% | 208 | 208 | 209 | 1 | 0.48% | 2,913 | 3,411 | 3,580 | 169 | 4.95% |
| Aug. | 24,912 | 24,712 | 22,234 | -2,478 | -10.03% | 208 | 207 | 207 | 0 | 0.00% | 2,772 | 3,343 | 3,371 | 28 | 0.84% |
| Sept. | 19,962 | 17,620 | 21,946 | 4,326 | 24.55% | 200 | 201 | 201 | 0 | 0.00% | 2,099 | 2,458 | 2,679 | 221 | 8.99% |
| Oct. | 20,161 | 20,627 | 22,901 | 2,274 | 11.02% | 209 | 209 | 208 | -1 | -0.48% | 2,252 | 2,538 | 3,044 | 506 | 19.94% |
| Nov. | 21,263 | 22,344 | 19,742 | -2,602 | -11.65% | 200 | 199 | 200 | 1 | 0.50% | 2,112 | 4,762 | 2,796 | -1,966 | -41.29% |
| Dec. | 22,246 | 23,702 | 19,742 | -3,960 | -16.71% | 207 | 208 | 200 | -8 | -3.85% | 3,373 | 3,084 | 3,223 | 139 | 4.51% |
| Ann. Totals | 257,997 | 251,426 | | | | 2,418 | 2,436 | | | | 31,058 | 37,315 | | | |
| YTD | 257,997 | 251,426 | 246,021 | -5,405 | -2.15% | 2,418 | 2,436 | 2,438 | 2 | 0.08% | 31,058 | 37,315 | 34,394 | -2,921 | -7.83% |

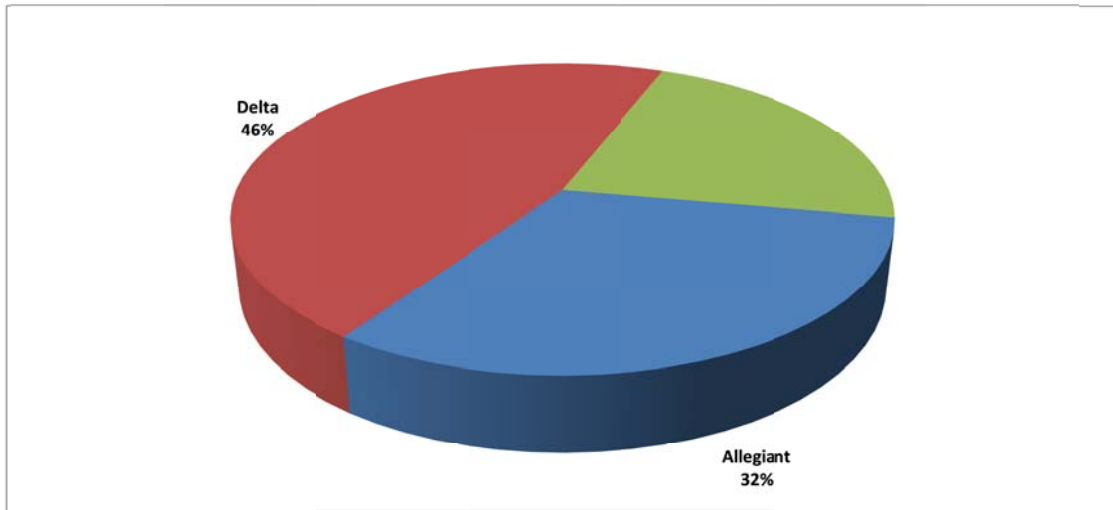
Comments:

South Bend Chocolate (Restaurant/Gif: Shop) - New Concessionaire 6/1/2014
 September 2014 - 50 flight cancellations due to fire at Aurora ATC.
 United - first daily direct flight to EWR 10/27/2014

Note: CSA cargo operations for January - May were not reported until May, affecting the numbers for Landed Weight, Air Cargo, and Aircraft Operations.

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AIRLINE MARKET SHARE
Enplanements
2015



Airline Market Share Comparison

| | <u>2015</u> | <u>2014</u> | <u>Difference</u> | <u>Change %</u> |
|------------------|-----------------------|-----------------------|----------------------|---------------------|
| Allegiant | 97,663 | 96,629 | 1,034 | 1.07% |
| Delta | 142,483 | 133,862 | 8,621 | 6.44% |
| United | <u>67,197</u> | <u>66,256</u> | <u>941</u> | <u>1.42%</u> |
| Totals | <u><u>307,343</u></u> | <u><u>296,747</u></u> | <u><u>10,595</u></u> | <u><u>3.57%</u></u> |

FINANCIAL HIGHLIGHTS

NET POSITION

Total Assets increased in 2015 by \$4.1 million or 4.44% over 2014.

Total Liabilities increased by \$3.3 million compared to 2014.

Net Position increased by \$872 thousand or 1.11%.

NET POSITION

| <u>ASSETS</u> | <u>2015</u> | <u>2014 *</u> | <u>Increase/(Decrease)</u> | |
|---|----------------------|----------------------|-----------------------------------|-----------------------|
| | | | <u>Amount</u> | <u>Percent</u> |
| Current and Other Assets | \$ 13,796,538 | \$ 13,889,947 | \$ (93,409) | (0.67) |
| Capital Assets | 82,553,445 | 79,218,603 | \$ 3,334,842 | 4.21 |
| Deferred Outflows | <u>1,093,798</u> | <u>191,555</u> | <u>\$ 902,243</u> | <u>471.01</u> |
| Total Assets and Deferred Outflow of Resources | <u>97,443,781</u> | <u>93,300,105</u> | <u>\$ 4,143,676</u> | <u>4.44</u> |
| <u>LIABILITIES</u> | | | | |
| Long-Term Liabilities Outstanding | 15,068,448 | 11,710,970 | \$ 3,357,478 | 26.86 |
| Other Liabilities | <u>2,634,691</u> | <u>2,552,878</u> | <u>\$ 81,813</u> | <u>3.20</u> |
| Total Liabilities and Deferred Outflow of Resources | <u>17,703,139</u> | <u>14,263,848</u> | <u>\$ 3,439,291</u> | <u>22.67</u> |
| <u>NET POSITION</u> | | | | |
| Invested in Capital Assets, Net of Related Debt | 71,311,416 | 67,518,947 | \$ 3,792,469 | 5.62 |
| Restricted | 2,829,135 | 2,936,374 | \$ (107,239) | (3.65) |
| Unrestricted | <u>5,600,091</u> | <u>8,580,936</u> | <u>\$ (2,980,845)</u> | <u>(33.44)</u> |
| Total Net Position | <u>\$ 79,740,642</u> | <u>\$ 79,036,257</u> | <u>\$,704,385</u> | <u>1.11</u> |

* For this presentation, 2014 column balances were not restated for prior period adjustments due to lack of information and management's desire to maintain comparability with prior reports.

REVENUE

Total operating and non-operating revenues increased by 3.5% over 2014 revenues. These increases do not include changes in Capital Contributions and Passenger Facility Charge (P.F.C.) Revenue.

Total Operating Revenue increased by 3.67% compared to 2014 levels.

Airport Service Revenue increased by 3.69% 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 (\$1.17 per thousand pounds of aircraft landed weight) and fuel flowage fees, increased by 6.90%.

Terminal Rental Revenue received from the airlines increased by 4.03% in 2015.

Terminal Non-Aviation Rental Revenue decreased by 9.54% in 2015.

Concession Revenue increased by 7.88% and Parking Revenue increased by 4.74%.

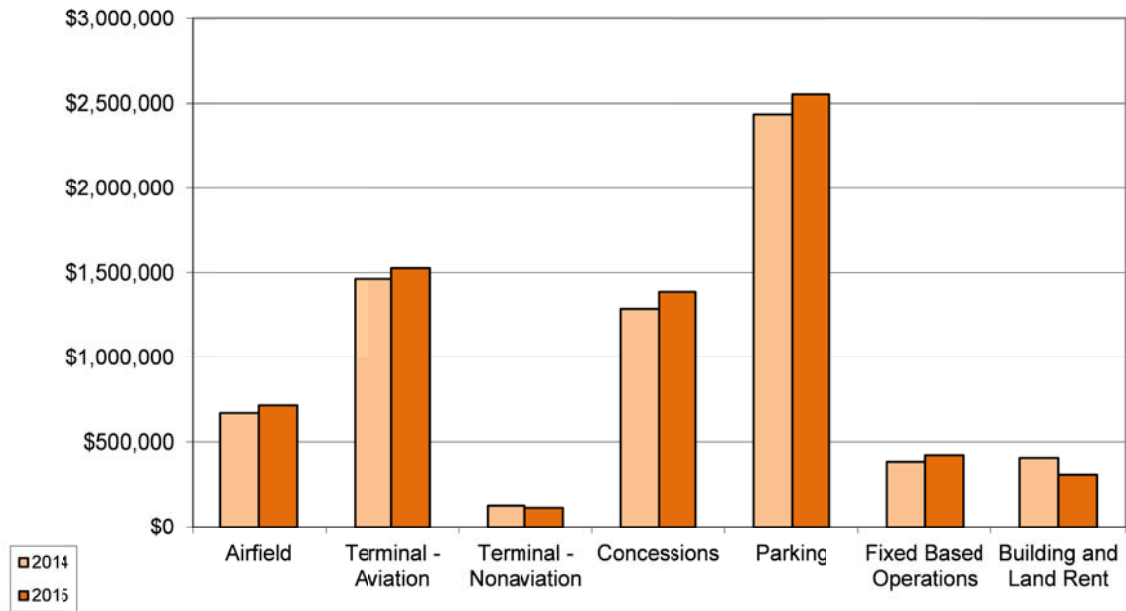
Fixed Base Operations Revenue, a component of General Aviation activity, increased 9.90%. Other Building and Land Rental on the airfield decreased by 23.95%.

Non-Operating Revenues increased by 3.05% due primarily to an increase in Property Management Revenue.

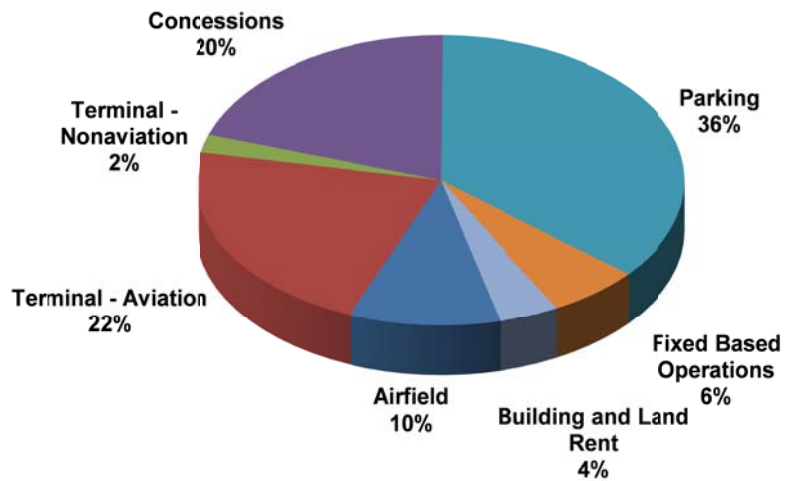
Property Management Revenue increased by 16.15%.

Passenger Facility Charge (P.F.C.) Revenues increased in 2015 by 0.31%, as a result of an increase in passenger traffic.

AIRPORT SERVICE REVENUES 2014 VS 2015



AIRPORT SERVICE REVENUES 2015



EXPENSES

Total Operating and Non-Operating Expenses increased in 2015 by 22.1% compared to 2014. A large component of this increase is attributable to an increase in Other Services and Charges and a Loss on Disposal of Capital Assets.

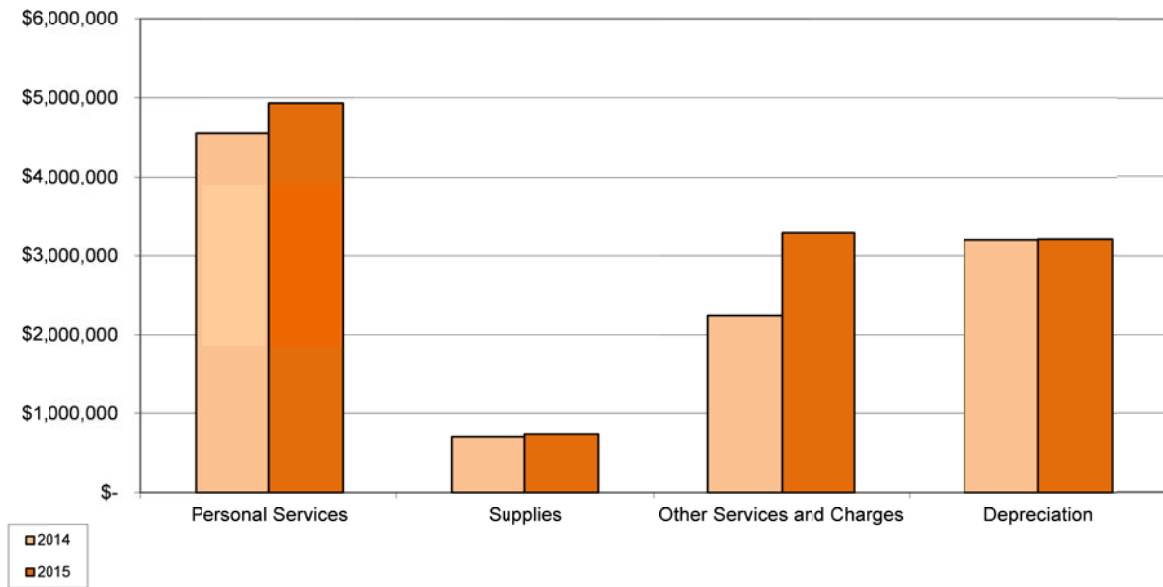
Personal Services increased by 8.24% primarily due to an increase in payroll expenses resulting from an additional pay period in 2015.

Other Services and Charges increased by 46.66%. This increase can be primarily attributed to an incentive package to United Airlines to develop air service.

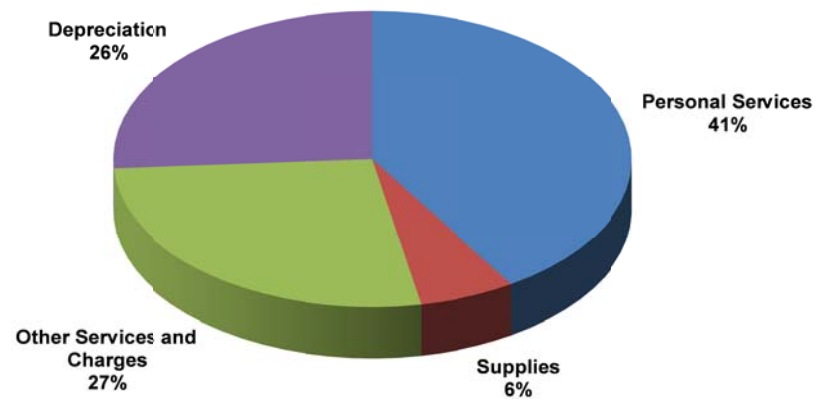
Non-Operating Expenses increased in 2015 by 149.81%. 2015 expenses included disposal of capital assets resulting in a \$1,055,552 loss.

Property Management Expenses decreased by 24.65% in 2015 due to fewer repairs to office buildings owned by the Authority.

OPERATING EXPENSES 2014 vs. 2015



OPERATING EXPENSES 2015



SUMMARY OF OPERATIONS AND CHANGES IN NET POSITION

| | | | <u>Increase/(Decrease)</u> | |
|---|---------------|---------------|----------------------------|----------------|
| | <u>2015</u> | <u>2014</u> | <u>Amount</u> | <u>Percent</u> |
| Operating Revenues: | | | | |
| Airport Service Revenues | | | | |
| Airfield | \$ 716,108 | \$ 669,881 | \$ 46,227 | 6.90 |
| Terminal - Aviation | 1,525,343 | 1,466,228 | 59,115 | 4.03 |
| Terminal - Nonaviation | 115,954 | 128,179 | (12,225) | (9.54) |
| Concessions | 1,390,394 | 1,288,817 | 101,577 | 7.88 |
| Parking | 2,551,298 | 2,435,889 | 115,409 | 4.74 |
| Fixed Based Operations | 425,101 | 386,809 | 38,292 | 9.90 |
| Building and Land Rent | 311,083 | 409,037 | (97,954) | (23.95) |
| Airport Service Revenues - Total | 7,035,281 | 6,784,840 | 250,441 | 3.69 |
| Other | 3,000 | 4,000 | (1,000) | (25.00) |
| Total Operating Revenues | 7,038,281 | 6,788,840 | 249,441 | 3.67 |
| Operating Expenses: | | | | |
| Personal Services | 4,929,934 | 4,554,567 | 375,367 | 8.24 |
| Supplies | 736,469 | 702,877 | 33,592 | 4.78 |
| Other Services and Charges | 3,290,097 | 2,243,370 | 1,046,727 | 46.66 |
| Depreciation | 3,208,875 | 3,198,452 | 10,423 | 0.33 |
| Total Operating Expenses | 12,165,375 | 10,699,266 | 1,466,109 | 13.70 |
| Net Income (Loss) - Operations | (5,127,094) | (3,910,426) | (1,216,668) | 31.11 |
| Nonoperating Revenues: | | | | |
| Property Taxes | 2,256,861 | 2,208,451 | 48,410 | 2.19 |
| Other Tax Distributions | 509,765 | 493,925 | 15,840 | 3.21 |
| Interest and Investment Revenue | 9,963 | 12,203 | (2,240) | (18.36) |
| Property Management Revenue | 281,952 | 242,757 | 39,195 | 16.15 |
| Federal Operating Grant | 12,098 | 238,490 | (226,392) | (94.93) |
| Gain on Disposal of Assets | - | - | - | - |
| Other Revenue | 310,005 | 84,670 | 225,335 | 266.13 |
| Total Nonoperating Revenues | 3,380,644 | 3,280,496 | 100,148 | 3.05 |
| Nonoperating Expenses: | | | | |
| Interest Expense | 467,639 | 487,856 | (20,217) | (4.14) |
| Property Management Expense | 150,541 | 199,801 | (49,260) | (24.65) |
| Loss on Disposal of Capital Assets | 1,055,552 | 13,546 | 1,042,006 | 7,692.35 |
| Amortization Expense | 79,399 | 575 | 78,824 | 13,708.52 |
| Total Nonoperating Expenses | 1,753,131 | 701,778 | 1,051,353 | 149.81 |
| Net Income (Loss) Before Contributions | (3,499,581) | (1,331,708) | (2,167,873) | 162.79 |
| Capital Contributions | 4,499,206 | 1,752,133 | 2,747,073 | 156.78 |
| Passenger Facility Charge Revenue | 1,291,355 | 1,287,426 | 3,929 | 0.31 |
| Capital Assets Donated to County Government | - | (1,552,241) | 1,552,241 | (100.00) |
| Sub-Totals | 5,790,561 | 1,487,318 | 4,303,243 | 289.33 |
| Change in Net Position | 2,290,980 | 155,610 | 2,135,370 | 1,372.26 |
| Total Net Position - Beginning | 79,036,256 | 78,880,646 | 155,610 | 0.20 |
| Total Net Position - Adjustments | (1,586,595) | - | (1,586,595) | - |
| Total Net Position - Ending | \$ 79,740,641 | \$ 79,036,256 | \$ 704,385 | 0.89 |

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>2015</u> | <u>2014</u> |
|--|-----------------------------|-----------------------------|
| Cash Flows | | |
| Operating Activities | \$ (628,116) | \$ (1,591,167) |
| Noncapital Financing Activities | 2,877,866 | 3,016,458 |
| Capital and Related Financing Activities | (1,862,342) | (30,437) |
| Investing Activities | <u>9,963</u> | <u>9,908</u> |
| Net Increase (Decrease) | | |
| Cash and Cash Equivalents | \$ 397,371 | \$ 1,404,762 |
| Cash and Cash Equivalents | | |
| Beginning of Year | <u>11,580,862</u> | <u>10,176,100</u> |
| End of Year | <u><u>\$ 11,978,233</u></u> | <u><u>\$ 11,580,862</u></u> |

The Authority's available Cash and Cash Equivalents increased from \$11.58 million at the end of 2014 to \$11.98 million at the end of 2015.

CAPITAL ACQUISITIONS AND CONSTRUCTION ACTIVITIES

CAPITAL ASSETS

The St. Joseph County Airport Authority's investment in Capital Assets as of December 31, 2015, was \$82.6 million (net of Accumulated Depreciation). This investment in Capital Assets includes land, buildings, roadways, airfield and equipment. In total, this represents a \$3.33 million increase from 2014.

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

During 2015, the Airport Authority District disbursed \$6.65 million for major capital activities. The majority of the expenditure went into the construction of the Geothermal Project for the Terminal building.

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.

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 2011 and 2012 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, 2015, the Airport Authority had received a total of \$24,295,365.

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LONG TERM DEBT AND CREDIT RATINGS

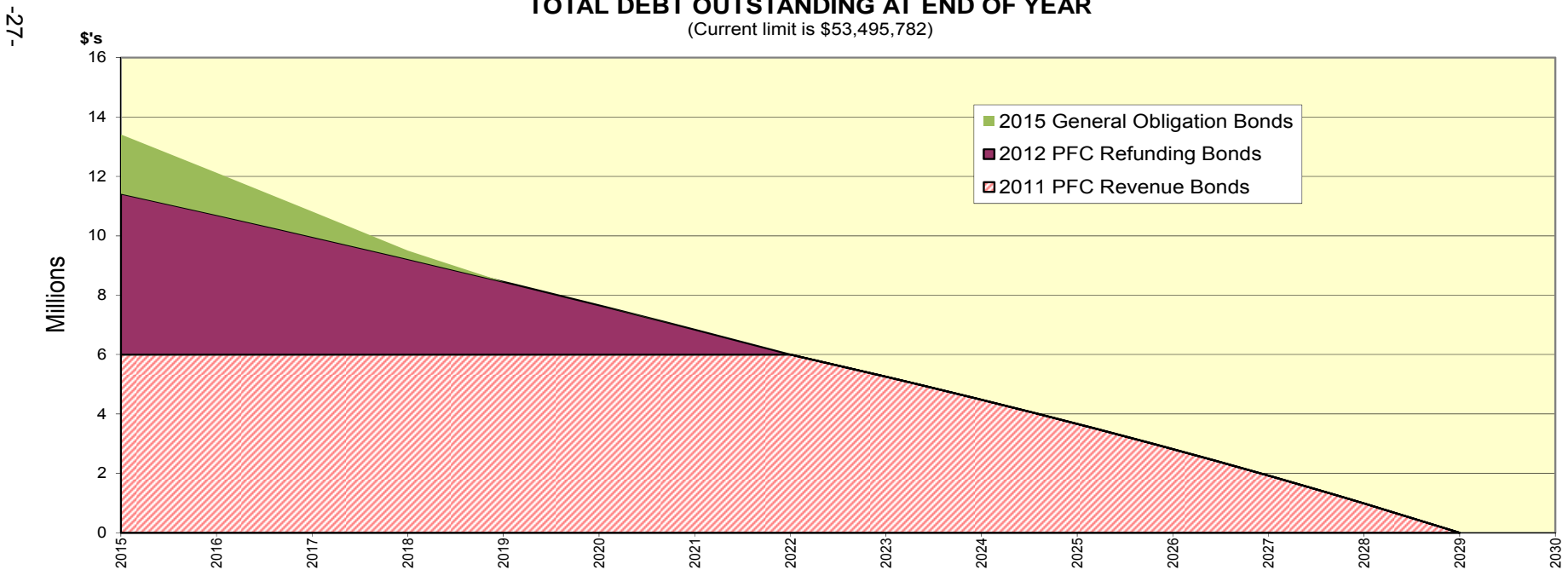
The Airport Authority has \$12.122 million in Outstanding Long-Term Debt plus \$1.3 million in Outstanding Short-Term Debt as of December 31, 2015. Long-Term and Short-Term Debt consisted of 2011 General Obligation Bonds, 2012 General Obligation Refunding Revenue Bonds and 2015 General Obligation Bonds. The 2011 Bonds (\$6 million) mature in 2030 and interest rates range from 4.3% to 5.0%. The 2012 Bonds (\$6.115 million) mature on January 1, 2023 at interest rates ranging from 2.0% to 3.5%. 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 2015 Bond (\$1.915 million) matures in 2019 and interest rate is 2%. Both principal and interest are payable from the revenues derived from property taxes levies.

The General Obligation Debt limit for the Airport Authority is 2% 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 \$2,674,789,089. The debt limit is \$53,495,782 and the total outstanding General Obligation Debt is \$13,411,236.

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. The 2015 Bond is privately placed and is not rated. 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

TOTAL DEBT OUTSTANDING AT END OF YEAR

(Current limit is \$53,495,782)



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BASIC FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

The financial statements and accompanying notes were prepared by management of the Airport Authority. The financial statements and notes are presented as intended by the Airport Authority.

ST. JOSEPH COUNTY AIRPORT AUTHORITY

STATEMENT ON NET POSITION

As of December 31, 2015

Assets

Current Assets:

Unrestricted:

| | | |
|--|----|-----------|
| Cash and cash equivalents | \$ | 6,573,903 |
| Accounts receivable (net of allowance) | | 677,753 |
| Taxes receivable | | 328,841 |
| Intergovernmental receivable | | 458,678 |
| Prepaid items | | 133,089 |
| Other current assets | | 54,288 |
| | | <hr/> |
| Total unrestricted current assets | | 8,226,552 |

Restricted:

| | | |
|---|--|------------|
| Cash and cash equivalents: | | |
| Construction fund | | 1,945,402 |
| Passenger facility charge fund | | 858,807 |
| Customer facility charge fund | | 14,058 |
| Bond and interest fund | | 690 |
| Debt Service Reserve Fund | | 1,141,800 |
| Cumulative building fund | | 662,182 |
| Rainy day fund | | 278,861 |
| Cash with fiscal agent | | 454,214 |
| Excess levy fund | | 215 |
| Other funds | | 48,101 |
| Accounts receivable - passenger facility charge | | 131,268 |
| Taxes receivable | | 34,388 |
| | | <hr/> |
| Total restricted current assets | | 5,569,986 |
| | | <hr/> |
| Total current assets | | 13,796,538 |

Noncurrent Assets:

Capital assets:

| | | |
|---|--|------------|
| Land, improvements to land and construction in progress | | 37,828,816 |
| Other capital assets (net of accumulated depreciation) | | 44,724,629 |
| | | <hr/> |
| Total capital assets | | 82,553,445 |

| | | |
|--------------|--|------------------|
| Total assets | | <hr/> 96,349,983 |
|--------------|--|------------------|

Deferred outflows of resources

| | | |
|--------------------------------------|--|-----------|
| Deferred amount on refunding | | 168,099 |
| Deferred pension outflow | | 925,699 |
| | | <hr/> |
| Total deferred outflows of resources | | 1,093,798 |

| | | |
|---|----|------------------------|
| Total Assets and Deferred Outflows of Resources | \$ | <hr/> <hr/> 97,443,781 |
|---|----|------------------------|

(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, 2015

(Continued)

Liabilities

Current liabilities:

Unrestricted:

| | | |
|---------------------------|----|---------|
| Accounts payable | \$ | 176,899 |
| Accrued payroll payable | | 36,772 |
| Deferred revenue | | 27,684 |
| Compensated absences | | 222,734 |
| Retainage payable | | 416,194 |
| Other current liabilities | | 64,520 |

| | | |
|--|--|----------------|
| Total unrestricted current liabilities | | <u>944,803</u> |
|--|--|----------------|

Restricted:

| | | |
|----------------------------------|--|-----------|
| General obligation bonds payable | | 1,250,000 |
| Customer deposits payable | | 3,900 |
| Contracts payable | | 371,181 |

| | | |
|--------------------------------------|--|------------------|
| Total restricted current liabilities | | <u>1,625,081</u> |
|--------------------------------------|--|------------------|

| | | |
|---------------------------|--|------------------|
| Total current liabilities | | <u>2,569,884</u> |
|---------------------------|--|------------------|

Noncurrent liabilities:

Unrestricted:

| | | |
|---------------------------------------|--|-----------|
| Compensated absences | | 116,313 |
| Net pension liability | | 2,351,286 |
| Other postemployment benefits payable | | 167,092 |

| | | |
|---|--|------------------|
| Total noncurrent unrestricted liabilities | | <u>2,634,691</u> |
|---|--|------------------|

Restricted:

| | | |
|--|--|-------------------|
| General obligation bonds payable (net of unamortized premiums) | | <u>12,105,530</u> |
|--|--|-------------------|

| | | |
|---|--|-------------------|
| Total noncurrent restricted liabilities | | <u>12,105,530</u> |
|---|--|-------------------|

| | | |
|------------------------------|--|-------------------|
| Total noncurrent liabilities | | <u>14,740,221</u> |
|------------------------------|--|-------------------|

| | | |
|-------------------|--|-------------------|
| Total liabilities | | <u>17,310,105</u> |
|-------------------|--|-------------------|

Deferred Inflow of Resources

| | | |
|-------------------------|--|----------------|
| Deferred pension inflow | | <u>393,034</u> |
|-------------------------|--|----------------|

| | | |
|--|----|--------------------------|
| Total Liabilities and Deferred Inflow of Resources | \$ | <u><u>17,703,139</u></u> |
|--|----|--------------------------|

Net Position:

| | | |
|----------------------------------|----|------------------|
| Net investment in capital assets | \$ | 71,311,416 |
| Restricted for debt service | | 2,132,565 |
| Restricted for capital assets | | 696,570 |
| Unrestricted | | <u>5,600,091</u> |

| | | |
|--------------------|----|--------------------------|
| Total net position | \$ | <u><u>79,740,642</u></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, 2015

| | |
|---|----------------------|
| Operating revenues: | |
| Airfield | \$ 716,108 |
| Terminal - aviation | 1,525,343 |
| Terminal - nonaviation | 115,954 |
| Concessions | 1,390,394 |
| Parking | 2,551,298 |
| Fixed based operations | 425,101 |
| Building and land rent | 311,083 |
| Other | 3,000 |
| Total operating revenues | <u>7,038,281</u> |
| Operating expenses: | |
| Personal services | 4,929,934 |
| Supplies | 736,469 |
| Other services and charges | 3,290,097 |
| Depreciation | 3,208,875 |
| Total operating expenses | <u>12,165,375</u> |
| Operating loss | <u>(5,127,094)</u> |
| Nonoperating revenues: | |
| Property taxes | 2,256,861 |
| Other tax distributions | 509,765 |
| Interest and investment revenue | 9,963 |
| Property management revenue | 281,952 |
| Federal operating grant | 12,098 |
| Other revenue | 310,005 |
| Total nonoperating revenues | <u>3,380,644</u> |
| Nonoperating expenses: | |
| Interest expense | 444,183 |
| Property management expense | 150,541 |
| Loss on disposal of assets | 1,055,552 |
| Bond issuance costs | 79,399 |
| Amortization expense | 23,456 |
| Total nonoperating expenses | <u>1,753,131</u> |
| Loss before contributions | <u>(3,499,581)</u> |
| Capital contributions | 4,499,206 |
| Passenger facility charge revenue | 1,291,355 |
| Sub-totals | <u>5,790,561</u> |
| Change in net position | 2,290,980 |
| Total net position - beginning | 79,036,257 |
| Total net position - adjustment - Net Pension Obligation - See note IV.E. | <u>(1,586,595)</u> |
| Total net position - ending | <u>\$ 79,740,642</u> |

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

ST. JOSEPH COUNTY AIRPORT AUTHORITY

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS

As of December 31, 2015

| | |
|--|-----------------------------|
| Cash flows from operating activities: | |
| Receipts from customers and users | \$ 6,992,777 |
| Payments to suppliers and contractors | (3,451,826) |
| Payments to employees | <u>(4,479,072)</u> |
| Net cash provided (used) by operating activities | <u>(938,121)</u> |
| Cash flows from noncapital financing activities: | |
| Property management activity | 119,255 |
| Other nonoperating revenue | 310,005 |
| Operating grant received | 12,098 |
| Property and county income taxes | <u>2,746,513</u> |
| Net cash provided (used) by noncapital financing activities | <u>3,187,871</u> |
| Cash flows from capital and related financing activities: | |
| Passenger facility charges | 1,300,873 |
| Capital contributions | 4,176,841 |
| Acquisition and construction of capital assets | (8,044,827) |
| Interest paid on capital debt | (445,671) |
| Principal paid on refunded bonds | (700,000) |
| Bond proceeds | 1,915,000 |
| Premium received on bond issue | 14,841 |
| Bond issuance costs | <u>(79,399)</u> |
| Net cash provided (used) by capital and related financing activities | <u>(1,862,342)</u> |
| Cash flows from investing activities: | |
| Interest received | <u>9,963</u> |
| Net increase in cash and cash equivalents | 397,371 |
| Cash and cash equivalents, January 1 | <u>11,580,862</u> |
| Cash and cash equivalents, December 31 | <u><u>\$ 11,978,233</u></u> |

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

ST. JOSEPH COUNTY AIRPORT AUTHORITY

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS

As of December 31, 2015

(Continued)

| | |
|--|----------------------------|
| Reconciliation of operating income to net cash provided (used) by operating activities: | |
| Operating income (loss) | <u>\$ (5,127,094)</u> |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | |
| Depreciation expense | 3,208,875 |
| Other revenue | 310,005 |
| (Increase) decrease in assets: | |
| Accounts receivable | (74,022) |
| Intergovernmental | 590,836 |
| Prepaid items | (6,436) |
| Deferred outflows | 554,607 |
| Increase (decrease) in liabilities: | |
| Accounts payable | (9,660) |
| Accrued payroll payable | (113,104) |
| Deferred revenue | 24,618 |
| Net pension obligation | (216) |
| Compensated absence payable | 9,575 |
| Customer deposits payable | <u>3,900</u> |
| Total adjustments | <u>4,498,978</u> |
| Net cash provided by operating activities | <u><u>\$ (628,116)</u></u> |
| Noncash investing, capital and financing activities: | |
| Disposal of capital assets | 3,186,917 |
| Capital assets purchased on account | (787,375) |

(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 capital maintenance (economic resources) measurement focus and the accrual basis of accounting. All assets and liabilities (whether current or noncurrent) associated with its activity are included on the Airport Authority's Statement of Net Position. The 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 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 non-operating 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.

ST. JOSEPH COUNTY AIRPORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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% 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.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

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 \$2,829,135 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.

ST. JOSEPH COUNTY AIRPORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

| | Capitalization Threshold | Depreciation Method | Estimated Useful Life |
|----------------------------|-----------------------------|------------------------|--------------------------|
| Buildings and improvements | \$ 20,000 | Straight-line | 5 to 40 years |
| Airfield | 20,000 | Straight-line | 10 to 20 years |
| Equipment | 20,000 | Straight-line | 3 to 15 years |
| Intangible assets | 20,000 | Straight-line | 5 years |

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

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

6. Compensated Absences

- a. Sick Leave - Airport Authority employees working 8-hour shifts earn sick leave at the rate of 48 hours per year. Employees working 24-hour shifts have the same benefits as employees working 8-hour shifts but earn 72 hours per year. Employees working 8-hour shifts may accumulate a maximum of 720 hours of sick leave. Employees working 24-hour shifts may accumulate a maximum of 1080 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.
- 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 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.

ST. JOSEPH COUNTY AIRPORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

8. Equity Classification

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

- a. Restricted net position - Consists of net position with constraints placed on it either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net position - All other net position amounts that do not meet the definition of "restricted".
- c. Net Investment in Capital Assets - Consists of investments in capital assets net of related debt.

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

E. Revenues and Expenses

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

ST. JOSEPH COUNTY AIRPORT AUTHORITY

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, 2015, the Airport Authority had deposit balances in the amount of \$11,784,601. 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 \$35,275 in an allowance account for the expected uncollectibility of payments due from airlines.

C. Capital Assets

Capital asset activity for the year ended December 31, 2015, was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|--------------|--------------|-------------------|
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 35,121,763 | \$ 82,251 | \$ - | \$ 35,204,014 |
| Construction in progress | 2,521,186 | 2,072,064 | 1,968,448 | 2,624,802 |
| Total capital assets, not being depreciated | 37,642,949 | 2,154,315 | 1,968,448 | 37,828,816 |
| Capital assets, being depreciated: | | | | |
| Buildings | 57,714,542 | 7,340,587 | 2,374,230 | 62,680,899 |
| Airfield | 35,904,326 | - | - | 35,904,326 |
| Equipment | 8,366,090 | 193,198 | 812,687 | 7,746,601 |
| Totals | 101,984,958 | 7,533,785 | 3,186,917 | 106,331,826 |
| Less accumulated depreciation for: | | | | |
| Buildings | 26,479,355 | 1,568,965 | 1,198,295 | 26,850,025 |
| Airfield | 27,467,799 | 1,294,080 | - | 28,761,879 |
| Equipment | 6,462,150 | 345,830 | 812,687 | 5,995,293 |
| Totals | 60,409,304 | 3,208,875 | 2,010,982 | 61,607,197 |
| Total capital assets, being depreciated, net | 41,575,654 | 4,324,910 | 1,175,935 | 44,724,629 |
| Total capital assets, net | \$ 79,218,603 | \$ 6,479,225 | \$ 3,144,383 | \$ 82,553,445 |

ST. JOSEPH COUNTY AIRPORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

D. Construction Commitments to Contractors

Construction work in progress is composed of the following:

| <u>Project</u> | <u>Total Expended to December 31</u> | <u>Remaining Committed</u> |
|-------------------------------|--|--------------------------------|
| FIS | \$ 2,335,982 | \$ 4,601,393 |
| Master plan - terminal | 50,445 | 24,074 |
| Board Room Renovation | 35,925 | 9,692 |
| Anit-pass back passenger exit | 110,559 | 159,657 |
| Other | <u>91,891</u> | <u>90,608</u> |
| Totals | <u>\$ 2,624,802</u> | <u>\$ 4,885,424</u> |

E. Long-Term Liabilities

1. General Obligation Bonds

The Airport Authority issues general obligation bonds to be paid by income derived from a passenger facility charge (Note IV.D.) and a tax levy to pay debt service.

These general obligation bonds are to provide funds for the acquisition and construction of major capital facilities or assets.

General obligation bonds are direct obligations and pledge the full faith and credit of the Airport Authority. General obligation bonds currently outstanding at year end are as follows:

| <u>Purpose/Original Issue</u> | <u>Interest Rates</u> | <u>Balance at December 31</u> | <u>Add: Unamortized Bond Premium</u> | <u>Amount</u> |
|-------------------------------|---------------------------|-----------------------------------|--|----------------------|
| 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% | 5,415,000 | 10,689 | 5,425,689 |
| 2015 General Obligation Bonds | | | | |
| \$1,915,000 | 2.0% | <u>1,915,000</u> | <u>14,841</u> | <u>1,929,841</u> |
| Totals | | <u>\$ 13,330,000</u> | <u>\$ 25,530</u> | <u>\$ 13,355,530</u> |

ST. JOSEPH COUNTY AIRPORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

| | 2011 GO Bond | | 2012 Refunding Bonds | | 2015 GO Bond | |
|-----------|---------------------|---------------------|----------------------|-------------------|---------------------|------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2016 | \$ - | \$ 281,875 | \$ 715,000 | \$ 143,525 | \$ 535,000 | \$ 39,586 |
| 2017 | - | 281,875 | 735,000 | 128,447 | 545,000 | 24,900 |
| 2018 | - | 281,875 | 750,000 | 111,328 | 555,000 | 13,950 |
| 2019 | - | 281,875 | 765,000 | 91,338 | 280,000 | 2,800 |
| 2020 | - | 281,875 | 795,000 | 68,638 | - | - |
| 2021-2025 | 2,335,000 | 1,283,088 | 1,655,000 | 64,675 | - | - |
| 2026-2030 | 3,665,000 | 416,015 | - | - | - | - |
| Totals | <u>\$ 6,000,000</u> | <u>\$ 3,108,478</u> | <u>\$ 5,415,000</u> | <u>\$ 607,951</u> | <u>\$ 1,915,000</u> | <u>\$ 81,236</u> |

2. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2015, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|-------------------------------|----------------------|---------------------|-------------------|----------------------|------------------------|
| Business-type activities: | | | | | |
| General obligation bonds | \$ 12,115,000 | \$ 1,915,000 | \$ 700,000 | \$ 13,330,000 | \$ 1,250,000 |
| Compensated absences | 329,472 | 9,575 | - | 339,047 | 222,734 |
| Net pension obligation | - | 2,351,286 | - | 2,351,286 | - |
| Other postemployment benefits | 167,092 | - | - | 167,092 | - |
| Total non-current liabilities | <u>\$ 12,611,564</u> | <u>\$ 4,275,861</u> | <u>\$ 700,000</u> | <u>\$ 16,187,425</u> | <u>\$ 1,472,734</u> |

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

IV. Other Information

A. Risk Management

The Airport Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

ST. JOSEPH COUNTY AIRPORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

B. Other Postemployment Benefits

Single-Employer Defined Benefit Healthcare Plan

Plan Description

St Joseph County Airport Authority Healthcare Plan is a single-employer defined benefit healthcare plan administered by St. Joseph County. The plan provides medical insurance benefits to eligible retirees and their spouses/dependents. IC 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% 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, 2015, 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 2014, the most recent actuarial study the Airport has determined, the amount actually contributed to the plan for 2015, and changes in the Airport Authority's net OPEB obligation to the plan:

| | |
|--|-------------------|
| Annual required contribution | \$ - |
| Interest on net OPEB obligation | - |
| Adjustment to annual required contribution | <u>-</u> |
| Annual OPEB cost | - |
| Contributions made | <u>-</u> |
| Increase (decrease) in net OPEB obligation | - |
| Net OPEB obligation, beginning of year | <u>167,092</u> |
| Net OPEB obligation, end of year | <u>\$ 167,092</u> |

ST. JOSEPH COUNTY AIRPORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

The Airport Authority's 2015 OPEB cost, the percentage of the 2015 OPEB cost contributed to the plan, and the net OPEB obligation for 2015, are as follows:

| <u>Year Ending</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|------------------------|---------------------------------|---|------------------------------------|
| 12-31-13 | \$ 21,456 | 0% | \$ 148,580 |
| 12-31-14 | 18,512 | 0% | 167,092 |
| 12-31-15 | - | 0% | 167,092 |

Funded Status and Funding Progress

As of December 31, 2014, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$167,092, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$167,092. The covered payroll (annual payroll of active employees covered by the plan) was \$2,672,100, and the ratio of the UAAL to covered payroll was 5.7%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to 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, 2014, 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 thirty years based on an open group. Other actuarial assumptions used in the actuarial valuation are as follows:

| | |
|-----------------------------------|--------------|
| Inflation rate | 3.0% |
| Investment return | 4.5% |
| Projected Salary Increases | 3.0% |
| Post-Retirement Benefit Increases | 4.5% to 9.0% |
| Healthcare Cost Trend Rate | 5.0% to 9.0% |

ST. JOSEPH COUNTY AIRPORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

C. Pension Plan

Cost-Sharing Multiple-Employer Deferred Plans

Public Employees Retirement Fund

Plan Description

The Public Employees' Retirement Fund (PERF) provides pensions for all full-time employees. The plan is a cost-sharing, multiple-employer defined benefit plan administered by the Indiana Public Retirement System (INPRS). The pension system issues a publicly available financial report that can be obtained at <http://www.inprs.in.gov>.

Retirement Benefits - Defined Benefit Pension

The plan provides retirement, disability and survivor benefits. The Indiana Code, Title 5, Articles 10.2 and 10.3, amended only by the Indiana General Assembly, identifies the benefit provisions and establishes the authority under which members and employers are obligated to contribute to the plan.

Retirement benefits for employees are calculated as years of credible service times the average highest 20 quarters of salary times 11% plus the employee's Annuity Savings Account. Normal retirement age is 60 with early retirement at 50-59 with 15 years of service. Vesting period is 10 years. An employee who leaves service may withdraw his or her Annuity Savings Account contributions, plus any accumulated interest.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustments are granted by the Indiana General Assembly on an ad hoc basis.

Contributions

Per Indiana Code, Title 5, Articles 10.2 and 10.3, contributions requirements of the active employees and the participating employers are established and may be amended by the INPRS Board based on recommendations by the INPRS actuary. The primary government is required to contribute at an actuarially determined rate; the current rate for calendar year 2015 is 11.20% percent of annual covered payroll. 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. The actuarial amount, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the PERF plan from the Airport were \$422,505 for the calendar year ended December 31, 2015.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Indiana Public Retirement System (INPRS) and additions to/deductions from INPRS's fiduciary net position have been determined on the same basis as they are reported by INPRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

ST. JOSEPH COUNTY AIRPORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

At December 31, 2015, the Airport reported a liability of \$2,351,286 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Airport's proportion of the net pension liability was based on a projection of the Airport's long-term share of contributions to the pension plan relative to the projected contributions of all participating units, actuarially determined. At June 30, 2015, the Airport's proportion was .0005773 percent, which was a decrease of .000075 from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the Airport recognized pension expense of \$309,442. At December 31, 2015, the Airport reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflow of Resources</u> | <u>Deferred Inflow of Resources</u> |
|--|--|---|
| Differences between expected and actual experience | \$ 100,928 | \$ 4,863 |
| Net difference between projected and actual investment earnings on pension plan investments | 396,456 | 221,130 |
| Change of assumptions | 198,763 | - |
| Changes in proportion and difference between employer contributions and proportionate share of contributions | 19,271 | 167,041 |
| City contributions subsequent to the measurement date | 211,253 | - |
| Net adjustment for 6 months after measurement date | <u>(972)</u> | <u>-</u> |
| Totals | <u>\$ 925,699</u> | <u>\$ 393,034</u> |

\$210,281 reported as deferred outflows of resources related to pensions resulting from Airport contribution subsequent to the measurement date will be recognized as a deferred outflow in the year ended December 31, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | <u>Year Ended December 31,</u> |
|------------|------------------------------------|
| 2016 | \$ 86,852 |
| 2017 | 86,852 |
| 2018 | 49,567 |
| 2019 | 99,113 |
| 2020 | - |
| Thereafter | <u>-</u> |
| Total | <u>\$ 322,384</u> |

ST. JOSEPH COUNTY AIRPORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|--|--|
| Inflation | 2.25% |
| Salary Increases | 2.50% to 4.25% |
| Investment rate of return | 6.75% net of pension plan investment expense, |
| Mortality rates | RP-2014 Total Data Set Mortality Table, with Social Security Administration generational improvement scale from 2016 |
| Cost of living increases (COLA) or "Ad Hoc" | 1.00% |

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the four years ended June 30, 2014. The Study was performed in April 2015. As a result of the study inflation decreased from 3.00% to 2.25%, future salary rates decreased from a table range of 3.25% to 4.50% to a table ranging from 2.50% to 4.25%. The mortality rates changed from the 2013 IRS Static Mortality projected five years with Scale AA to the process referenced above. Each of these assumption changes were made to more closely reflect actual experience.

The long-term return expectation for the INPRS defined benefit retirement plans has been determined by using a building-block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated geometric asset classes.

| <u>Global Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------------------|--------------------------|---|
| Public Equity | 22.5% | 5.3% |
| Private Equity | 10.0% | 5.6% |
| Fixed income- Ex inflation-linked | 22.0% | 2.1% |
| Fixed income - inflation linked | 10.0% | 0.7% |
| Commodities | 8.0% | 2.0% |
| Real estate | 7.5% | 3.0% |
| Absolute return | 10.0% | 3.9% |
| Risk parity | 10.0% | 5.0% |

Discount Rate

The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from units will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position

ST. JOSEPH COUNTY AIRPORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Airport's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Airport's proportional share of the net pension liability calculated using the discount rate of 6.75 percent, as well as what the Airport's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage point higher (7.75 percent) than the current rate:

| | 5.75% | 6.75% | 7.75% |
|-----------------------|---------------------|---------------------|---------------------|
| | <u>1% Decrease</u> | <u>Current Rate</u> | <u>1% Increase</u> |
| Net Pension Liability | <u>\$ 3,468,349</u> | <u>\$ 2,351,286</u> | <u>\$ 1,423,920</u> |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued INPRS Comprehensive Annual Financial Report (CAFR) and Actuarial Valuations. These reports can be found at:

<http://www.in.gov/inprs/files/2015INPRSCAFRBook.pdf>
<http://www.in.gov/inprs/files/2015PERFActuarialValuationReport.pdf>

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 2015 the Airport Authority earned \$1,291,355 from 33 separate airlines. The Airport Authority is authorized to receive a maximum of \$40,172,802. In 2012 an error was made in calculating the PFC revenues when the airport changed its reporting from cash to accrual in the Notes to the Financial Statements. The result of this error caused the total PFC revenues to be understated by \$136,412. As of December 31, 2015, the Airport Authority has earned a total of \$24,295,365.

E. Restatements and Reclassifications

For the calendar year ended December 31, 2015, certain changes have been made to the financial statements to more appropriately reflect financial activity. The prior period adjustment for business-type activities reflects the implementation of GASB 68 to recognize the liabilities associated with employee retirement. In 2015, the Airport completed the implementation of the PERF plan.

ST. JOSEPH COUNTY AIRPORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

| | Balance as Reported 12-31-14 | Prior Period Adjustment | Restated Balance Reported 01-01-15 |
|----------------------------------|------------------------------------|-------------------------------|---|
| Net position | \$ 79,036,257 | \$ - | \$ 79,036,257 |
| Implementation of GASB 68 - PERF | - | (1,586,379) | (1,586,379) |
| Net pension adjustment | - | (216) | (216) |
| Totals | <u>\$ 79,036,257</u> | <u>\$ (1,586,595)</u> | <u>\$ 77,449,662</u> |

ST. JOSEPH COUNTY AIRPORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Public Employees' Retirement Fund
Last 10 Fiscal Years

| | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|--|--------------|--------------|---------------|---------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Proportion of the net pension liability (asset) | 0.05773% | 0.06523% | Not Available | | | | | | | |
| Proportionate share of the net pension liability (asset) | \$ 2,351,286 | \$ 1,714,202 | | | | | | | | |
| Covered-employee payroll | \$ 2,765,233 | \$ 3,184,649 | | | | | | | | |
| Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 85.0% | 53.8% | | | | | | | | |
| Plan fiduciary net position as a percentage of total pension liability | 77.3% | 84.3% | 78.8% | Not Available | | | | | | |
| | | | | | | | | | | |

ST. JOSEPH COUNTY AIRPORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
Public Employees' Retirement Fund
Last 10 Fiscal Years

| | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|--|--------------|---------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Contractually required contributions | \$ 544,608 | Not Available | | | | | | | | |
| Contributions in relation to the contractually required contribution | (322,635) | | | | | | | | | |
| Contribution deficiency (excess) | \$ 221,973 | | | | | | | | | |
| City's covered-employee payroll | \$ 2,765,233 | | | | | | | | | |
| Contributions as a percentage of covered-employee payroll | 19.69% | | | | | | | | | |

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

| 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) | |
| 12-31-13 | \$ - | \$ 152,929 | \$ 152,929 | 0% | \$ 2,944,632 | 6.40% | |
| 12-31-14 | - | 167,092 | 167,092 | 0% | 2,672,100 | 5.70% | |
| 12-31-15 | - | * | * | * | * | * | * |

* Information not available

ST. JOSEPH COUNTY AIRPORT AUTHORITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2015

Note 1. Financial Reporting - Pension Plans

A. Plan Amendments

In 2015, there were no changes to the PERF Fund that impacted the pension benefits during the actuarial period.

B. Assumption Changes

An experience study was performed in April of 2015 resulting in an update to several assumptions. These assumption changes are highlighted below.

PERF Plan:

- a) Inflation decreased from 3.00% to 2.25%.
- b) The future salary increase rate decreased from a table ranging from 3.25% to 4.50% to a table ranging from 2.50% to 4.25%.
- c) Mortality changed from the 2013 IRS Static Mortality projected five years with a Scale AA to the RP-2014 (with MP-2014 improvement removed) Total Data Set mortality table projected on a fully generational basis using the future mortality improvement scale inherent in the mortality projection included in the Social Security Administration's 2014 Trustee Report.
- d) Retirement, disability and termination rates were adjusted to reflect recent experience.

ST. JOSEPH COUNTY AIRPORT AUTHORITY

BUDGETARY COMPARISON SCHEDULE

For the year ended December 31, 2015

| | <u>Budgeted Amounts</u> | | <u>Actual Budgetary Basis Amounts</u> | <u>Variance With Final Budget</u> |
|---|-------------------------|----------------|---|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Airfield | \$ 680,009 | \$ 680,009 | \$ 716,108 | \$ 36,099 |
| Terminal - aviation | 1,351,543 | 1,351,543 | 1,476,155 | 124,612 |
| Terminal - non-aviation | 105,415 | 105,415 | 115,954 | 10,539 |
| Concessionaire | 1,175,131 | 1,175,131 | 1,390,394 | 215,263 |
| Parking | 2,480,100 | 2,480,100 | 2,551,298 | 71,198 |
| Fixed based operations | 384,954 | 384,954 | 425,101 | 40,147 |
| Building and land rent | 297,174 | 297,174 | 311,083 | 13,909 |
| Other | - | - | 3,000 | 3,000 |
| Total revenues | 6,474,326 | 6,474,326 | 6,989,093 | 514,767 |
| Expenses: | | | | |
| Personal services | 6,129,776 | 6,129,776 | 4,479,072 | 1,650,704 |
| Supplies | 912,588 | 912,588 | 736,469 | 176,119 |
| Other services and charges | 4,051,717 | 4,051,717 | 2,715,357 | 1,336,360 |
| Total operating expenses | 11,094,081 | 11,094,081 | 7,930,898 | 3,163,183 |
| Debt service: | | | | |
| Other services and charges | 1,142,288 | 1,142,288 | 1,225,070 | (82,782) |
| Total expenses | 12,236,369 | 12,236,369 | 9,155,968 | 3,080,401 |
| Other financing sources (uses): | | | | |
| Property taxes | 2,592,399 | 2,592,399 | 2,236,748 | (355,651) |
| Other tax distributions | 487,520 | 487,520 | 509,765 | 22,245 |
| Interest income | 5,000 | 5,000 | 9,963 | 4,963 |
| Federal and state grants | 6,175,000 | 6,175,000 | 12,098 | (6,162,902) |
| Capital outlay | (7,746,019) | (7,746,019) | (8,044,827) | (298,808) |
| Total other financing sources (uses) | 1,513,900 | 1,513,900 | (5,276,253) | (6,790,153) |
| Deficiency of revenues and other financing sources under expenses and other financing uses | \$ (4,248,143) | \$ (4,248,143) | \$ (7,443,128) | \$ (3,194,985) |

ST. JOSEPH COUNTY AIRPORT AUTHORITY

BUDGET/GAAP RECONCILIATION

For the year ended December 31, 2015

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) | \$ (7,443,128) |
| Adjustments: | |
| Capital expenses | 8,044,827 |
| Depreciation | (3,208,875) |
| Amortization of Deferred Amount on Refunding and Bond Premium | (21,968) |
| Debt payments | 700,000 |
| Capital Contributions | 4,499,206 |
| Passenger Facility Charge Revenue | 1,291,355 |
| Other Non-Operating Revenue | 310,005 |
| Other taxes | 20,113 |
| Property management activity (net revenue) | 131,411 |
| Loss on disposal of asset | (1,055,552) |
| Change in operating revenues receivable | 49,404 |
| Change in intergovernmental receivable | (590,836) |
| Change in wages and benefits payable | 103,745 |
| Changes in payables and prepaid items | 16,096 |
| Changes in deferred outflows | (554,607) |
| Net pension adjustment | (216) |
| | <hr/> |
| Change in net position (GAAP basis) | \$ 2,290,980 |
| | <hr/> |

ST. JOSEPH COUNTY AIRPORT AUTHORITY

SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES

For the year ended December 31, 2015

| | |
|---------------------------------------|--------------------------|
| Cash balance, January 1 | \$ 528,025 |
| Receipts: | |
| Passenger facility charge collections | 1,300,873 |
| Interest | <u>783</u> |
| Total receipts | <u>1,301,656</u> |
| Disbursements: | |
| Transfer to bond and interest fund | <u>970,874</u> |
| Cash balance, December 31 | <u><u>\$ 858,807</u></u> |

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TREND OVERVIEW

This portion of the St. Joseph County Airport Authority's annual financial report presents trend information for ten years of revenues and expenses and St. Joseph County property tax assessment, rates and revenue assigned to the Authority.

**ST. JOSEPH COUNTY AIRPORT AUTHORITY
SCHEDULE OF REVENUES
LAST TEN YEARS**

| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|------------------------------------|----------------------|----------------------|----------------------|---------------------|---------------------|----------------------|---------------------|----------------------|----------------------|----------------------|
| Operating Revenues: | | | | | | | | | | |
| Airport Service Revenues | | | | | | | | | | |
| Airfield | \$ 716,108 | \$ 669,881 | \$ 665,933 | \$ 605,636 | \$ 606,890 | \$ 605,210 | \$ 601,768 | \$ 688,895 | \$ 644,949 | \$ 656,071 |
| Terminal - Aviation | 1,525,343 | 1,466,228 | 1,276,000 | 1,277,222 | 1,250,254 | 1,225,171 | 1,219,103 | 1,272,818 | 1,168,619 | 1,325,257 |
| Terminal - Nonaviation | 115,954 | 128,179 | 105,434 | 108,390 | 128,043 | 111,226 | 129,513 | 146,078 | 142,275 | 130,016 |
| Concessions | 1,390,394 | 1,288,817 | 1,211,590 | 1,097,687 | 1,093,471 | 1,069,131 | 1,056,991 | 1,087,047 | 1,234,600 | 1,152,570 |
| Parking | 2,551,298 | 2,435,889 | 2,463,750 | 2,198,722 | 2,191,557 | 2,207,040 | 2,037,467 | 2,547,340 | 2,474,598 | 2,390,249 |
| Fixed Based Operations | 425,101 | 386,809 | 381,546 | 358,468 | 347,090 | 408,748 | 407,000 | 383,730 | 494,342 | 227,714 |
| Building and Land Rent | 311,083 | 409,037 | 308,721 | 247,731 | 134,509 | 243,613 | 321,511 | 226,897 | 241,895 | 157,287 |
| Airport Service Revenues - Total | 7,035,281 | 6,784,840 | 6,412,974 | 5,893,856 | 5,751,814 | 5,870,139 | 5,773,353 | 6,352,805 | 6,401,278 | 6,039,164 |
| Other | 3,000 | 4,000 | 3,000 | 12,367 | 12,625 | 12,039 | 10,619 | 116,289 | 14,620 | 99,788 |
| Total Operating Revenues | 7,038,281 | 6,788,840 | 6,415,974 | 5,906,223 | 5,764,439 | 5,882,178 | 5,783,972 | 6,469,094 | 6,415,898 | 6,138,952 |
| Nonoperating Revenues: | | | | | | | | | | |
| Property Taxes | 2,256,861 | 2,208,451 | 2,242,282 | 2,320,303 | 1,765,272 | 2,997,689 | 2,702,107 | 2,909,741 | 2,681,849 | 2,782,173 |
| Other Tax Distributions | 509,765 | 493,925 | 461,683 | 446,283 | 535,170 | 620,426 | 836,637 | 618,671 | 495,964 | 524,731 |
| Interest and Investment Revenue | 9,963 | 12,203 | 15,634 | 18,986 | 16,139 | 15,517 | 61,882 | 277,387 | 733,312 | 420,128 |
| Property Management Revenue | 281,952 | 242,757 | 244,898 | 227,126 | 257,154 | 273,942 | 328,987 | 295,774 | 242,955 | 149,117 |
| Federal Operating Grant | 12,098 | 238,490 | 692,138 | 101,303 | 144,568 | 148,565 | - | - | - | 257,168 |
| Gain on Disposal of Assets | - | 56,402 | - | - | - | - | - | 65,717 | - | - |
| Other Revenue | 310,005 | 84,670 | 50,545 | 32,921 | 41,072 | 101,332 | 122,378 | 405,017 | 190,112 | 200,561 |
| Total Nonoperating Revenues | 3,380,644 | 3,336,898 | 3,707,180 | 3,146,922 | 2,759,375 | 4,157,471 | 4,051,991 | 4,572,307 | 4,344,192 | 4,333,878 |
| Total Revenue | \$ 10,418,925 | \$ 10,125,738 | \$ 10,123,154 | \$ 9,053,145 | \$ 8,523,814 | \$ 10,039,649 | \$ 9,835,963 | \$ 11,041,401 | \$ 10,760,090 | \$ 10,472,830 |

**ST. JOSEPH COUNTY AIRPORT AUTHORITY
SCHEDULE OF EXPENSES AND CHANGES IN NET POSITION
LAST TEN YEARS**

| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Operating Expenses: | | | | | | | | | | |
| Personal Services | 4,929,934 | 4,554,567 | 4,983,555 | 5,050,210 | 4,871,475 | 4,884,509 | 4,810,162 | 4,884,616 | 4,698,058 | 4,282,845 |
| Supplies | 736,469 | 702,877 | 756,976 | 623,858 | 642,682 | 586,715 | 808,565 | 732,590 | 706,584 | 597,088 |
| Other Services and Charges | 3,290,097 | 2,243,370 | 3,189,233 | 2,454,909 | 2,880,312 | 2,116,199 | 3,134,908 | 3,074,743 | 2,602,485 | 2,021,793 |
| Depreciation | <u>3,208,875</u> | <u>3,198,452</u> | <u>3,398,840</u> | <u>3,347,686</u> | <u>3,611,684</u> | <u>3,667,220</u> | <u>3,630,659</u> | <u>3,090,620</u> | <u>2,957,397</u> | <u>2,945,583</u> |
| Total Operating Expenses | <u>12,165,375</u> | <u>10,699,266</u> | <u>12,328,604</u> | <u>11,476,663</u> | <u>12,006,153</u> | <u>11,254,643</u> | <u>12,384,294</u> | <u>11,782,569</u> | <u>10,964,524</u> | <u>9,847,309</u> |
| Nonoperating Expenses: | | | | | | | | | | |
| Interest Expense | 467,639 | 487,856 | 503,345 | 631,215 | 607,514 | 614,347 | 675,362 | 727,662 | 774,487 | 170,824 |
| Property Management Expense | 150,541 | 199,801 | 186,036 | 192,996 | 200,666 | 222,493 | 257,044 | 209,198 | 285,856 | 227,526 |
| Loss on Change in Capital Asset Policy | | | | | | 590,321 | - | - | - | - |
| Loss on Disposal of Capital Assets | 1,055,552 | 69,948 | - | 152,751 | | 392,349 | - | - | - | 61,363 |
| Bond Issuance Costs | | - | - | 158,849 | | | | | | |
| Amortization Expense | <u>79,399</u> | <u>575</u> | <u>-</u> | <u>1,277</u> | <u>9,083</u> | <u>14,628</u> | <u>14,628</u> | <u>14,628</u> | <u>14,628</u> | <u>14,628</u> |
| Total Nonoperating Expenses | <u>1,753,131</u> | <u>758,180</u> | <u>689,381</u> | <u>1,137,088</u> | <u>817,263</u> | <u>1,834,138</u> | <u>947,034</u> | <u>951,488</u> | <u>1,074,971</u> | <u>474,341</u> |
| Total Expenses | <u>13,918,506</u> | <u>11,457,446</u> | <u>13,017,985</u> | <u>12,613,751</u> | <u>12,823,416</u> | <u>13,088,781</u> | <u>13,331,328</u> | <u>12,734,057</u> | <u>12,039,495</u> | <u>10,321,650</u> |
| Income Before Contributions | (3,499,581) | (1,331,708) | (2,894,831) | (3,560,606) | (4,299,602) | (3,049,132) | (3,495,365) | (1,692,656) | (1,279,405) | 151,180 |
| Capital Contributions | 4,499,206 | 1,752,133 | 35,157 | 3,274,595 | 3,909,443 | 7,313,647 | 834,428 | 4,036,643 | 3,125,639 | 2,828,377 |
| Passenger Facility Charge Revenue | 1,291,355 | 1,287,426 | 1,341,898 | 1,227,862 | 1,007,280 | 835,884 | 820,664 | 960,513 | 1,083,989 | 1,060,891 |
| Capital Assets Donated to County Government | - | (1,552,241) | (5,004,377) | - | - | (8,999,393) | - | - | - | (225,754) |
| Sub-Totals | <u>5,790,561</u> | <u>1,487,318</u> | <u>(3,627,322)</u> | <u>4,502,457</u> | <u>4,916,723</u> | <u>(849,862)</u> | <u>1,655,092</u> | <u>4,997,156</u> | <u>4,209,628</u> | <u>3,663,514</u> |
| Change in Net Position | 2,290,980 | 155,610 | (6,522,153) | 941,851 | 617,121 | (3,898,994) | (1,840,273) | 3,304,500 | 2,930,223 | 3,814,694 |
| Total Net Position - Beginning | 79,036,256 | 78,713,318 | 85,235,471 | 84,872,581 | 84,255,461 | 88,154,455 | 89,994,728 | 86,690,228 | 83,760,005 | 79,945,311 |
| Total Net Position - Adjustments | <u>(1,586,595)</u> | <u>167,329</u> | <u>-</u> | <u>(578,961)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Net Position - Ending | <u>\$ 79,740,641</u> | <u>\$ 79,036,257</u> | <u>\$ 78,713,318</u> | <u>\$ 85,235,471</u> | <u>\$ 84,872,582</u> | <u>\$ 84,255,461</u> | <u>\$ 88,154,455</u> | <u>\$ 89,994,728</u> | <u>\$ 86,690,228</u> | <u>\$ 83,760,005</u> |

St Joseph County Airport Authority
Assessed Value of Taxable Property - Last Ten Fiscal Years (1)

| Year | Real Property Assessed Value | Personal Property Assessed Value | Total Direct Tax Rate | Total Assessed Value |
|-------------|---|---|----------------------------------|---------------------------------|
| 2015 | \$ 8,024,367,267 | \$ 1,252,802,776 | 0.0338 | \$ 9,277,170,043 |
| 2014 | \$ 6,344,717,735 | \$ 1,169,480,507 | 0.0345 | \$ 7,514,198,242 |
| 2013 | \$ 6,533,399,996 | \$ 1,137,751,791 | 0.0330 | \$ 7,671,151,787 |
| 2012 | \$ 6,882,357,309 | \$ 1,117,519,859 | 0.0309 | \$ 7,999,877,168 |
| 2011 | \$ 7,291,197,519 | \$ 846,299,712 | 0.0297 | \$ 8,137,497,231 |
| 2010 | \$ 7,255,034,884 | \$ 1,161,736,880 | 0.0342 | \$ 8,416,771,764 |
| 2009 | \$ 7,407,382,632 | \$ 998,084,354 | 0.0353 | \$ 8,405,466,986 |
| 2008 | \$ 8,914,568,570 | \$ 1,050,299,685 | 0.0292 | \$ 9,964,868,255 |
| 2007 | \$ 8,866,005,036 | \$ 1,099,718,445 | 0.0277 | \$ 9,965,723,481 |
| 2006 | \$ 7,711,827,652 | \$ 1,500,017,115 | 0.0301 | \$ 9,211,844,767 |

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

St Joseph County Airport Authority
Property Tax Rates - Direct - Last Ten Fiscal Years
(Per \$100 of Assessed Value) (1)

| Year | Airport General | Airport Cum Building | Airport Debt Service | Total Assessed Value |
|-------------|----------------------------|---------------------------------|---------------------------------|---------------------------------|
| 2015 | \$ 0.0306 | \$ 0.0032 | | \$ 0.0338 |
| 2014 | \$ 0.0312 | \$ 0.0033 | \$ - | \$ 0.0345 |
| 2013 | \$ 0.0297 | \$ 0.0033 | \$ - | \$ 0.0330 |
| 2012 | \$ 0.0277 | \$ 0.0032 | \$ - | \$ 0.0309 |
| 2011 | \$ 0.0264 | \$ 0.0033 | \$ - | \$ 0.0297 |
| 2010 | \$ 0.0249 | \$ 0.0020 | \$ 0.0073 | \$ 0.0342 |
| 2009 | \$ 0.0241 | \$ 0.0092 | \$ 0.0020 | \$ 0.0353 |
| 2008 | \$ 0.0195 | \$ 0.0020 | \$ 0.0077 | \$ 0.0292 |
| 2007 | \$ 0.0185 | \$ 0.0020 | \$ 0.0072 | \$ 0.0277 |
| 2006 | \$ 0.0197 | \$ 0.0022 | \$ 0.0082 | \$ 0.0301 |

(1) Source: St. Joseph County Auditor

Property Tax Levies and Collections
Property Tax Rates - Direct - Last Five Fiscal Years

| Year | Certified Levy (1) | | Collections During the Year | |
|-------------|---------------------------|-----------|------------------------------------|---------------------------|
| | | | Amount | Percentage of Levy |
| 2015 | \$ | 2,658,035 | \$ 2,256,861 | 84.9% |
| 2014 | \$ | 2,592,399 | \$ 2,208,451 | 85.2% |
| 2013 | \$ | 2,531,480 | \$ 2,151,294 | 85.0% |
| 2012 | \$ | 2,471,962 | \$ 2,198,324 | 88.9% |
| 2011 | \$ | 2,416,836 | \$ 2,126,937 | 88.0% |

(1) Source: Budget Order Approved by Indiana Department of Local Government Finance

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513
Fax: (317) 232-4711
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE**

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 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2015. The Airport Authority's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Airport Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Airport Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on 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, 2015.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)


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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Airport Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

August 1, 2016

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the Airport Authority. The schedule and notes are presented as intended by the Airport Authority.

ST. JOSEPH COUNTY AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2015

| Federal Grantor Agency Cluster Title/Program Title/Project Title | Pass-Through Entity or Direct Grant | Federal CFDA Number | Pass-Through Entity (or Other) Identifying Number | Pass-Through To Subrecipient | Total Federal Awards Expended |
|---|-------------------------------------|---------------------------|--|---------------------------------|-------------------------------------|
| <u>Department of Transportation</u> | | | | | |
| Airport Improvement Program | Direct grant | | | | |
| Geothermal | | 20.106 | AIP 03-18-0079-046-2014 | \$ - | \$ 3,823,422 |
| Federal Inspection Station | | 20.106 | AIP 03-18-0079-047-2014 | - | 438,272 |
| FIS | | 20.106 | AIP 03-18-0079-048-2014 | - | 253,637 |
| Total - Airport Improvement Program | | | | - | 4,515,331 |
| Payments for Small Community Air Service Development SCJSD - United Newark | Direct grant | 20.930 | WAG 20911-SCJSDP-07 | - | 226,726 |
| Total - Department of Transportation | | | | - | 4,742,057 |
| <u>Department of Homeland Security</u> | | | | | |
| Law Enforcement Officer Reimbursement Agreement Program | Direct grant | | | | |
| Law Enforcement Officer Reimbursement | | 97.090 | HSTS0213HSLR312 | - | 110,539 |
| Total - Department of Homeland Security | | | | - | 110,539 |
| Total federal awards expended | | | | \$ - | \$ 4,852,596 |

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

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

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the Airport Authority under programs of the federal government for the year ended December 31, 2015. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the Airport Authority, it is not intended to and does not present the financial position of the Airport Authority.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-133, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received. The Airport Authority has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

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? | yes |

Federal Awards:

| | |
|--|---------------|
| Internal control over major program: | |
| Material weaknesses identified? | no |
| Significant deficiencies identified? | none reported |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | no |

Identification of Major Program and type of auditor's report issued on compliance:

| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> | <u>Opinion Issued</u> |
|--|---|---------------------------|
| 20.106 | Airport Improvement Program | Unmodified |
| Dollar threshold used to distinguish between Type A and Type B programs: | | \$750,000 |
| Auditee qualified as low-risk auditee? | | no |

Section II - Financial Statement Findings

FINDING 2015-001 - FINANCIAL TRANSACTIONS AND REPORTING

Condition

The Airport Authority's internal controls over the Financial Statements (Statements), Notes to the Financial Statements (Notes), and Schedule of Expenditures of Federal Awards (SEFA) were not effective in preventing, or detecting and correcting, errors in a timely manner. As a result, the Statements, Notes, and SEFA contained the following errors:

Statement of Net Position:

1. Capital Assets were overstated \$81,192; two vehicles were reported twice.
2. Bonds Payable (Net) of \$1,929,841 were misclassified as Unrestricted Net Position.

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

Statement of Revenues, Expenses, and Changes in Net Position:

1. Bonds Issue Costs of \$79,399 were omitted.
2. Pension Contributions of \$322,365 were misclassified as Capital Contributions.

Statement of Cash Flows:

1. Payments to Employees were overstated \$322,149.
2. Capital Contributions were overstated \$322,149.
3. Acquisition and Construction of Capital Assets were overstated \$81,192.
4. Bond Issuance Costs were overstated \$79,974.

Notes:

Included numerous inconsistencies with the financial information included on the face of the Statements.

SEFA:

Federal Expenditures of the Airport Improvement Program were overstated \$692,243.

Adjustments were proposed, accepted by the Airport Authority, and made to the Statements, Notes, and SEFA presented in this report.

Criteria

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)

2 CFR section 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with section 200.510 Financial statements. . . ."

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

2 CFR section 200.510(b) states:

"Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with section 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within a cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in section 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe the significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in section 200.414 Indirect (F&A) costs."

Cause

Management of the Airport Authority had not established a proper system of internal control over financial transactions and reporting.

Effect

The failure to establish controls enabled material misstatements or irregularities to remain undetected.

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

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

Section III - Federal Award Findings and Questioned Costs

No matters are reportable.

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AUDITEE PREPARED SCHEDULES

The subsequent schedules were provided by management of the Airport Authority. The schedules are presented as intended by the Airport Authority.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2014-001

Fiscal year in which the finding initially occurred: 2014

FINDING 2014-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

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

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Airport Authority to reduce risks to the achievement of financial reporting objectives. The Airport Authority has not separated incompatible activities related to payroll expenses. One person is solely responsible for all aspects of the payroll process. A third-party vendor processes and distributes payroll. There is no oversight, review, or approval process before payroll is submitted for processing or before payroll is distributed. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.
2. Monitoring of Controls: Control activities should be monitored at various levels of the Airport Authority to reduce risks to the achievement of financial reporting objectives. An evaluation of the Airport Authority's system of internal control has not been conducted related to the payroll expenses. The failure to monitor the internal control system places the Airport Authority at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, material misstatements in a timely manner. Additionally, the Airport Authority has no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting require the Airport Authority to monitor and assess the quality of the system of internal controls.

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)

CORRECTIVE ACTION PLAN

Section II - Financial Statement Findings

FINDING 2014- 001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Contact person:

Brock Zeeb,

bzeeb@sbnair.com

574-282-4590 x223

Expected Completion date: 09/1/15

Corrective Action:

The Authority has developed and passed an internal controls guide. In order to improve this process, an evaluation of the Airport Authority's system of internal control has been conducted related to the payroll process. An additional step has been created which requires a review of the payroll input by a separate employee prior to submission to the third party vendor. This additional step has been communicated to the applicable parties and is now in force.

Status of Audit Finding: Action has been taken; policy and procedures have been implemented. Finding status is closed. No longer an internal control risk.



CORRECTIVE ACTION PLAN

FINDING 2015-001 - FINANCIAL TRANSACTIONS AND REPORTING

Contact Person Responsible for Corrective Action:

Brock Zeeb, Director of Admin / Finance.

bzeeb@sbnair.com

Contact Phone Number: 574-282-4590 x 223

Expected completion date 12/1/2016

Views of Responsible Official:

The Airport Authority believes the current internal control structure is sound and is sufficient to detect misstatements or irregularities. In May 2016, the Board adopted a new internal controls guide and documented updated financial policies and procedures. Financial controls are under constant review to ensure the Authority is compliant with GAAP and equal to the minimum standards required by the Indiana State Board of Accounts.

Description of Corrective Action Plan:

This finding is connected to the conversion from the cash method to accrual for the Annual Financial Report that is due by March 1st of each year. The Airport Authority books and records are maintained on a cash basis throughout the year and converted back to an accrual basis in order to complete the Annual Financial Report by the prescribed deadline. The cash records proved to be sound. In coordination with our consultant, H.J. Umbaugh and Associates, the Authority made the decision in the conversion and reporting of the financials in an accrual method that resulted in the reported inaccuracies. The Annual Financial Report has been updated to accurately reflect the accrual basis changes suggested by the State Board of Accounts. To prevent future inconsistencies, the Airport Authority Staff and our consultant (H.J. Umbaugh & Associates) will complete the accrual basis Annual Financial Report by mid-February of every year to ensure additional time to reconcile the conversion. In addition, basic financial statements will be prepared each year by April 20th in order to allow for a second level of review of the accrual basis Annual Financial Report. Inconsistencies will be addressed by reopening the accrual basis Annual Financial Report and resubmitting after corrections have been made. In addition to an earlier completion of the AFR, the Authority and consultant will hold an extra meeting to ensure the decisions made in the conversion have been well thought out and discussed thoroughly.

B/Z 2A
(Signature)

Director of Admin / Finance
(Title)

7/28/16
(Date)

OTHER REPORTS

In addition to this report, other reports may have been issued for the Airport Authority. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.