

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

**COMPREHENSIVE ANNUAL FINANCIAL  
REPORT FOR THE FISCAL  
YEAR ENDED DECEMBER 31, 2005**

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

**INTRODUCTORY SECTION**

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 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
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June 1, 2006

To the Members of the Board

The Comprehensive Annual Financial Report of the St. Joseph County Airport Authority for the fiscal year ended December 31, 2005 is submitted herewith. This report was prepared by the Director of Administration and Finance (Financial Officer) of the St. Joseph County Airport Authority in conjunction with the Auditor's Office of St. Joseph County, Indiana, and the Indiana State Board of Accounts.

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

The guidelines recommended by the Government Finance Officers Association of the United States and Canada have been followed in the preparation of this report. The GFOA awards Certificates of Achievement to those governments whose annual financial reports are judged to conform substantially with the high standards of public financial reporting, including generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board. It is our belief that the accompanying 2005 Comprehensive Annual Financial Report meets program standards, and it will be submitted to the Government Finance Officers Association for their review. GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of a Management Discussion and Analysis (MD&A). One should read this letter of transmittal in conjunction with the MD&A that is located immediately following the report of the independent auditor in the Financial Section of this report.

In accordance with the above-mentioned guidelines, the accompanying report consists of four parts:

- (1) Introductory section, including this letter of transmittal.
- (2) Financial section, including financial statements, management's discussion and analysis, and supplementary information of the Airport Authority accompanied by our independent auditor's opinion.
- (3) Statistical section, including a number of tables of data depicting the financial history of St. Joseph County and the Airport Authority for the past ten years, information on overlapping government units, and demographic and other miscellaneous information.
- (4) Compliance Section, including a report on Compliance with the Passenger Facility Charge Program and OMB Circular A-133

### **THE REPORTING ENTITY**

The St. Joseph County Airport Authority (the "Authority") is a municipal corporation established January 1, 1974, by the St. Joseph County, Indiana, Council, under authority granted by Indiana statute (IC 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, 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 Authority administers South Bend Regional Airport in South Bend, Indiana. The 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 Authority's bi-partisan Board consists of four members which are appointed by the St. Joseph County Commissioners.

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

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

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

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

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

South Bend Regional Airport has the typical airport tenant mixture, such as rental cars, restaurant, parking operator ( Republic Parking System), etc. Hertz, Avis, National, and Enterprise rental car agencies all occupy Terminal Building space along with Air Host, Inc., a subsidiary of Hospitality Flight Services, Inc., which operates the restaurant, the gift shop, and the lounge, as well as all coin-operated concessions in the Terminal Building. Budget Car Rental operates an off-airport concession. There is also a travel agency (Travelmore) located in the Terminal Building. A full complement of ground transportation is available (including 14 cab companies; and the Transpo City Bus Line). The Airport also serves as the only intercity bus terminal for the South Bend area housing Central Greyhound, Indiana Highways, and ABC Coach Lines.

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

Other airport businesses include: Wells Fargo Money Machine, Sugar - N - Spice Candy Store, Smarte Carte (baggage carts), Performance Plus (custodial service), Transportation Security Administration (screenpoint security), Interspace Airport Advertising, E.C. Delivery, and Rush Delivery.

Corporate Wings, Inc. (d/b/a S B N, Inc.) serves the Airport as a full service Fixed Base Operator. Corporate Wings, Inc. also sells 100 low lead and Jet A fuel.

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

The South Bend Regional Airport is a full service commercial airport categorized as a Small Hub by the Federal Aviation Administration. It consists of two active commercial service runways: Runway 9R/27L, which is 8,400 feet long and 150 feet wide, is of concrete construction with an asphalt overlay. Runway 18/36 is 6,000 feet long and

150 feet wide and is a flexible pavement (asphalt) runway. The design aircraft for both 9R/27L and 18/36 is the Boeing 727-200. A third runway, 9L/27R, which is 4,300 feet long and 75 feet wide, is designated for use by General Aviation aircraft up to 60,000 pounds in weight.

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

Two Thousand and Five, which marked the thirty-second operational year of the St. Joseph County Airport Authority, was a productive and challenging year, and one which has seen the continued utilization of the Multi-Modal terminal complex, continued physical growth of the Airport, and continued efforts to improve air service for the South Bend area.

It is estimated that the airport provides an economic impact to the community of in excess of \$410,000,000.00 per year. Based upon expected future increases in passenger traffic, and capital development, this impact should continue to grow for the foreseeable future.

### **ECONOMIC OUTLOOK – SOUTH BEND REGIONAL AIRPORT- ST. JOSEPH COUNTY**

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

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

The financial outlook of the county is dependant upon a strong and diversified business base.

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

In recent years, while there is still significant manufacturing activity by national companies such as the AM General Hummer facility and the Honeywell Corporation, the County has seen a shift to a much more diversified economy which now also

features a large number of service-related businesses including a regional health care industry, a thriving educational services sector, and significant employment in the accounting and financial services industry. The composition of the County's 6,300 businesses and workforce of over 138,000 people closely matches that of the U.S. economy overall, thus providing a stable local economic environment.

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

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

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

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

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

St. Joseph County is also on the cutting edge of technology. An important recent development in this area was the establishment by Project Future, the local economic development agency, and the St. Joseph County Chamber of Commerce, of the St. Joseph Valley Metronet. The Metronet is a vendor-neutral dark fiber network, providing state of the art telecommunications infrastructure in the County.

## **MAJOR AIRPORT INITIATIVES**

### **Planned Projects**

In 2005, the Airport Authority continued its land acquisition program which began in 1974. It is primarily aimed at the eventual relocation of Lincoln Way West, which will allow for the southerly extension of Runway 36 and the acquisition of up to 140 acres of land to accommodate future aviation-related development. The total cost of the projects will be approximately \$25 million with the majority of the funding coming from Passenger Facility Charge (P.F.C.) revenues and the remainder coming from Airport Improvement Program (AIP) Funds. The AIP program features 95 percent contribution administered by the Federal Aviation Administration, 2.5 percent contributed by the State of Indiana, and 2.5 percent contributed by the Airport Authority.

## Airport Facility and Service Improvements

Property improvements in 2005 were in keeping with the Airport Authority's policy of maintaining an attractive appearance for the public of all Airport land. These improvements included the removal of structures from parcels previously purchased and the removal of trees, brush and trash.

Two Thousand Five (2005) saw minor improvements to the airfield that were performed to increase the functionality of the airport, the safety of the airport, and to be prepared for increased usage as the air transportation industry continues to recover from the devastating impact of the events of September 11, 2001. In 2005, the restaurant concessionaire began a modernization project which will significantly improve the appearance, functionality, and services of the gift shop, restaurant and lounge. Also, a majority of the terminal was re-carpeted in 2005.

In 2005, the airport inaugurated The Stakeholder of the Year Award to acknowledge the contribution of Republic Parking System to the mission of South Bend Regional. Republic invested over \$600,000.00 in improvements to the parking facility and also introduced several customer service enhancements.

Other 2005 activities included continued improvement to the airport's website with a host of new added features. A major focus was placed in the improvement of taxi service to the public. To that end, the airport in conjunction with the Convention and Visitor's Bureau of St. Joseph County, conducted customer service training sessions for cab drivers. A "mystery" rider program was also initiated to reward taxi operators for good service. Emphasis was placed on new air service development to the east coast and to Indianapolis, the State Capital. The addition of non-stop service to Las Vegas and Orlando were highlights of the year.

## Special Accomplishments

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

In 2005, the Safety Department continued to use its state-of-the-art fire training facility. The Indiana Department of Environmental Management approved the facility which is being used by the Safety Department for their own training and also for local and national airport-sponsored fire schools.

The Airport's Maintenance Department sponsored a Pavement Repair and Winter Operations School (PRO) in 2005. The Department has long been known for its proficiency in snow and ice removal.

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

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

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

### Public Involvement

During 2005, over 4,000 students toured the Airport terminal and Safety/ Maintenance Buildings as part of the Airport Authority's effort to expose the people of Michiana to its facilities and operations.

The Authority was involved in several high school Career Fairs and other community events. Representatives from the airlines, control tower, and Authority were part of programs which provided real world knowledge to high school students regarding employment opportunities in the community.

South Bend Regional Airport is the first truly multi-modal terminal in the United States offering air, interstate rail, and interstate bus service at one location. All airport information and schedules are on the airport's web site at [www.sbnair.com](http://www.sbnair.com).

### MISSION STATEMENT

Our Mission is to maximize the safety, service, efficiency and effectiveness of the South Bend Regional Airport for the traveling public, and to promote the airport's value to the community.

## Employees and Volunteers

The following employees and volunteers worked together in 2005 to further improve the image and efficiency of the South Bend Regional Airport:

Stuart E. Bechtel  
Norma E. Brown  
K. Todd Burget  
Richard Buzalski  
Brian L. Cassady  
Chris D. Celichowski  
Joshua Chapo  
Michael A. Clymer  
James Collings, Jr.  
Ray E. Davidson  
Gary A. Davis  
Phyllis Davis  
Sandra K. Davis  
Richard K. Fields  
Francis M. Flanagan  
Mitzi A. Garner  
Ty H. Garton  
Leonard J. Genchoff  
Michal E. Gerndt  
Donald E. Gilbert  
Terry A. Goralski  
Karen A. Gorbitz  
James M. Gordon, Jr.  
Marci A. Greenberger  
Michael A. Guljas  
Scott E. Hancz  
Robert E. Herron, Jr.  
Richard C. High  
Chad Hooten  
William J. Horvatin  
Scott A. Ingole  
Hal K. James  
David A. Joachim  
Shirley K. Kajzer  
Aaron E. Keller  
Kerianne Kirby  
Daniel J. Kopczynski  
Michael J. Markiewicz  
Kevin A. Matuszak  
Bruce MacLachlan

Corey M. McAlvey  
Brian A. McMillen  
Donald F. Miller  
Christopher Monjeau  
Michael A. Muzzey  
Ronald A. Nye  
Ronald P. Olivier  
Brad J. Ontrop  
Michael J. Ornat  
Rosemarie Owsianowski  
Kevin M. Plonka  
Billy F. Russell  
Reginald Sanders  
John C. Schalliol  
Richard J. Schoder  
Tammi L. Schreier  
James J. Stankiewicz  
Carl S. Stopczynski  
Kevin J. Szucsits  
James F. Temple  
Gregory J. Weber  
Carol A. Whitteberry  
Matthew L. Willis  
Joseph F. Zaworski

### Part-Time Employees:

Jacob Fawley  
Jessica Gorbitz  
Allison Minnig  
Heather Piechocki  
Ryan Stankiewicz  
Patrick Weaver

### Volunteers

Robert Ditsler  
William MacWhorter

## FINANCIAL INFORMATION

### Internal Control Structure and Budgetary Controls

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

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

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

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

### Employee Retirement System

All full-time Airport Authority employees are eligible to participate in the Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system which provides retirement benefits to plan members and beneficiaries. State statutes (IC-5-10.2 and 5-10.3) give the Airport Authority the authority to contribute to the plan and govern most requirements of the system.

Details of the Employee Retirement System are included in Note IV. C of the Financial Statements Section of this report.

### Cash Management

Cash temporarily idle during the year is invested by the Airport Authority in Certificates of Deposit and in interest-bearing checking accounts. All investments are in compliance with the statutes of the State of Indiana governing public funds. It is the policy of the Airport Authority to invest funds with local, federally insured banks that have a principal office within St. Joseph County and have been approved by the St. Joseph County Airport Authority's Board.

### Risk Management

The Airport Authority maintains a policy of eliminating or transferring risk whenever possible. Lease agreements contain insurance requirements and hold harmless clauses. Tenants and contractors are required to maintain specified limits of insurance and to provide certificates of insurance covering their operations to the Authority.

A schedule of insurance in force at December 31, 2005 can be found in the Statistical Section of this report.

### Audit Function

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

### Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement For Excellence in Financial Reporting to the St. Joseph County Airport Authority for its comprehensive annual financial report (C.A.F.R.) for the fiscal year ended December 31, 2004. This was the sixteenth consecutive year that the government has achieved this prestigious award.

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

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

### Acknowledgments

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

We would also like to thank and acknowledge, Larry Tippin, Office Supervisor of the Indianapolis office of the State Board of Accounts, and Douglas Wiese, Area Supervisor, and auditors John Pajakowski and John Rucano III of the Indiana State Board of Accounts for their very significant input and encouragement and also Pete Speer of Municipal Finance Consulting Services who assisted in the accumulation of statistical information for this CAFR.

Also, the preparation of this report would not have been possible without the help of the St. Joseph County Auditor, Michael Eby, Deputy Auditor, John Lentz, and the staff at the Auditor's office.


The cover design was provided by Michael Murphy Design Studios.

Finally, the Airport Authority Administrative Services Staff deserves our sincere appreciation for their assistance, especially Executive Assistant, Shirley Kajzer, who spent many hours processing the majority of this report, to Purchasing/ Accounting Specialist, Mitzi Garner, who laid out the report for printing, to Karen Gorbitz, Accounting Assistant for her research work, and to Sandra Davis, Accounting Manager, whose accurate and thorough accounting records form the basis for this report. Other administrative staff team members are: Frank Flanagan, H.R. Manager; Kerianne Kirby, Properties Manager; and Carol Whitteberry, Community Relations Coordinator..

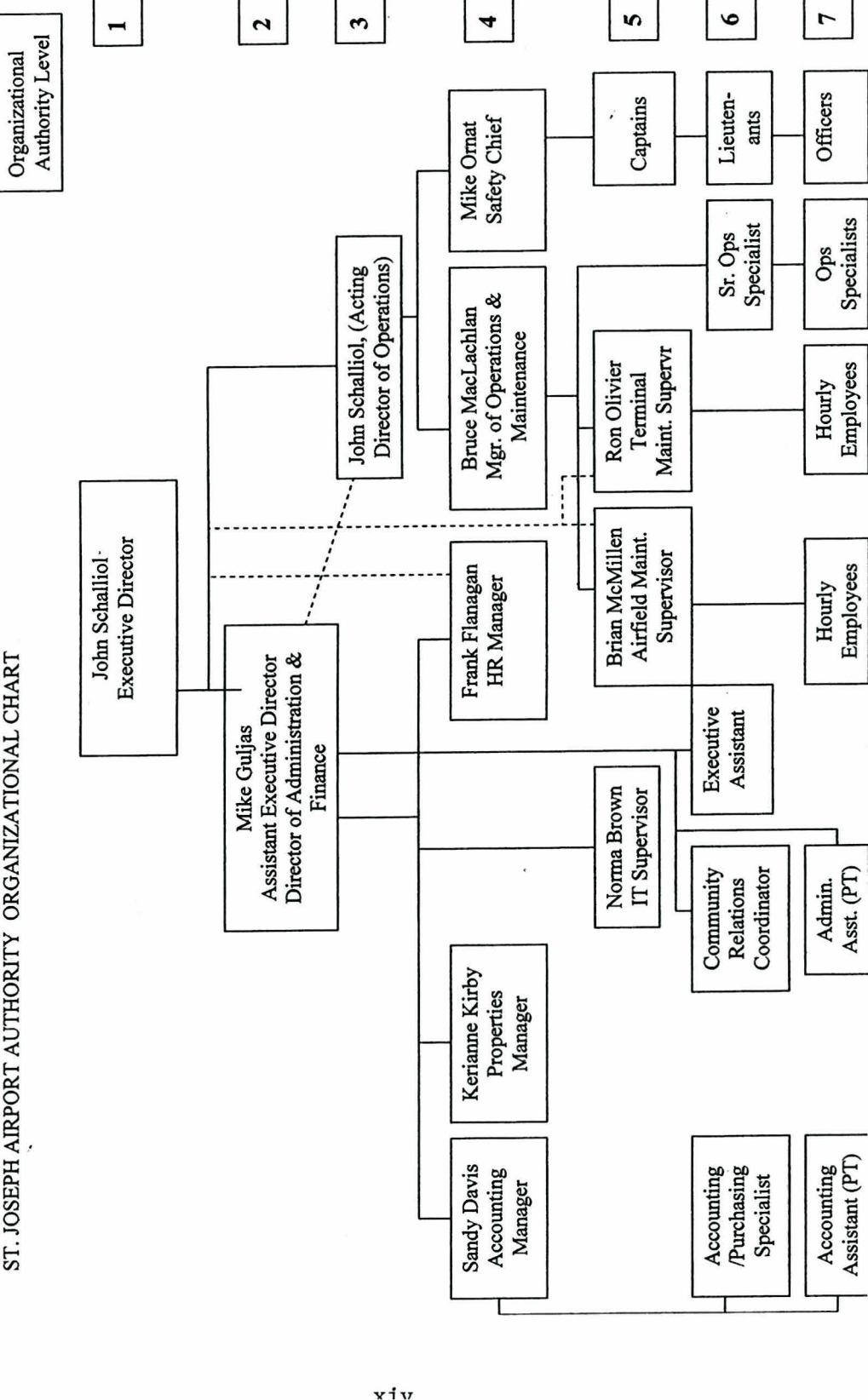
Respectfully submitted,



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



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



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Organizational Authority Level

**ST. JOSEPH COUNTY AIRPORT AUTHORITY**

**SOUTH BEND REGIONAL AIRPORT**

**OFFICIALS**

<b><u>Office</u></b>	<b><u>Official</u></b>	<b><u>Year Appointed</u></b>	<b><u>Current Term Expires</u></b>
Treasurer	Mr. Robert A. Henry	1995	12-31-06
President of The Airport Authority District	Mr. David R. Sage	1991	12-31-08
Vice President	Mr. James K. Hughes	1983	12-31-09
Secretary	Mr. James V. Wyllie	1995	12-31-07
Executive Director	Mr. John C. Schalliol, A.A.E.		

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

St. Joseph County  
Airport Authority,  
Indiana

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2004

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



*Carla E. Perry*

President

*Jeffrey R. Emer*

Executive Director

**FINANCIAL SECTION**

# FINANCIAL SECTION



# STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2765

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

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

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

We have audited the accompanying financial statements of the St. Joseph County Airport Authority (Airport Authority), as of and for the year ended December 31, 2005, as listed in the table of contents. These financial statements are the responsibility of the Airport Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport Authority as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and Schedules of Funding Progress as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. The Budgetary Comparison Schedules, Budget/GAAP Reconciliation, and the Schedule of Expenditures of Passenger Facility Charges as listed in the table of contents are not a required part of the basic financial statements but are supplemental financial information included by the Airport Authority. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information and the supplemental financial information. However, we did not audit the information and express no opinion on it.

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

In accordance with Government Auditing Standards, we have also issued our report dated May 15, 2006, on our consideration of the Airport Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the St. Joseph County Airport Authority's basic financial statements. The introductory section, statistical tables, supplemental information, and the accompanying Schedule of Expenditures of Federal Awards as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and presented for the purpose of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards and the supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements. The introductory section and the statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

**STATE BOARD OF ACCOUNTS**

May 15, 2006

# MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management Discussion and Analysis (MD&A) of the South Bend Regional Airport provides an introduction to the major activities affecting the operations of the airport and an introduction and overview to the financial performance and statements of the St. Joseph County Airport Authority (Authority) for the fiscal year ended December 31, 2005. 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 historic summaries of activities and financial performance included in the Statistical and Compliance Sections of this report.

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

## **AIRPORT ACTIVITIES & HIGHLIGHTS**

As of December 31, 2005, the South Bend Regional Airport provided non-stop air passenger service to eight hubs in the United States (Chicago O'Hare, Las Vegas, Cleveland, Detroit, Cincinnati, Atlanta, Sanford/Orlando and Minneapolis). Five major passenger carriers (Allegiant, Continental, Delta, Northwest, 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 following companies provided air service to South Bend in 2005: Allegiant Air, Chicago Express (ATA), Atlantic Southeast Airlines, ComAir (Delta), Northwest Airlines, Mesaba Airlines, Pinnacle Airlines (Northwest), Continental Airlines, CommuteAir (Continental) Air Wisconsin, Chautauqua Airlines, Skywest Airlines, and Trans States Airlines (United). Two of these companies, Chicago Express and Pinnacle Airlines, also based aircraft maintenance facilities in South Bend.

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

In 2005, many small airports nationwide were still recovering from the effects of the September 11, 2001 disaster and a struggling airline industry. Two Thousand Five total enplanements and deplanements reflected a decrease of 11.07 percent versus 2004. In September of 2004, the South Bend and Evansville, Indiana airports received a \$1,000,000.00 matching grant from the U.S. Department of Transportation under the Small Community Air Service Development Program.

The purpose of the grant was to assist the airports in developing intrastate air service with the primary focus on flights to Indianapolis. In January of 2005, Chicago Express, operating as American Trans Air (ATA), initiated service to Indianapolis. While the service was well received by the community, it was subsequently terminated in March due to the filing of bankruptcy by ATA. As of the end of 2005, the airports were negotiating with several carriers who were interested in providing the service.

In August of 2005, Allegiant Air inaugurated non-stop service to Las Vegas. Following the success of this service Allegiant began providing non-stop service to Sanford/Orlando Florida International Airport in November.

Also, due to increased interest in the University of Notre Dame's football program, Continental Airlines operated large jets on home game weekends during the season with non-stop service to Newark. These flights operated at full capacity.

As the new year approached, the airport was anticipating a turnaround in passenger traffic and continued its proactive policy of working with existing and potential carriers to explore additional hub opportunities in both the east and southwest.

South Bend prides itself in offering a lower than average rate structure to the airlines, thus making the airport an attractive choice from a cost standpoint. In spite of the fact that traffic decreased in 2005, we believe that from a passenger standpoint the added convenience of using the less congested facilities of a smaller airport during this period of enhanced security, plus competitive fares compared to some larger neighboring airports, will place South Bend in an increasingly favorable position in the national airport system in the future.

The South Shore rail service experienced an increase of 15.96 percent in 2005. Low rail fares, high gasoline prices for auto travel and the convenience of service to downtown Chicago were seen as the major reasons for the upturn in this service.

Also, the interstate bus passenger count increased by 6.57 percent over 2004 levels.

Another important component of business at the Airport includes airfreight. United Parcel Service, Federal Express, and DHL all base aircraft at the facility. In 2005, DHL completed construction of a sorting hub on the airport, joining UPS and Federal Express who have comparable facilities on site. Total cargo tonnage increased from 2004 to 2005 by 12.81 percent.

Finally, a review of our facilities would not be complete without a mention of our general aviation facilities. Fifty-five privately or corporate-owned aircraft were based in South Bend in 2005 along with a full service fixed base operator (F.B.O.) (Corporate Wings). General Aviation activities represented the majority of operations at the Airport. The availability of a first-class General Aviation Facility is a key factor in drawing new business to a community. While commercial airlines saw a downturn in their operations, general aviation activity increased by 12.15 percent.

**BEND REGIONAL AIRPORT 2005 VERSUS 2004 FOLLOWS:**

	<u>2005</u>	<u>2004</u>	<u>Variance</u>
<u>Total Airline Passengers</u>	693,675	780,033	-11.07%
<u>Weekday Arrivals and Departures</u>	59	70	-15.71
<u>Weekday Total Available Seats</u>	2,416	2,984	-19.03
<u>Total Cargo (Lbs.)</u>	35,484,290	31,453,945	12.81%

	<u>2005</u>	<u>2004</u>	<u>Variance</u>
<u>Aircraft Operations (Take Off and Landing)</u>			
Air Carriers	22,038	26,874	-18.0 %
Freight	3,334	3,804	-12.36
General Aviation	<u>38,883</u>	<u>34,670</u>	12.15
Total Operations	64,255	65,348	- 1.67
<u>Total Landed Weight</u>	597,396,489	667,093,861	-10.45
<u>Bus Passengers</u>	69,712	65,413	6.57
<u>Train Passengers</u>	234,722	202,410	15.96
<u>Total Air, Bus, Rail Passengers</u>	998,109	1,047,856	-4.74%

South Bend is fortunate to have so many air transportation choices. As the comparative information demonstrates, no one carrier dominates our market. At some smaller airports which feature fewer carriers, the loss of one provider can be significant. As of December 2005, South Bend ranked in the top 20 percent of small airports based upon the number of cities served with non-stop flights.

## AIRLINE MARKET SHARE (BASED UPON ENPLANEMENTS)

	<u>2005</u>	<u>2004</u>
Allegiant	2.55%	0 %
A.T.A.	1.72	10.01
Continental	4.19	2.74
Delta	34.62	32.24
Northwest	29.19	27.35
United	27.73	20.18
USAirways	0	7.48
	<u>100.00%</u>	<u>100.00%</u>

### FINANCIAL HIGHLIGHTS

Total assets increased in 2005 by \$1.98 million or 2.05 percent over 2004. The primary reasons for the change were a decrease in grants receivable in the Aviation Fund of \$2.02 million, an increase of cash in the Construction Fund and from an increase of \$3.96 million in capital assets.

Total liabilities decreased by \$.9 million or 4.75 percent due primarily to a decrease in General Obligation Bonds payable.

Net assets increased by \$2.9 million or 3.78 percent .

Total revenue increased slightly by .12 percent compared to 2004 levels.

The Airfield Category, which was composed primarily of landing fees of \$.84 per thousand pounds of aircraft landed weight, decreased by 6.56 percent. This was a result of a decrease in landed weight.

Terminal rates charged to the airlines increased by 3 percent in 2005. However, due to the consolidation of space and loss of some carriers in the terminal, this category decreased by 16.33 percent.

Non-aviation terminal rental decreased by 5.75 percent. Parking violation revenue, which is included in this category, decreased after experiencing a spike following the September 11 attacks and the requirements for increased security on the terminal drive. Also revenue from taxi cab operations declined.

Concessions and parking revenue increased by 11.29 percent and 8.19 percent respectively. The Airport Authority negotiated a new agreement with its parking concessionaire in 2003 which increased its percentage share of gross receipts significantly since late 2004.

Fixed Base Operator revenue, a component of General Aviation activity, increased by 22.17 percent as a result of rent increases. Other building rental on the airfield decreased by 2.19 percent.

Property tax revenue increased by 9.14 percent .

Passenger Facility Charge Revenues decreased in 2005 by 17.48 percent, again an offshoot of lower passenger traffic.

Interest income increased by 127.26 percent due to higher prevailing interest rates available for investments, plus an increase in cash.

Beginning in 2004, property management revenue was recognized for rental payments for buildings owned by the Airport Authority which are managed by an outside party. Revenue shown in 2004 reflects an accumulation of several years of activity.

Total Expenses increased in 2005 by 7.00 percent compared to 2004.

Personnel Services increased by 7.02 percent. The Authority continued to upgrade its Operations Department in response to the need to provide, among other things, 24 hour a day monitoring of our access control system. In addition, cost of living raises were provided to all employees.

In 2005, the Supplies Category increased by 1.19 percent, while Other Services and Charges increased by 24.33 percent . Components of this increase were additional expenses for fuel, service contracts for security purposes, air service development expenses, legal services and utilities.

Income before capital contributions decreased by 97.48 percent for 2005 versus 2004 due primarily to flat revenue results and a \$.7 million increase in expenses.

**NET ASSETS**

	<u>2005</u>	<u>2004</u>
<b><u>ASSETS</u></b>		
Current and other assets	\$22,148,035	\$24,122,401
Capital assets	<u>76,385,942</u>	<u>72,429,544</u>
Total assets	<u>98,533,977</u>	<u>96,551,945</u>
<b><u>LIABILITIES</u></b>		
Long-term liabilities outstanding	16,563,728	17,724,972
Other liabilities	<u>2,024,938</u>	<u>1,790,301</u>
Total liabilities	<u>18,588,666</u>	<u>19,515,273</u>
<b><u>NET ASSETS</u></b>		
Invested in Capital Assets, Net of Related Debt	67,030,110	61,497,134
Restricted	4,168,173	3,457,316
Unrestricted	<u>8,747,028</u>	<u>12,082,222</u>
Total Net Assets	<u>\$79,945,311</u>	<u>77,036,672</u>

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

	<u>2005</u>	<u>2004</u>	<u>Increase(Decrease)</u> <u>Amount</u>	<u>Percent</u>
<b>Operating Revenue</b>				
Airport Service Revenue	\$ 5,740,141	\$ 5,669,344	\$ 70,797	1.25%
Operating Grants	-	-	-	-
Other	<u>18,507</u>	<u>19,930</u>	<u>(1,423)</u>	-7.14%
<b>Total Operating Revenue</b>	<u>5,758,648</u>	<u>5,689,274</u>	<u>69,374</u>	1.22%
<b>Nonoperating Revenue</b>				
Property Taxes	3,504,509	3,211,004	293,505	9.14%
Passenger Facility Charges	913,894	1,107,419	(193,525)	-17.48%
Interest and Investment Revenue	334,694	147,272	187,422	127.26%
Property Management Revenue	483,473	807,271	(323,798)	-40.11%
Gain on Disposal of Assets	34,135	75,609	(41,474)	-54.85%
Miscellaneous Revenue	<u>30,108</u>	<u>8,279</u>	<u>21,829</u>	263.67%
<b>Total Nonoperating Revenue</b>	<u>5,300,813</u>	<u>5,356,854</u>	<u>(56,041)</u>	-1.05%
<b>Total Revenue</b>	<u>11,059,461</u>	<u>11,046,128</u>	<u>13,333</u>	0.12%
<b>Operating Expenses</b>				
Personal Services	4,189,818	3,915,002	274,816	7.02%
Supplies	624,271	616,920	7,351	1.19%
Other Services and Charges	2,618,130	2,105,825	512,305	24.33%
Depreciation	<u>2,969,658</u>	<u>3,005,978</u>	<u>(36,320)</u>	-1.21%
<b>Total Operating Expenses</b>	<u>10,401,877</u>	<u>9,643,725</u>	<u>758,152</u>	7.86%
<b>Nonoperating Expenses</b>				
Loss on Disposal of Capital Assets	-	-	-	-
Interest Expense	199,594	252,627	(53,033)	-20.99%
Amortization Expense	6,970	30,427	(23,457)	-77.09%
Property Management Expense	<u>432,674</u>	<u>391,706</u>	<u>40,968</u>	10.46%
<b>Total Nonoperating Expenses</b>	<u>639,238</u>	<u>674,760</u>	<u>(35,522)</u>	-5.26%
<b>Total Expenses</b>	<u>11,041,115</u>	<u>10,318,485</u>	<u>722,630</u>	7.00%
<b>Income Before Capital Contributions</b>	18,346	727,643	(709,297)	-97.48%
<b>Capital Contributions</b>	<u>2,890,293</u>	<u>5,012,824</u>	<u>(2,122,531)</u>	-42.34%
<b>Change in Net assets</b>	2,908,639	5,740,467	(2,831,828)	-49.33%
<b>Total Net Assets-Beginning</b>	<u>77,036,672</u>	<u>71,296,205</u>	<u>5,740,467</u>	8.05%
<b>Total Net Assets-Ending</b>	<u>\$ 79,945,311</u>	<u>\$ 77,036,672</u>	<u>\$ 2,908,639</u>	3.78%

## 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>2005</u>	<u>2004</u>
Cash flows from:		
Operating Activities	\$ (1,501,915)	\$ (1,148,774)
Noncapital Financing Activities	4,769,879	3,051,297
Capital and Related Financing Activities	(2,499,844)	(7,288,965)
Investing Activities	<u>606,005</u>	<u>195,266</u>
Net increase (decrease) in Cash And Cash Equivalents	1,374,125	(5,191,176)
Cash and Cash Equivalents Beginning of year	<u>16,253,854</u>	<u>21,445,030</u>
End of Year	<u>\$ 17,627,979</u>	<u>\$ 16,253,854</u>

The Authority's available cash and cash equivalents increased from \$16.3 million at the end of 2004 to \$17.6 million at the end of 2005 due primarily to the positive flow of funds provided by non-capital financing activities. The \$17.6 million is composed of \$5.1 million available for unrestricted operations and \$12.5 million which is restricted for capital projects and future Debt Service payments.

## CAPITAL ACQUISITIONS AND CONSTRUCTION ACTIVITIES

**Capital assets.** The St. Joseph County Airport Authority's investment in capital assets as of December 31, 2005 was \$76.4 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, roadways, airfield and equipment. The total increase in the St. Joseph County Airport Authority's investment in capital assets for the current fiscal year was 5.46 percent.

Major capital asset events during the current fiscal year included the following:

During 2005, the Authority expended \$6.7 million for capital activities. This includes \$5.7 million for land and easement acquisitions in the South approach to Runway 18/36 to allow for the relocation of Lincoln Way West and extension of the north/south runway. The balance

consists of the purchase of airfield and terminal equipment and vehicles, and various airfield, safety, security, terminal, and parking lot improvements.

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 Notes III, C and D to the financial statements.

## **LONG-TERM DEBT AND CREDIT RATINGS**

The Airport Authority had \$16,545,000 in outstanding long-term debt plus \$1,125,000 in outstanding short-term debt as of December 31, 2005. Long-term and short-term debt consisted of General Obligation Bonds sold in 1998 and 2002. The 2002 Bonds (\$15 million) mature in 2022 and interest rates range from 2.35% to 5.25%. Both principal and interest are payable from the revenues derived from the proceeds of an approved Passenger Facility Charge (P.F.C.) on each enplanement at South Bend Regional Airport. The 1998 Bond (\$7,155,000) is payable from revenue derived from property taxes. This bond matures in 2011 and interest rates range from 4.3% to 4.5%.

The General Obligation debt limit for the Airport Authority is two (2) percent of the adjusted value of taxable property in St. Joseph County. Per Indiana Statute, the adjusted value is defined as being equal to one third (1/3) of the actual valuation of property in the County. The current adjusted value is \$3,078,870,950. The debt limit is \$61,577,419 and the total outstanding General Obligation debt is \$17,670,000.

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

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

Effective November 1, 1994, a Passenger Facility Charge (P.F.C.) of \$3.00 per enplaned passenger was implemented by the approval of the Federal Aviation Administration and the St. Joseph County Airport Authority. The receipts are intended to be used to repay the debt service on the 2002 bond issue, and for any other purposes allowed by the FAA and the Authority Board. The St. Joseph County Airport Authority is authorized to receive a maximum of \$34,156,074. As of December 31, 2005, the Airport Authority had received a total of \$13,435,530. For further details, please refer to the Schedule of Expenditures of Passenger Facility Charges which is included later in this financial section.

## **REQUEST FOR INFORMATION**

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

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

ST. JOSEPH COUNTY AIRPORT AUTHORITY  
STATEMENT OF NET ASSETS  
December 31, 2005

**Assets**

**Current assets:**

**Unrestricted:**

Cash and cash equivalents	\$ 5,099,775
Cash with fiscal agent	44,426
Accounts receivable (net of allowance)	635,965
Taxes receivable	165,379
Net pension asset	159,976
Prepaid items	156,641
Other current assets	139,949
	139,949

Total unrestricted current assets 6,402,111

**Restricted:**

<b>Cash and cash equivalents:</b>	
Construction fund	8,314,168
Passenger facility charge fund	2,541,044
Cumulative building fund	888,626
Other funds	739,940

Accounts receivable - passenger facility charges	116,356
Taxes receivable	89,121
Due from federal government	2,883,956
	2,883,956

Total restricted current assets 15,573,211

Total current assets 21,975,322

**Noncurrent assets:**

Deferred charges 172,713

**Capital assets:**

Land, improvements to land and construction in progress	36,528,434
Other capital assets (net of accumulated depreciation)	39,857,508
	39,857,508

Total capital assets 76,385,942

Total noncurrent assets 76,558,655

Total assets 98,533,977

**Liabilities**

**Current liabilities:**

Accounts payable	371,461
Accrued wages payable	49,331
Accrued payroll taxes payable	83,117
Contracts payable	10,191
Deferred revenue	165,379
Compensated absences	213,911
Other current liabilities	6,548

**Current liabilities payable from restricted assets:**

General obligation bonds payable	1,125,000
	1,125,000

Total current liabilities 2,024,938

**Noncurrent liabilities:**

General obligation bonds payable (net of unamortized discounts)	16,286,004
Deferred revenue	89,121
Compensated absences	188,603
	188,603

Total noncurrent liabilities 16,563,728

Total liabilities 18,588,666

**Net Assets**

Invested in capital assets, net of related debt 67,030,110

Restricted for debt service 3,279,547

Restricted for capital projects 888,626

Unrestricted 8,747,028

Total net assets \$ 79,945,311

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

**ST. JOSEPH COUNTY AIRPORT AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS**  
**As Of And For The Year Ended December 31, 2005**

<b>Operating revenues:</b>	
Airport service revenue	\$ 5,740,141
Other	<u>18,507</u>
Total operating revenues	<u>5,758,648</u>
<b>Operating expenses:</b>	
Personal services	4,189,818
Supplies	624,271
Other services and charges	2,618,130
Depreciation	<u>2,969,658</u>
Total operating expenses	<u>10,401,877</u>
Operating loss	<u>(4,643,229)</u>
<b>Nonoperating revenues:</b>	
Property taxes	3,504,509
Passenger facility charges revenue	913,894
Gain on disposal of capital assets	34,135
Interest and investment revenue	334,694
Property management revenue	483,473
Miscellaneous revenue	<u>30,108</u>
Total nonoperating revenues	<u>5,300,813</u>
<b>Nonoperating expenses:</b>	
Interest expense	199,594
Property management expense	432,674
Amortization expense	<u>6,970</u>
Total nonoperating expenses	<u>639,238</u>
Income before contributions	18,346
Capital contributions	<u>2,890,293</u>
Change in net assets	2,908,639
Total net assets - beginning	<u>77,036,672</u>
Total net assets - ending	<u><u>\$ 79,945,311</u></u>

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

ST. JOSEPH COUNTY AIRPORT AUTHORITY  
STATEMENT OF CASH FLOWS  
As Of And For The Year Ended December 31, 2005

Cash flows from operating activities:	
Receipts from customers and users	\$ 5,701,701
Payments to suppliers and contractors	(3,012,713)
Payments to employees	<u>(4,190,903)</u>
Net cash used by operating activities	<u>(1,501,915)</u>
Cash flows from noncapital financing activities:	
Loan principal repayments	229,640
Loan interest repayments	3,377
Property and county income taxes	4,496,508
Property management activity	10,246
Other nonoperating receipts	<u>30,108</u>
Net cash provided by noncapital financing activities	<u>4,769,879</u>
Cash flows from capital and related financing activities:	
Passenger facility charges	941,002
Capital contributions	5,042,177
Acquisition and construction of capital assets	(6,684,959)
Principal paid on capital debt	(1,040,000)
Interest paid on capital debt	(840,720)
Proceeds from sales of capital assets	<u>82,856</u>
Net cash used by capital and related financing activities	<u>(2,499,844)</u>
Cash flows from investing activities:	
Interest received	<u>606,005</u>
Net increase in cash and cash equivalents	1,374,125
Cash and cash equivalents, January 1	<u>16,253,854</u>
Cash and cash equivalents, December 31	<u>\$ 17,627,979</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	<u>\$ (4,643,229)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	2,969,658
Bad debt expense	37,000
(Increase) decrease in assets:	
Accounts receivable	(56,947)
Net pension asset	(21,419)
Prepaid items	2,768
Increase (decrease) in liabilities:	
Accounts payable	189,920
Accrued wages	9,119
Accrued payroll taxes	(3,375)
Compensated absence payable	<u>14,590</u>
Total adjustments	<u>3,141,314</u>
Net cash used by operating activities	<u>\$ (1,501,915)</u>
Noncash investing, capital and financing activities:	
Contributions receivable	\$ 2,883,956
Disposal of capital assets	307,807
Purchase of equipment on account	10,191
Capital assets acquired by capitalization of interest	383,212

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

## Summary of Significant Accounting Policies

### A. Reporting Entity

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

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

### B. Fund Financial Statements

Enterprise Fund financial statements (i.e., the Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Fund Assets) report information on all of the Airport Authority's activities. Governmental activities, which normally are 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.

### 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 measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with its activity are included on the Airport Authority's statement of net assets. Its operating statement represents increases (revenues) and decreases (expenses) in net total assets. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

The enterprise fund distinguishes operating revenues from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**D. Assets, Liabilities and Net Assets or Equity**

**1. Deposits and Investments**

The Airport Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statute (IC 5-13-9) authorizes the primary government to invest in securities, including but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Nonparticipating certificates of deposit, demand deposits and similar nonparticipating negotiable instruments that are not reported as cash and cash equivalents are reported as investments at cost.

Investment income, including changes in the fair value of investments, is reported as revenue in the operating statement.

**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 statutes (IC 6-1.1-17-16) require the 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 Department of Local Government Finance). Taxes may be paid in two equal installments that become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the primary government prior to December 31 of the year collected. Delinquent property taxes outstanding at year end, net of allowances for uncollectible accounts, are recorded as a receivable with an offset to deferred revenue since the amounts are not considered available.

**3. Prepaid Items**

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

**4. Restricted Assets**

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

**5. Capital Assets**

Capital assets, which include property, plant, equipment and improvements other than buildings, are reported in the applicable financial statements.

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

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

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 1,000	Straight-line	10 to 40 years
Airfield	1,000	Straight-line	15 to 20 years
Equipment	1,000	Straight-line	3 to 10 years

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the Airport Authority during the current year was \$840,720. Of the amount, \$383,212 was included as part of the cost of capital assets under construction in connection with the South Approach Project.

**6. Compensated Absences**

- a. Sick Leave – Airport Authority employees working eight-hour shifts earn sick leave at the rate of one day per month. Employees working twenty-four hour shifts have the same benefits as employees working eight-hour shifts multiplied by a factor of 1.4. Unused sick leave may be accumulated indefinitely. Accumulated sick leave is paid to employees through cash payments based on the number of years of service, upon termination of employment.
- b. Vacation Leave – Airport Authority employees working eight-hour shifts earn vacation leave at the rates from ten days to twenty-five days per year based upon the number of years of service. Employees working twenty-four hour shifts have the same benefits as employees working eight-hour shifts multiplied by a factor of 1.4. Vacation leave does not accumulate from year to year.

Vacation and sick leave is accrued when incurred.

**7. Long-Term Obligations**

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

**8. Fund Equity**

Designations of fund equity represent tentative management plans that are subject to change.

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

**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. All annual appropriations lapse at fiscal year end.

On or before August 31, the Executive Director 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 September 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 or highway use taxes are received are sent to the Department of Local Government Finance. The budget becomes legally enacted after the Airport Authority receives approval of the Department of Local Government Finance.

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

**III. Detailed Notes on All Funds**

**A. Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Airport Authority'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. At December 31, 2005, the bank balance held at St. Joseph Capital Bank in the amount of \$17,583,553 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the Airport Authority's name. The remaining 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 following receivable accounts have timing and credit characteristics different from typical accounts receivable. The Airport Authority has recognized \$52,000 in an allowance account for the expected uncollectibility of payments due from airlines due to bankruptcy proceedings.

**C. Capital Assets**

Capital asset activity for the year ended December 31, 2005, was as follows:

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 8,567,437	\$ -	\$ -	\$ 8,567,437
Construction in progress	21,736,053	6,241,161	16,217	27,960,997
<b>Total capital assets, not being depreciated</b>	<b>30,303,490</b>	<b>6,241,161</b>	<b>16,217</b>	<b>36,528,434</b>
<b>Capital assets, being depreciated:</b>				
Buildings	39,733,117	284,151	156,330	39,860,938
Airfield	32,300,492	51,305	-	32,351,797
Equipment	8,521,694	570,507	307,807	8,784,394
<b>Totals</b>	<b>80,555,303</b>	<b>905,963</b>	<b>464,137</b>	<b>80,997,129</b>
<b>Less accumulated depreciation for:</b>				
Buildings	14,707,839	1,115,966	-	15,823,805
Airfield	18,722,668	1,117,303	-	19,839,971
Equipment	4,998,742	736,389	259,286	5,475,845
<b>Totals</b>	<b>38,429,249</b>	<b>2,969,658</b>	<b>259,286</b>	<b>41,139,621</b>
<b>Total capital assets, being depreciated, net</b>	<b>42,126,054</b>	<b>(2,063,695)</b>	<b>204,851</b>	<b>39,857,508</b>
<b>Total business-type activities capital assets, net</b>	<b>\$ 72,429,544</b>	<b>\$ 4,177,466</b>	<b>\$ 221,068</b>	<b>\$ 76,385,942</b>

**D. Construction Commitments**

Construction work in progress is composed of the following:

Project	Total Project Authorized	Expended to December 31, 2005	Committed	Required Future Funding
South Approach	\$ 24,000,000	\$ 21,367,720	\$ 2,632,280	\$ -
Relocation of Lincoln Way West	5,000,000	2,533,308	2,466,692	-
East Land	1,300,000	1,016,395	283,605	-
Landfill Improvements	750,000	598,880	151,120	-
Other Projects	3,000,000	2,444,694	555,306	-
<b>Totals</b>	<b>\$ 34,050,000</b>	<b>\$ 27,960,997</b>	<b>\$ 6,089,003</b>	<b>\$ -</b>

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

**E. Long-Term Liabilities**

**1. General Obligation Bonds**

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

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</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Outstanding Amount</u>	<u>Less: Unamortized Discount</u>	<u>Net Bonds Outstanding</u>
1998 General obligation bonds	4.3% to 4.5%	\$ 5,290,000	\$ 3,470,000	\$ 9,360	\$ 3,460,640
2002 General obligation bonds	2.35% to 5.25%	<u>15,000,000</u>	<u>14,200,000</u>	<u>249,636</u>	<u>13,950,364</u>
<b>Totals</b>		<u>\$ 20,290,000</u>	<u>\$ 17,670,000</u>	<u>\$ 258,996</u>	<u>\$ 17,411,004</u>

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

<u>Year Ended December 31</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 225,000	\$ 480,331
2007	1,150,000	767,349
2008	1,225,000	721,424
2009	1,300,000	670,836
2010	1,400,000	631,211
2011-2015	4,270,000	2,522,897
2016-2020	4,925,000	1,539,156
2021-2025	<u>3,175,000</u>	<u>254,763</u>
<b>Totals</b>	<u>\$ 17,670,000</u>	<u>\$ 7,587,967</u>

**2. Changes in Long-Term Liabilities**

Long-term liability activity for the year ended December 31, 2005, was as follows:

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

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Business-type activities:</b>					
General obligation bonds	\$ 18,710,000	\$ -	\$ 1,040,000	\$ 17,670,000	\$ 1,125,000
Compensated absences	<u>387,924</u>	<u>235,313</u>	<u>220,723</u>	<u>402,514</u>	<u>213,911</u>
<b>Total business-type activities long-term liabilities</b>	<u><b>\$ 19,097,924</b></u>	<u><b>\$ 235,313</b></u>	<u><b>\$ 1,260,723</b></u>	<u><b>\$ 18,072,514</b></u>	<u><b>\$ 1,338,911</b></u>

**IV. Other Information**

**A. Risk Management**

The Airport Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

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

**B. Contingent Liabilities**

The Airport Authority is currently involved in several lawsuits regarding the acquisition of properties in the South Approach/Lincoln Way West Relocation Project Area. It is anticipated that through court appointed appraisers and ongoing negotiations, equitable settlements will be reached with property owners in the near future. The Airport Authority believes that the costs incurred to reach these settlements will not exceed the market value of the properties by an amount that would be material to the financial statements.

**C. Pension Plan**

Public Employees' Retirement Fund

Plan Description

The primary government contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the primary government authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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

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

**Funding Policy and Annual Pension Cost**

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The primary government's annual pension cost and related information, as provided by the actuary, is presented in this note.

**Actuarial Information for the Above Plan**

Annual required contribution	\$ 175,273
Interest on net pension obligation	(10,045)
Adjustment to annual required contribution	<u>11,447</u>
Annual pension cost	176,675
Contributions made	<u>198,094</u>
Decrease in net pension obligation	(21,419)
Net pension obligation, beginning of year	<u>(138,557)</u>
Net pension obligation, end of year	<u><u>\$ (159,976)</u></u>

Contribution rates:	
Airport Authority	6.25%
Plan members	3%
Actuarial valuation date	07-01-05
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

**Actuarial Assumptions**

Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

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

Three Year Trend Information

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06-30-03	\$ 166,387	97%	\$ (84,413)
06-30-04	142,968	138%	(138,557)
06-30-05	176,675	139%	(159,976)

**D. Passenger Facility Charge**

Effective November 1, 1994, a Passenger Facility Charge (PFC) of \$3.00 per ticket was implemented by the approval of the Federal Aviation Administration (FAA) and the Airport Authority. The receipts are to be used to repay the debt service on the 1998 and 2002 bond issues, and for any other purpose allowed by the FAA and the Airport Authority Board. During 2005, the Airport Authority received \$940,846 from fifty-seven separate airlines. The Airport Authority is authorized to receive a maximum of \$34,156,074. As of December 31, 2005, the Airport Authority had received a total of \$13,435,530.

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

**Public Employee's Retirement Fund**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (a-b)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)</b>
07-01-03	\$ 2,657,409	\$ 3,086,725	\$ (429,316)	86%	\$ 2,387,729	(18%)
07-01-04	2,745,367	3,389,493	(644,126)	81%	2,694,901	(24%)
07-01-05	2,902,186	3,972,934	(1,070,748)	73%	2,844,002	(38%)



**ST. JOSEPH COUNTY AIRPORT AUTHORITY**  
**BUDGETARY COMPARISON SCHEDULES**  
**As Of And For The Year Ended December 31, 2005**

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues:</b>				
Airfield	\$ 627,892	\$ 627,892	\$ 620,475	\$ (7,417)
Terminal - aviation	1,139,670	1,139,670	1,013,104	(126,566)
Terminal - non-aviation	148,327	148,327	152,213	3,886
Concessionaire	1,237,250	1,237,250	1,181,564	(55,686)
Parking	2,254,810	2,254,810	2,135,998	(118,812)
Fixed based operations	345,724	345,724	334,830	(10,894)
Building and land rent	197,219	197,219	245,010	47,791
Other	125,000	125,000	343,626	218,626
<b>Total revenues</b>	<u>6,075,892</u>	<u>6,075,892</u>	<u>6,026,820</u>	<u>(49,072)</u>
<b>Expenses:</b>				
Personal services	5,434,264	5,441,167	4,201,027	1,240,140
Supplies	713,109	723,983	630,578	93,405
Other services and charges	4,801,827	4,896,755	2,468,315	2,428,440
<b>Total operating expenses</b>	<u>10,949,200</u>	<u>11,061,905</u>	<u>7,299,920</u>	<u>3,761,985</u>
<b>Debt service:</b>				
Other services and charges	1,880,870	1,880,870	1,880,720	150
<b>Total expenses</b>	<u>12,830,070</u>	<u>12,942,775</u>	<u>9,180,640</u>	<u>3,762,135</u>
<b>Other financing sources (uses):</b>				
Property taxes	3,530,657	3,530,657	4,496,508	965,851
Interest income	98,000	98,000	535,578	437,578
Federal and state grants	6,824,000	6,824,000	5,042,177	(1,781,823)
Operating transfer	1,060,144	1,060,144	1,040,368	(19,776)
Capital outlay	(8,874,500)	(11,011,500)	(9,223,494)	1,788,006
<b>Total other financing sources (uses)</b>	<u>2,638,301</u>	<u>501,301</u>	<u>1,891,137</u>	<u>1,389,836</u>
<b>Deficiency of revenues and other financing sources under expenses and other financing uses</b>	<u>\$ (4,115,877)</u>	<u>\$ (6,365,582)</u>	<u>\$ (1,262,683)</u>	<u>\$ (2,421,371)</u>

**ST. JOSEPH COUNTY AIRPORT AUTHORITY  
BUDGET/GAAP RECONCILIATION  
For the Year Ended December 31, 2005**

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

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

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

Deficiency of revenues and other financing sources under expenses and other financing uses (budgetary basis)	\$	(1,262,683)
Adjustments:		
To adjust revenues for accruals		(3,666,893)
To adjust expenses for accruals		848,765
Encumbrances		2,653,510
Transfers		(1,040,368)
Capital expenses		7,339,396
Depreciation		(2,969,658)
Amortization		(23,744)
Bad debt expense		(37,000)
Debt payments		1,040,000
Property management activity (net)		50,799
Non-budgeted funds (net)		<u>(23,485)</u>
Change in net assets (GAAP basis)	\$	<u><u>2,908,639</u></u>

**ST. JOSEPH COUNTY AIRPORT AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES**  
**As Of And For The Year Ended December 31, 2005**

Cash balance, January 1	<u>\$ 2,566,762</u>
Receipts:	
Passenger facility charge collections	940,846
Interest	<u>73,804</u>
Total receipts	<u>1,014,650</u>
Disbursements:	
Transfer to bond and interest fund	<u>1,040,368</u>
Cash balance, December 31	<u><u>\$ 2,541,044</u></u>

**STATISTICAL SECTION**

**STATISTICAL**

**STATISTICAL SECTION**  
**(Not Covered by Auditor's Opinion)**

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

REVENUE CATEGORY	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
<b>Airport Service Revenue:</b>										
Airfield	\$ 575,730	\$ 616,142	\$ 651,483	\$ 670,304	\$ 513,373	\$ 695,829	\$ 715,494	\$ 763,724	\$ 673,344	\$ 641,603
Terminal Aviation	1,107,419	1,323,485	1,226,043	1,194,131	1,137,388	1,127,408	1,096,976	957,891	784,709	761,432
Terminal - Non Aviation	158,929	168,616	174,273	177,338	194,470	126,296	133,785	149,872	143,105	132,167
Concessions	1,176,014	1,056,676	1,174,942	1,217,475	1,144,939	1,266,539	1,325,742	1,280,040	1,244,683	1,127,553
Parking	2,140,480	1,978,445	2,114,621	1,655,499	1,607,879	1,682,453	1,708,846	1,661,662	1,607,591	1,410,598
Fixed Base Operations	336,559	275,482	287,756	231,271	186,059	158,623	159,099	157,907	148,818	143,710
Other	18,507	19,930	307,826	8,250	-	-	-	-	-	-
Building and Land Rent	245,010	250,498	180,257	257,548	335,912	149,976	137,816	139,788	155,358	94,179
<b>Total Airport Service</b>	<b>5,758,648</b>	<b>5,689,274</b>	<b>6,117,201</b>	<b>5,411,816</b>	<b>5,120,020</b>	<b>5,207,124</b>	<b>5,277,758</b>	<b>5,110,884</b>	<b>4,757,608</b>	<b>4,311,242</b>
<b>Nonoperating Revenue:</b>										
Property Taxes	3,504,509	3,211,004	5,351,948	3,045,923	3,007,372	2,706,788	2,695,886	1,663,994	1,518,032	1,504,968
Interest Income	334,694	147,272	103,343	140,570	324,563	352,466	441,730	322,221	227,594	175,114
Other	30,108	8,279	124,159	174,612	82,776	93,399	29,685	60,303	135,758	46,095
Passenger Facility Charges	913,894	1,107,419	1,122,435	1,143,307	1,059,862	1,310,493	1,387,795	1,421,525	1,405,376	1,253,289
Fuel Farm Cleanup	-	-	-	-	23,962	22,424	34,236	10,945	-	76,431
Other Grants	-	-	-	349,643	24,500	183,812	30,649	72,515	-	-
Property Management Revenue	483,473	807,271	-	-	-	-	-	-	-	-
Gain on Disposal of	-	-	-	-	-	-	-	-	-	-
Fixed Assets	34,135	75,609	-	44,203	23,268	7,662	20,015	32,921	10,288	44,049
<b>Total Nonoperating Revenue</b>	<b>5,300,813</b>	<b>5,356,854</b>	<b>6,701,885</b>	<b>4,898,258</b>	<b>4,546,303</b>	<b>4,677,044</b>	<b>4,639,996</b>	<b>3,584,424</b>	<b>3,297,048</b>	<b>3,099,946</b>
<b>Total Revenue</b>	<b>\$ 11,059,461</b>	<b>\$ 11,046,128</b>	<b>\$ 12,819,086</b>	<b>\$ 10,310,074</b>	<b>\$ 9,666,323</b>	<b>\$ 9,884,168</b>	<b>\$ 9,917,754</b>	<b>\$ 8,695,308</b>	<b>\$ 8,054,656</b>	<b>\$ 7,411,188</b>

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

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
EXPENSE CATEGORY:										
Operating Expenses:										
Personal Services	\$ 4,189,818	\$ 3,915,002	\$ 3,851,604	\$ 3,637,335	\$ 3,181,908	\$ 2,980,399	\$ 2,761,096	\$ 2,490,225	\$ 2,300,814	\$ 2,201,618
Supplies	624,271	616,920	567,901	415,534	476,310	652,106	564,829	453,632	385,462	345,877
Other Services and Charges	2,618,130	2,105,825	2,172,414	2,139,542	1,820,774	1,814,624	1,462,520	1,418,704	1,498,072	1,278,872
Bad Debt Expense	-	-	-	34,915	-	-	-	-	-	-
Depreciation	<u>2,969,658</u>	<u>3,005,978</u>	<u>3,142,095</u>	<u>2,674,795</u>	<u>2,623,726</u>	<u>2,344,133</u>	<u>2,214,668</u>	<u>1,821,361</u>	<u>2,107,591</u>	<u>1,789,897</u>
Total Operating Expenses	<u>10,401,877</u>	<u>9,643,725</u>	<u>9,734,014</u>	<u>8,902,121</u>	<u>8,102,718</u>	<u>7,791,262</u>	<u>7,003,113</u>	<u>6,183,922</u>	<u>6,291,939</u>	<u>5,616,264</u>
Nonoperating Expenses:										
Interest Expense	199,594	252,627	314,404	402,478	297,821	178,423	392,906	271,734	263,870	290,458
Amortization Expenses	6,970	30,427	30,428	27,360	14,315	13,982	13,982	10,656	14,332	14,332
Premium/Costs early Bond Call	-	-	-	37,455	-	-	-	-	-	-
Property Management Expense	432,674	391,706	-	-	-	-	-	-	-	-
Loss on Disposal/Capital Assets	-	-	1,519	-	-	-	-	-	-	-
Fuel Farm Cleanup	-	-	-	174,851	20,671	30,298	-	-	-	-
Total Nonoperating Expenses	<u>639,238</u>	<u>674,760</u>	<u>346,351</u>	<u>642,144</u>	<u>332,807</u>	<u>222,703</u>	<u>406,888</u>	<u>282,390</u>	<u>278,202</u>	<u>304,790</u>
Total Expenses	<u>\$ 11,041,115</u>	<u>\$ 10,318,485</u>	<u>\$ 10,080,365</u>	<u>\$ 9,544,265</u>	<u>\$ 8,435,525</u>	<u>\$ 8,013,965</u>	<u>\$ 7,410,001</u>	<u>\$ 6,466,312</u>	<u>\$ 6,570,141</u>	<u>\$ 5,921,054</u>
Net Income	<u>\$ 18,346</u>	<u>\$ 727,643</u>	<u>\$ 2,738,721</u>	<u>\$ 765,809</u>	<u>\$ 1,230,798</u>	<u>\$ 1,870,203</u>	<u>\$ 2,507,753</u>	<u>\$ 2,228,996</u>	<u>\$ 1,484,515</u>	<u>\$ 1,490,134</u>

T. JOSEPH COUNTY, INDIANA

PROPERTY TAX LEVIES AND COLLECTIONS (1)  
Last 10 Fiscal Years

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<u>Years</u>	<u>Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections To Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
2005	\$333,890,780	\$312,523,071	93.60%	\$14,541,403	\$327,064,474	97.96%	\$19,448,261	5.82%
2004	330,532,001	310,936,890	94.07	17,911,037	328,847,927	99.49	15,982,674	4.84
2003	326,806,979	306,368,933	93.75	14,309,391	320,678,324	98.12	20,094,317	6.15
2002	290,411,186	274,350,768	94.47	13,406,691	287,757,459	99.09	14,097,277	4.85
2001	286,649,984	267,533,088	93.33	13,338,921	280,872,009	97.98	13,014,589	4.54
2000	267,783,405	257,098,606	96.01	10,576,624	267,675,230	99.96	10,591,184	3.96
1999	260,644,754	249,074,567	95.56	7,930,409	257,004,976	98.60	11,108,315	4.26
1998	239,609,425	232,028,528	96.84	7,986,151	240,014,679	100.17	8,220,808	3.43
1997	234,494,250	225,173,754	96.03	6,094,341	231,268,095	98.62	8,560,490	3.65
1996	222,755,809	216,141,473	97.03	5,286,351	221,427,824	99.40	5,990,743	2.69

Note: (1) Source: St. Joseph County Auditor. The information presented includes tax levies and collections for all governmental units in St. Joseph County.

**ST. JOSEPH COUNTY, INDIANA**  
**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**Last 10 Fiscal Years (1) (2) (3) (4)**

Year	Real Property		Personal Property		Total	
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
2005	(3) (4)	\$7,630,792,983	(3) (4)	\$1,605,819,866	(3) (4)	\$9,236,612,849
2004	(3) (4)	7,581,872,043	(3) (4)	1,482,955,629	(3) (4)	9,064,827,672
2003	(3) (4)	7,849,824,374	(3) (4)	1,707,136,607	(3) (4)	9,556,960,981
2002	(3)	4,437,501,585	(3)	1,532,298,415	(3)	5,969,800,000
2001	\$1,445,200,628	4,335,601,884	\$499,036,372	1,497,109,116	\$1,944,237,000	5,832,711,000
2000	1,331,552,444	3,994,657,332	492,492,001	1,477,476,003	1,824,044,445	5,472,133,335
1999	1,313,719,008	3,941,157,024	485,894,992	1,457,684,976	1,799,614,000	5,398,842,000
1998	1,292,782,392	3,878,347,176	434,574,608	1,303,723,824	1,727,357,000	5,182,071,000
1997	1,267,736,311	3,803,208,933	423,021,161	1,269,063,483	1,690,757,472	5,072,272,416
1996	1,253,197,063	3,759,591,189	407,319,119	1,221,957,357	1,660,516,182	4,981,548,546

**Notes:**

- (1) Source: St. Joseph County Auditor
- (2) From 1996 to 2001, assessed values were established by the County Assessor on March 1 of each year at 33 1/3% of the true cash value of the property.
- (3) Effective in 2002, 2001 payable 2002 tax rates were converted by state legislation from 33% to 100% of assessed Valuation. This conversion has no affect on total dollars. Assessed values were increased and tax rates were decreased accordingly.
- (4) A reassessment of real property was undertaken in 2002 for taxes payable in 2003. Its goal was to assess property at market value versus replacement value, which had been the previous method used.

ST. JOSEPH COUNTY, INDIANA  
 PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS  
 (Per \$100 of Assessed Value) (1) (2)  
 Last 10 Fiscal Years

<u>Year</u>	<u>State</u>	<u>County</u>	<u>Township(s)</u>	<u>School District(s)</u>	<u>Library(s)</u>	<u>Cities and Towns</u>	<u>South Bend Transportation</u>	<u>Airport Authority</u>	<u>Total</u>
2005	\$.0024	\$ .7831	\$ .0276	\$ 1.5969	\$ .1854	\$ 2.1148	\$ .0831	\$ .0297	\$ 4.8230
2004	.0024	.7652	.0923	1.6201	.1830	2.1115	.0827	.0346	4.8918
2003	.0033	.7366	.1122	1.4792	.1686	1.9606	.0768	.0472	4.5845
2002	.0033	.9473	.0382	2.1725	.2496	2.6664	.1079	.0406	6.2258
2001	.01	3.1402	.1123	6.3673	.7366	7.7513	.3150	.1261	18.5588
2000	.01	3.1142	.2256	5.9365	.7059	7.3307	.2994	.1219	17.7442
1999	.01	3.5002	.1020	5.8978	.6933	7.2297	.2959	.1312	17.8601
1998	.01	3.0079	.0967	6.0293	.6886	6.9125	.2883	.0839	17.1172
1997	.01	3.2256	.0920	5.8594	.7106	6.6702	.2795	.0831	16.9304
1996	.01	2.9274	.0892	5.8055	.7061	6.5528	.2726	.0813	16.4449

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

(2) From 1996 to 2001 assessed values were established by the County Assessor on March 1 of each year at 33 1/3 of the true cash value of the property. Effective in 2002, 2001 payable 2002 tax rates were converted by state legislation from 33% to 100% of assessed Valuation. This conversion has no affect on total dollars. Assessed values were increased and tax rates were decreased accordingly.

ST. JOSEPH COUNTY AIRPORT AUTHORITY  
 COMPUTATION OF LEGAL DEBT MARGIN  
 DECEMBER 31, 2005 (1)

ADJUSTED VALUE (2)		\$ 3,078,870,950
DEBT LIMIT PERCENTAGE		2.0%
DEBT LIMIT		61,577,419
BONDS OUTSTANDING		17,670,000
		<hr/>
SUBTOTAL		\$ 43,907,419
AMOUNT AVAILABLE IN DEBT SERVICE FUND		622,147
		<hr/>
LEGAL DEBT MARGIN		\$ 43,285,272
		=====

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Note: (1) 2001 payable 2002 tax rates were converted by current state legislation from 33% to 100% of assessed valuation. This conversion had no affect on total dollars. Assessed values increased and tax rates decreased accordingly.

(2) The General Obligation Debt Limit for the Airport Authority is two (2) percent of the Adjusted Value of Taxable property in St. Joseph County. Per Indiana Statute, the adjusted value is defined as being equal to one-third (1/3) of the actual assessed value.

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

Year	Principal	Interest And Agents Fees	Total Debt Service	Total Expenses	Less Depreciation	Add Principal	Total General Expenditures	Ratio of Debt Service to Total General Expenditures
2005	\$1,040,000	\$840,720	\$1,880,720	\$11,041,115	\$2,969,658	\$1,040,000	\$9,111,457	20.6%
2004	1,925,000	303,155	2,228,155	10,318,485	3,005,978	1,925,000	9,237,507	24.1
2003	1,495,000	988,908	2,483,908	10,080,365	3,142,095	1,495,000	8,433,270	29.5
2002	2,315,000	385,479	2,700,479	9,544,265	2,674,795	2,315,000	9,184,470	29.4
2001	1,350,000	417,099	1,767,099	8,435,525	2,623,726	1,350,000	7,161,799	24.7
2000	1,300,000	479,251	1,779,251	8,051,182	2,344,133	1,300,000	7,007,049	25.4
1999	1,150,000	615,039	1,765,039	7,410,001	2,214,668	1,150,000	6,345,333	27.8
1998	750,000	233,775	983,775	6,466,312	1,821,361	750,000	5,427,872	18.1
1997	725,000	263,870	988,870	6,570,141	2,097,303	725,000	5,197,838	19.0
1996	700,000	290,458	990,458	5,921,054	1,745,848	700,000	4,875,206	20.3

Note:

- (1) General Expenditures do not include capital outlays
- (2) Interest and Agent Fees are net of interest capitalized

**ST. JOSEPH COUNTY AIRPORT AUTHORITY**  
**RATIO OF NET BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA**  
**Last Ten Fiscal Years**

<u>Year</u>	<u>Population (1)</u>	<u>Assessed Value (2) (3)</u>	<u>Gross Bonded Debt (4)</u>	<u>Debt Service Monies Available</u>	<u>Net Bonded Debt</u>	<u>Percentage of Net Bonded Debt To Assessed Value (5)</u>	<u>Net Bonded Debt Per Capita</u>
2005	265,559	\$9,236,612,849	\$ 17,670,000	\$ 622,147	\$ 17,047,853	.1846%	\$64.20
2004	265,559	9,064,827,672	18,710,000	96,419	18,613,581	.2053	70.09
2003	265,559	9,556,960,981	20,635,000	1,046,744	19,588,256	.2050	73.76
2002	265,559	5,969,800,000	22,130,000	18,327	22,111,673	.3704	83.26
2001	265,559	1,944,237,000	9,445,000	138,780	9,306,220	.4787	35.04
2000	265,559	1,824,044,045	8,955,000	108,622	8,846,378	.4850	33.31
1999	258,083	1,799,614,000	10,255,000	239,717	10,015,283	.5565	38.81
1998	258,083	1,727,357,000	11,405,000	68,955	11,336,045	.6563	43.92
1997	258,083	1,690,757,472	5,000,000	51,003	4,948,997	.2927	19.18
1996	258,083	1,660,516,182	5,725,000	46,060	5,678,940	.3420	22.00

Note: (1) Source: Indiana Department of Workforce Development Services  
1990 Population estimate applicable to years 1996 through 1999  
2000 Population estimate applicable to years 2000 through 2005

(2) From 1996 to 2001 assessed values were established by the County Assessor on March 1 of each year at 33 1/3% of the true cash value of the property. Effective with 2002, assessed values were established at 100% of the true cash value of property.

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

(4) Effective 1996, includes funds held by fiscal agent on December 31 payable January 1 of the following year

(5) See Note 2

**ST. JOSEPH COUNTY, INDIANA**  
**COMPUTATION OF DIRECT AND OVERLAPPING DEBT (1) (2) (3)**  
**(As of December 31, 2005)**

<u>DIRECT DEBT</u>	<u>Total Amount</u>	<u>Applicable to St. Joseph County Percent</u>	<u>Amount</u>
St. Joseph County Airport Authority	\$ 17,670,000	100.00%	\$ 17,670,000 =====
 <u>OVERLAPPING DEBT</u>			
Schools (4)			
South Bend Community School Corporation	\$203,474,713	100.00%	\$203,474,713
School City Mishawaka	57,580,996	100.00%	57,580,996
Penn Harris Madison School Corporation	139,665,533	100.00%	139,665,533
John Glenn School Corp.	17,527,867	65.69%	11,514,056
New Prairie United School Corporation	24,455,000	39.47%	9,652,389
Union North United School Corporation	238,116	47.50%	<u>113,105</u>
Total Schools			<u>\$422,000,792</u>
Other than Schools:			
St. Joseph County	\$ 29,680,000	100.00%	\$ 29,680,000
City of South Bend	109,335,037	100.00%	109,335,037
Olive Township-			
New Carlisle Library	4,600,000	100.00%	4,600,000
City of Mishawaka	7,640,000	100.00%	7,640,000
Mishawaka-Penn-Harris Public Library	9,450,000	100.00%	9,450,000
Public Library of St. Joseph County	3,105,000	100.00%	<u>3,105,000</u>
Total Other			<u>\$163,810,037</u>
Total Overlapping Debt			<u>585,810,829</u> =====
Total Direct and Overlapping Debt			<u>\$603,480,829</u> =====

- 
- Notes:      (1) Source: St. Joseph County Auditor and governmental agencies  
              (2) Includes General Obligation Bonded Debt and Capital Leases  
              (3) Overlapping debt percentages are based on 2004 payable 2005 final assessed valuations.  
              (4) Includes school building corporation bonds, common schoolhouse fund loans, and veterans memorial loans

**ST. JOSEPH COUNTY INDIANA  
DEMOGRAPHIC STATISTICS  
Last Ten Fiscal Years**

<u>Year</u>	<u>St. Joseph County Per Capita Income (1)</u>	<u>St. Joseph County Unemployment (2)</u>	<u>Electric Utility Customers (3)</u>	<u>Area In Square Miles (4)</u>
2005	(5)	5.3%	75,770	461
2004	\$31,181	4.6	99,947	461
2003	29,927	4.7	96,829	461
2002	28,742	5.1	93,766	461
2001	28,098	4.6	90,879	461
2000	27,536	3.3	90,577	461
1999	26,761	3.1	90,542	461
1998	25,791	2.8	89,776	461
1997	24,288	3.3	89,025	461
1996	23,279	4.0	88,010	461

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- Note: (1) (2) Source: U.S. Department of Commerce, Bureau of Economic Analysis  
 (2) Source: Indiana Department of Workforce Development Services  
 (3) Estimates provided by American Electric Power and Northern Indiana Public Service Company (NIPSCO). NIPSCO information not available for 2005.  
 (4) Source: Michiana Area Council of Governments  
 (5) Information not available for 2005

ST. JOSEPH COUNTY, INDIANA  
PROPERTY VALUE AND CONSTRUCTION ACTIVITY  
Last Ten Fiscal Years

<u>Year</u>	Estimated Actual Property Value (1) (2)	<u>Construction (3)</u>	
		<u>Units</u>	<u>Value of Buildings</u>
2005	\$9,236,612,849	1,141	\$204,890,210
2004	9,064,827,672	1,119	168,756,936
2003	9,556,960,981	1,050	220,036,956
2002	5,969,800,000	1,016	545,666,329
2001	5,832,711,000	1,019	173,352,138
2000	5,472,133,335	1,043	361,922,371
1999	5,398,842,000	1,403	243,592,208
1998	5,182,071,000	1,314	212,244,535
1997	5,072,272,416	1,316	213,573,378
1996	4,981,548,546	1,365	205,753,366

Note:

- (1) Source: St. Joseph County Auditor
- (2) A reassessment of real property was undertaken in 2002 for taxes payable in 2003. Its goal was to assess property at market value versus replacement value, which had been the previous method used.
- (3) Source: St. Joseph County/South Bend Building Department

**ST. JOSEPH COUNTY, INDIANA**

**PRINCIPAL TAXPAYERS (1)**

**December 31, 2005(2)**

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<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Assessed Valuation (2)</u>
Edward Rose of Indiana	Multi-family housing	\$109,625,500	1.19%
AT & T	Telephone Utility	108,957,430	1.18
American Electric Power	Electric Utility	99,859,990	1.08
Ralph Williams	Multi-family housing	57,617,200	0.62
I/N TEK	Cold rolled Steel	56,308,280	0.61
I/N KOTE	Steel galvanizing	55,105,710	0.60
Honeywell	Aircraft electronics	49,614,440	0.54
NIPSCO	Gas and Electric Utility	45,731,100	0.50
AM General	Automobile Manufacturing	40,418,400	0.44
Meijer	Retail Superstores	37,901,800	0.41
		<u>\$661,139,850</u>	<u>7.16%</u>

(1) Source: St. Joseph County Auditor and Municipal Finance Consulting Services

(2) 2004 Payable 2005 Valuation \$9,236,612,849

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

7/7	Year	Airline Passengers		Cargo In Pounds		Flight Operations(1)		Number of Airlines(2)
		Enplaned	Deplaned	On	Off	Passenger Carriers	General Aviation	
	2005	348,364	345,311	15,728,245	19,755,496	22,038	42,217	13
	2004	390,106	389,927	13,779,325	17,674,620	26,874	38,474	11
	2003	402,088	400,103	12,757,739	17,403,293	27,126	37,974	10
	2002	409,001	403,079	11,072,612	15,597,998	27,636	47,362	9
	2001	373,137	366,270	11,052,464	12,841,371	27,146	46,986	10
	2000	434,322	423,418	13,967,006	14,924,616	29,612	45,349	10
	1999	482,668	472,564	17,303,044	15,331,441	29,026	53,390	10
	1998	498,197	488,153	16,196,976	14,409,836	30,164	52,262	10
	1997	502,633	488,824	9,859,631	9,658,057	33,654	47,589	11
	1996	449,001	445,246	14,362,387	10,709,019	33,618	46,119	12

(1) An operation is defined as a take off or landing. The General Aviation category includes freight operations.

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

**ST. JOSEPH COUNTY AIRPORT AUTHORITY INSURANCE IN FORCE ON DECEMBER 31, 2005**

<u>Name of Carrier</u>	<u>Policy Number</u>	<u>Policy Period</u>	<u>Description of Coverage</u>	<u>Liability Limits</u>	<u>Annual Premium</u>
Old Republic	PR 231301	7-1-05 To 7-1-06	General Liability \$5,000,000 Hangarskeepers	\$1,000 Med Ex. \$5,000 each occurrence	\$ 44,500.00
Auto Owners	42-365-347-00	7-1-05 To 7-1-06	Business Auto Liability BI PD-Licensed Vehicles	\$1,000,000 Liability/\$1,000/ded/comprehensive \$1,000/ded/collision \$5,000 Medical \$1,000,000 Uninsured Motorist	15,254.85
Liberty Mutual	WC7-34S-347607-013	8-15-05 To 8-15-06	Workers Compensation	BI by accident - \$1 million each accident BI by Disease - \$1 million each employee BI by Disease - \$1 million policy limit	69,387.00
Fidelity Deposit	CCP0029470 07	7-1-05 To 7-1-06	Crime/Employee Dishonesty	\$100,000 Employee Dishonesty Computer Fraud	1,400.00
Western Surety	69854813	1-28-05 To 1-28-06	Treasurer's Public Official Bond	\$60,000 limit liability	425.00
Travelers Insurance	630922J356ATL	9-1-05 To 9-1-06	Property Fire, DIC, & In-Transit and all unlicensed vehicles	Value \$52,048,380 \$10,000 ded. per incident Extra expense - \$250,000.00	52,565.00
CNA Security Co/Western Surety		8-23-99 To 10-16-07	Notary Public	Notary Bonds	
Houston Casulty		7-1-05 To 7-1-06	Director's & Officers Liability Cov.	\$5 million \$250,000 deductible/ incident	62,079.13
Travelers	104349784	7-1-05 To 7-1-06	Fudiciary Dishonesty Coverage	\$250,000 Annual	<u>661.00</u>
					<b>\$246,271.98</b>

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# COMPLIANCE SECTION

COMPLIANCE



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2765

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

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

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

We have audited the financial statements of St. Joseph County Airport Authority (Airport Authority), as of and for the year ended December 31, 2005, and have issued our report thereon dated May 15, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Airport Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

STATE BOARD OF ACCOUNTS

May 15, 2006

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**SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS**



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

Compliance

We have audited the compliance of the St. Joseph County Airport Authority (Airport Authority) with the types of compliance requirements described in the Passenger Facility Charge Audit Guide for Public Agencies, issued by the Federal Aviation Administration (Guide), for its passenger facility charge program, and in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2005. The Airport Authority's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Airport Authority's management. Our responsibility is to express an opinion on the Airport Authority's compliance based on our audit.

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

In our opinion, the Airport Authority complied in all material respects with the requirements referred to above that are applicable to its passenger facility charge program and its major federal program for the year ended December 31, 2005.

Internal Control Over Compliance

The management of the Airport Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to the passenger facility charge program and to the federal programs. In planning and performing our audit, we considered the Airport Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

**(Continued)**

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to the passenger facility charge program and to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

**STATE BOARD OF ACCOUNTS**

**May 15, 2006**

**ST. JOSEPH COUNTY AIRPORT AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For The Year Ended December 31, 2005**

<b>Federal Grantor Agency/Pass-Through Entity Program Title/Project Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity (or Other) Identifying Number</b>	<b>Total Federal Awards Expended</b>
<b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>			
Direct grant:			
Airport Improvement Program	20.106	AIP-03-18-0079-29	\$ 135,461
		AIP-03-18-0079-30	246,475
		AIP-03-18-0079-31	<u>2,883,956</u>
<b>Total federal awards expended</b>			<b><u>\$ 3,265,892</u></b>

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

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

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of St. Joseph County Airport Authority (primary government) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

**Section I – Summary of Auditor's Results**

**Financial Statements:**

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

**Federal Awards:**

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

**Identification of Major Programs:**

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	yes

**Section II – Financial Statement Findings**

No matters are reportable.

**Section III – Federal Award Findings and Questioned Costs**

No matters are reportable.

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

**No matters are reportable.**

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