

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011



FILED
10/02/2012

ST. JOSEPH COUNTY AIRPORT AUTHORITY

A COMPONENT UNIT OF ST. JOSEPH COUNTY, INDIANA

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, 2011**

**Prepared by the
Department of Administration and Finance**

**INTRODUCTORY
SECTION**

**ST. JOSEPH COUNTY AIRPORT AUTHORITY
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011**

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July 1, 2012

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, 2011, is submitted herewith. This report was prepared by the Department of Administration and Finance of the St. Joseph County Airport Authority in conjunction with the Auditor's Office of St. Joseph County, Indiana, and the Indiana State Board of Accounts.

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

The guidelines recommended by the Government Finance Officers Association of the United States and Canada have been followed in the preparation of this report. The GFOA awards Certificates of Achievement to those governments whose annual financial reports are judged to conform substantially to the high standards of public financial reporting, including generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board. It is our belief that the accompanying 2011 Comprehensive Annual Financial Report meets program standards, and it will be submitted to the Government Finance Officers Association for their review. GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of a Management Discussion and Analysis (MD&A). One should read this letter of transmittal in conjunction with the MD&A that is located immediately following the report of the independent auditor in the Financial Section of this report.

THE REPORTING ENTITY

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

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

PROFILE OF SOUTH BEND AIRPORT

The South Bend Airport is located in North Central Indiana, approximately 4 miles west of downtown 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. In 1999, the facility became South Bend Regional Airport to more clearly identify its location for national and international travelers. Finally in 2011, the name was changed to the South Bend Airport. The South Bend Airport is the only small airport in the United States featuring air, interstate rail, and interstate bus services at one multi-modal terminal location.

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

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

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

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

Other airport businesses include: AAA Federal Credit Union ATM, Smarte Carte (baggage carts), Performance Plus (custodial service), Transportation Security Administration (screen point security), and Clear Channel/Interspace Airport Advertising.

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

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

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

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

Two Thousand and Eleven (2011), which marked the thirty-eighth operational year of the St. Joseph County Airport Authority, was a productive and challenging year, and one which has seen the continued utilization of the multi-modal terminal complex, continued physical growth of the Airport, and continued efforts to improve air service for the South Bend area.

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

ECONOMIC CONDITION – SOUTH BEND AIRPORT ST. JOSEPH COUNTY

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

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

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

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

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

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

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

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

The County features an excellent transportation infrastructure. Interstate 80-90 crosses the County and provides connecting traffic from Chicago to Detroit, Cleveland, and beyond.

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

internet service providers. Also, the City of South Bend, in conjunction with the University of Notre Dame, is actively involved in becoming one of the major nanotechnology research and development centers in the United States. The Midwest Institute for Nanoelectronics Discovery (MIND) is one of four (4) centers funded by the Semiconductor Research Corporation's Nanoelectronics Research initiative (NRI). MIND aims to develop a new class of semiconductor materials that are more advanced than today's computer chip technologies.

MAJOR AIRPORT INITIATIVES

Planned Projects

In 2011, the Airport Authority continued its land acquisition program which began in 1974. It is primarily aimed at the relocation of Lincoln Way West, which has allowed for the southerly extension of Runway 36 and the acquisition of up to 140 acres of land to accommodate future aviation-related development. The total cost of the projects, when fully complete, will be approximately \$30 million with the majority of the funding coming from Passenger Facility Charge (PFC) revenues and the remainder coming from Airport Improvement Program (AIP) Funds.

In 2011, construction continued on a major expansion to the South Bend Airport Terminal. The project is expected to conclude in 2012.

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

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

The Airport Authority currently has approval from the Federal Aviation Administration (FAA) to impose a PFC charge of \$4.50 per enplaning passenger. This charge was increased in 2011 from \$3.00 to accommodate the debt service requirements of the proposed Bond issue.

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

Airport Facility and Service Improvements

Two thousand and eleven (2011) saw continued improvements to the airport infrastructure, thereby increasing both the safety and functionality of the facility. All of the pavement surfaces, except for one taxiway, have now been rehabilitated, increasing their serviceability for the next ten to fifteen years. The airport proper is now in a position to operate for the foreseeable future without major capital expenditures, allowing it to concentrate on the terminal facility and improving the experiences of the traveling public at the Airport.

For 2011, the Airport presented its seventh annual Stakeholder of the Year Award to acknowledge the contribution of Republic Parking Systems to the mission of the South Bend Airport. In 2011 Republic Parking Systems completed an \$800,000 modernization project which improved the appearance and also the functionality of our parking lots. Over the past ten (10) years their investment has exceeded \$1.4 million in parking lot improvements.

Other 2011 activities included continued improvement to the Airport's website with a host of new features. A major focus was placed on the improvement of taxi service to the public. To that end, the Airport in conjunction with the Convention and Visitor's Bureau of St. Joseph County, held Customer Service Training sessions for taxi cab drivers. A "Mystery" Rider Program was also continued to reward taxi cab drivers for good service.

Special Accomplishments

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

In 2011, the Safety Department continued to use its state-of-the-art fire training facility. The Indiana Department of Environmental Management approved the facility, which is being used by the Safety Department not only for its own training, but also for local and national airport-sponsored fire training exercises.

The Airport's Maintenance Department has long been known for its proficiency in snow and ice removal and continued that tradition in 2011.

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

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

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

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

Employees

The following employees worked together in 2011 to further improve the image and efficiency of the South Bend Airport:

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

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

Temporary Employees:

Alicia Carlton
Bryant Eades
Adam Gadson
Jack Mueleman
Joshua Patterson
James Pawelski
Marcus Stankiewicz
Stephen Stopczynski
Matthew Turney

FINANCIAL INFORMATION

Internal Control Structure and Budgetary Controls

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

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

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

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

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

Audit Function

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

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement For Excellence in Financial Reporting to the St. Joseph County Airport Authority for its comprehensive annual financial report (C.A.F.R.) for the fiscal year ended December 31, 2010. This was the twenty-second consecutive year that the Airport Authority has achieved this prestigious award.

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

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

Acknowledgments

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

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


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

The Airport Authority Department of Administration and Finance deserves our sincere appreciation for its assistance, especially Lauren Winger, Accounting Manager, for her significant contribution to and coordination of the Management, Discussion and Analysis and Statistical Section; Administrative Assistant, Sandy Schick, who spent many hours processing this report; to Karen Gorbitz, Staff Accountant, for her research work and preparing much of the data for the statistical section; and to Mitzi Garner, Purchasing-Accounting Assistant, for her input. Other administrative staff team members contributing to this report are: John Schalliol, Executive Director and Airport Engineer in 2011, Frank Flanagan, H.R. Manager; and Kerianne Linn, Properties Manager. Finally, we would like to acknowledge the assistance of staff members from other Authority Departments: Michael Ornat, Bruce MacLachlan, Brian McMillen, Cliff Jenkins, Dave Joachim, and Carol Whitteberry.

Respectfully submitted,

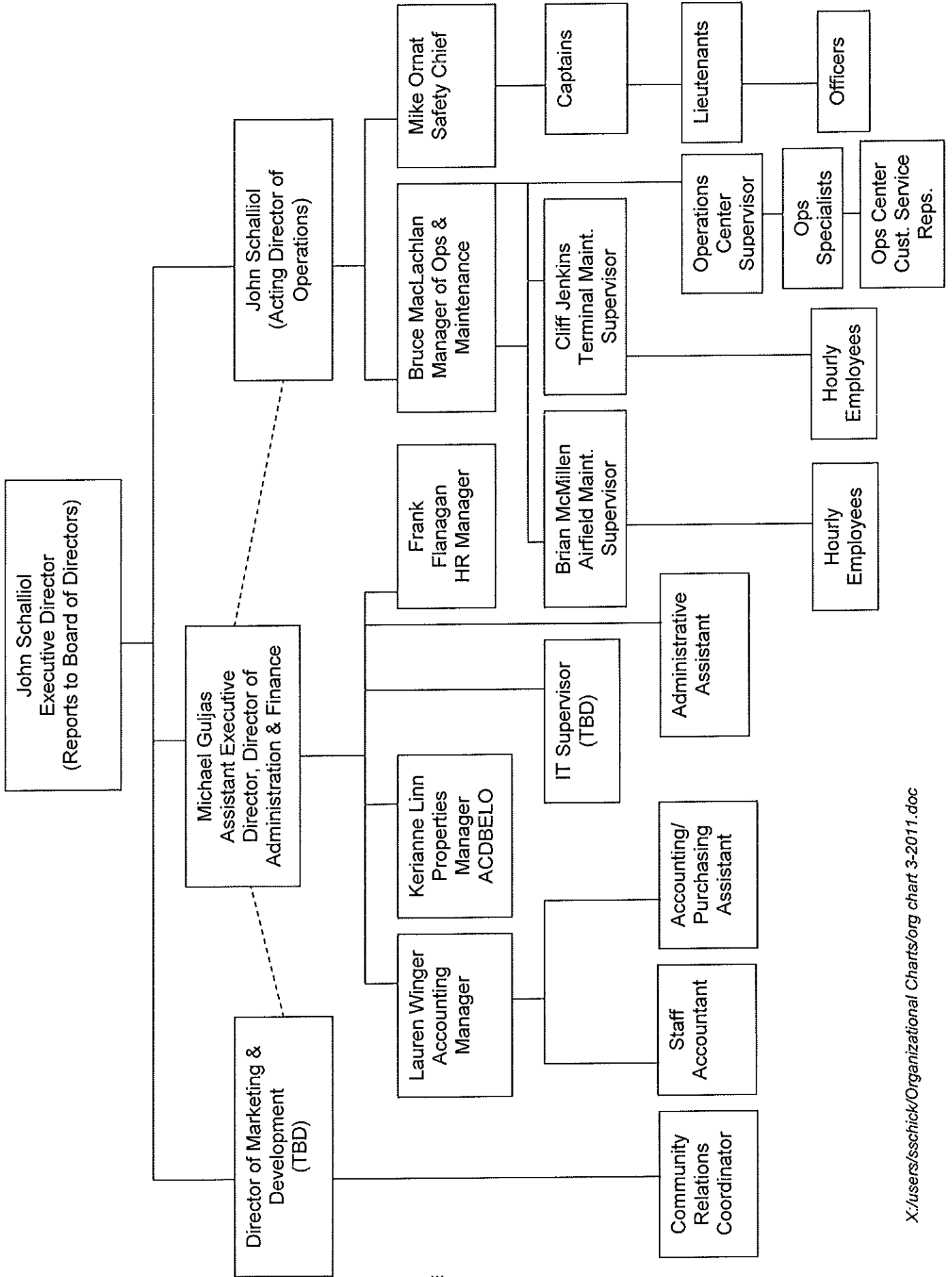


Michael A. Daigle, A.A.E.
Executive Director



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

ST. JOSEPH COUNTY AIRPORT AUTHORITY ORGANIZATION CHART



ST. JOSEPH COUNTY AIRPORT AUTHORITY
SOUTH BEND REGIONAL AIRPORT

2011 OFFICIALS

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

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.



Linda C. Davidson

President

Jeffrey R. Egan

Executive Director

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FINANCIAL SECTION

FINANCIAL SECTION



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

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

We have audited the accompanying financial statements of the St. Joseph County Airport Authority (Airport Authority), as of and for the year ended December 31, 2011, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Airport Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Airport Authority's internal control over financial reporting. Accordingly, we express no such opinion. 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and for the year ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 18, 2012, on our consideration of the Airport Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedule of Funding Progress, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an

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

appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Airport Authority's basic financial statements. The accompanying Schedule of Expenditures of Passenger Facility Charges, the Budgetary Comparison Schedules, Budget/GAAP reconciliation, and Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Passenger Facility Charges, the Budgetary Comparison Schedules, Budget/GAAP Reconciliation, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the St. Joseph County Airport Authority's basic financial statements. The introductory section and statistical tables are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

State Board of Accounts

June 28, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management Discussion and Analysis (MD&A) provides an introduction to the major activities affecting the operations of the South Bend Airport and an introduction and overview of the financial performance and statements of the St. Joseph County Airport Authority (Authority) for the fiscal year ended December 31, 2011. The information contained in this MD&A should be considered in conjunction with the information contained in the Letter of Transmittal included in the Introduction Section and various historical summaries of activities and financial performance included in the Statistical and Compliance Sections of this report.

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

AIRPORT ACTIVITIES & HIGHLIGHTS

As of December 31, 2011, the South Bend Airport provided non-stop air passenger service to ten (10) hubs in the United States: Chicago O'Hare, Las Vegas, Cleveland, Detroit, Cincinnati, Mesa, Atlanta, Sanford/Orlando, Tampa Bay, and Minneapolis. Four major passenger carriers (Allegiant, Continental, Delta, and United) were all represented either by the carrier itself or through a regional partner. In some cases, more than one company contracted with the national carrier for this purpose.

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

In 2011, many small airports nationwide were impacted by the downturn in the economy and the struggling airline industry. South Bend's 2011 total enplanements and deplanements reflected a decrease of 4.38 percent versus 2010.

As part of its effort to improve air service, the Airport continued its proactive policy of working with existing and potential carriers to explore additional hub opportunities in both the east and southwest. The Executive Director, working closely with an air service consultant, made numerous contacts, and submitted proposals throughout the year to both established and start-up airlines.

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

Although total aircraft flight operations were down in 2011, the airlines operated higher passenger loads per flight. Also due to interest in the University of Notre Dame's football program, most carriers operated at full capacity on home game weekends.

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

The South Shore rail passenger traffic increased slightly in 2011. Low rail fares, high gasoline prices for auto travel, and the convenience of service to downtown Chicago were seen as the major reasons for continued interest in this service.

Also, Coach USA's passenger count decreased by 1.04 percent compared to the 2010 levels.

Another important component of business at the Airport is airfreight. United Parcel Service and Federal Express based aircraft at the facility and also maintained regional sorting facilities on site. Total cargo tonnage increased 1.08 percent in 2011 compared to 2010.

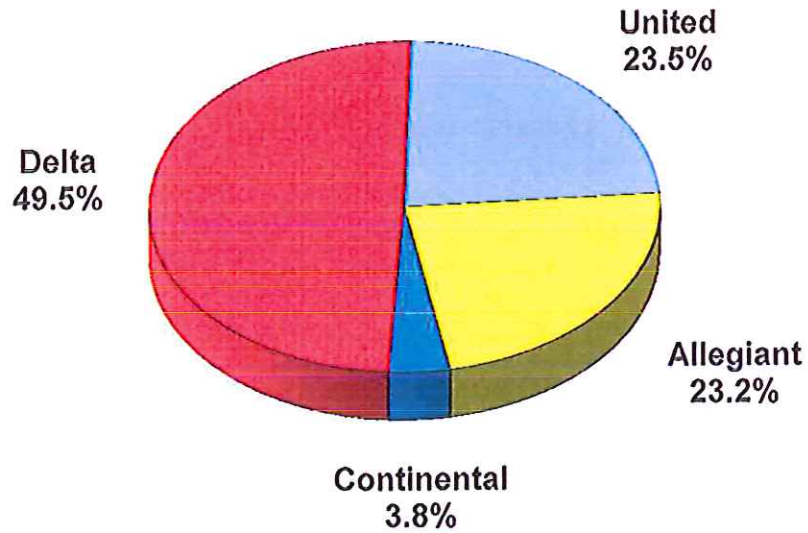
Finally, a review of our facilities would not be complete without a mention of our General Aviation facilities. Fifty-four privately or corporate-owned aircraft were based in South Bend in 2011 along with a full service Fixed Base Operator (F.B.O.) (Atlantic Aviation). General Aviation activities represented the majority of operations at the Airport. The availability of a first-class General Aviation facility is a key factor in drawing new business to a community.

**COMPARATIVE INFORMATION ON TRANSPORTATION SERVICES
AT THE SOUTH BEND AIRPORT 2011 vs. 2010**

	<u>2011</u>	<u>2010</u>	<u>Variance</u>
<u>Total Airline Passengers</u> (Enplaned and Deplaned)	599,127	626,597	-4.38%
<u>Weekday Arrivals and Departures</u>	37	38	-2.63%
<u>Weekday Total Available Seats</u>	2,080	2,276	-8.61%
<u>Total Cargo (Lbs.)</u>	23,964,639	23,708,233	1.08%
	<u>2011</u>	<u>2010</u>	<u>Variance</u>
<u>Aircraft Operations</u> (Take Off and Landing)			
Air Carriers	13,682	14,636	-6.52%
Freight	1,374	1,354	1.48%
General Aviation	<u>18,364</u>	<u>17,505</u>	<u>4.91%</u>
Total Operations	33,420	33,495	-0.22%
<u>Total Landed Weight</u>	454,398,476	472,655,944	-3.86%
<u>Commuter Bus Passengers</u>	31,933	32,269	-1.04%
<u>Train Passengers</u>	257,800	256,886	0.36%
<u>Total Air, Bus, Rail Passengers</u>	888,860	915,752	-2.94%

South Bend is fortunate to have so many air transportation choices. South Bend ranks in the top 20 percent of small airports based upon the number of cities served with non-stop flights.

**AIRLINE MARKET SHARE
Enplanements
2011**



Airline Market Share Comparison

	<u>2011</u>	<u>2010</u>	<u>Difference</u>	<u>Change %</u>
Allegiant	70,097	64,950	5,147	7.92%
Continental	11,565	14,443	-2,878	-19.93%
Delta	149,248	155,627	-6,379	-4.10%
United	<u>70,971</u>	<u>80,061</u>	<u>-9,090</u>	<u>-11.35%</u>
	<u><u>301,881</u></u>	<u><u>315,081</u></u>	<u><u>-13,200</u></u>	<u><u>-4.19%</u></u>

FINANCIAL HIGHLIGHTS

NET ASSETS

Total Assets increased in 2011 by \$6.5 million or 6.7 percent over 2010. The increase resulted primarily from cash received from a Bond issue late in the year used for continued expansion of the Terminal.

The Net Pension Asset of \$116,790 in 2010 became an obligation of \$6,462 in 2011 due to an increase in the annual pension cost exceeding the increase of the employer's contribution to PERF (retirement) fund.

Total Liabilities increased by \$5.9 million compared to 2010 reflecting the addition of a new Bond issue.

Net Assets increased by \$617 thousand or .7 percent.

NET ASSETS

<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
Current and Other Assets	\$ 16,932,810	\$ 12,126,973
Capital Assets	<u>86,735,948</u>	<u>85,054,341</u>
 Total Assets	 <u>103,668,758</u>	 <u>97,181,314</u>
 <u>LIABILITIES</u>		
Long-Term Liabilities Outstanding	16,599,080	10,881,375
Other Liabilities	<u>2,197,096</u>	<u>2,044,478</u>
 Total Liabilities	 <u>18,796,176</u>	 <u>12,925,853</u>
 <u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	76,480,093	76,503,028
Restricted	3,321,749	3,582,959
Unrestricted	<u>5,070,740</u>	<u>4,169,474</u>
 Total Net Assets	 <u>\$ 84,872,582</u>	 <u>\$ 84,255,461</u>

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REVENUE

Total Revenue decreased by 15.1 percent, not including Capital Contributions and Passenger Facility Charge (P.F.C.) Revenue.

Total Operating Revenue decreased by 2.0 percent compared to 2010 levels.

Airport Service Revenue decreased by 2.02 percent and consisted of Airfield, Terminal, Concessions, Parking, Fixed Base Operations, and Building and Land Rental Revenues.

The Airfield category, which was composed primarily of landing fees (\$1.02 per thousand pounds of aircraft landed weight) and fuel flowage fees, increased by .28 percent.

Terminal Rental Revenue received from the airlines increased by 2.05 percent in 2011.

Terminal Non-Aviation Rental Revenue increased by 15.12 percent due to an increased rent payment from the Transportation Security Administration.

Concession Revenue increased by 2.28 percent due to the new restaurant location in the Terminal concourse past the Security Screenpoint. Parking Revenue decreased by .70 percent reflecting reduced enplanements.

Fixed Base Operations Revenue, a component of General Aviation activity, decreased 15.1 percent due to the termination of a lease agreement on a large aircraft storage hangar. Other Building and Land Rental on the airfield decreased by 44.79 percent. This was the result of a decrease in recycling revenue compared to 2010.

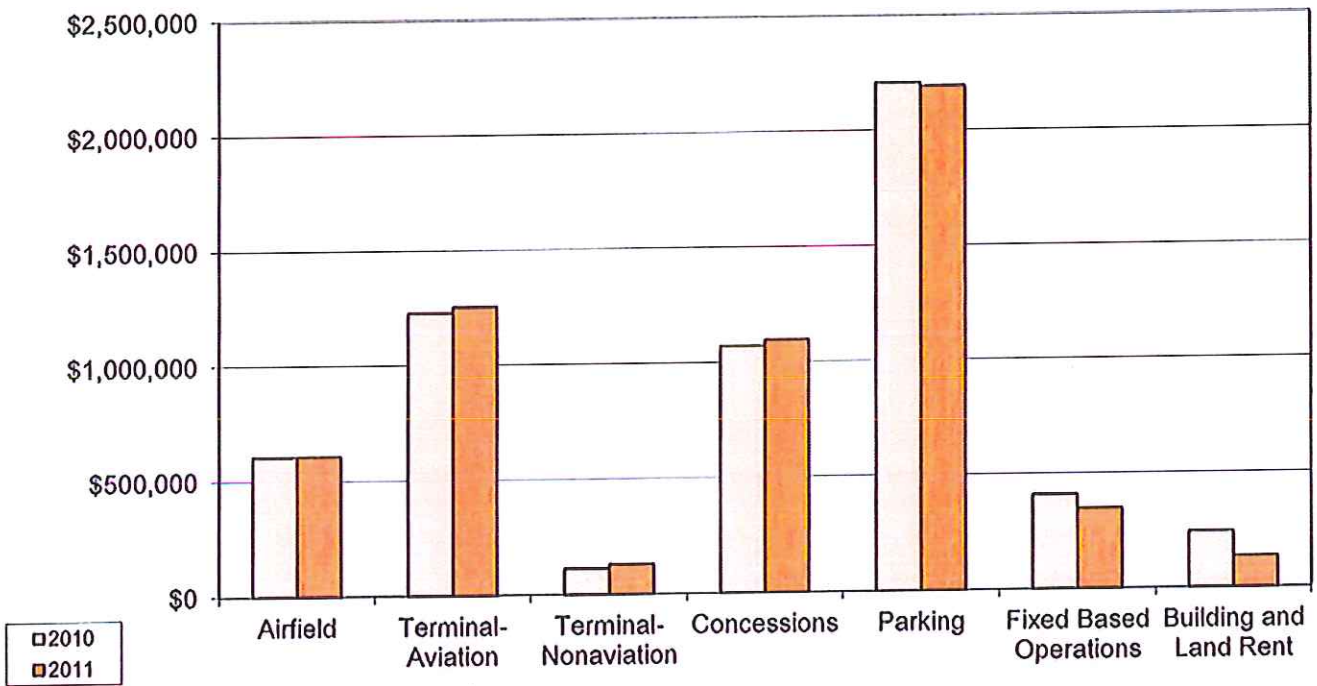
Non-Operating Revenues decreased by 33.63 percent due primarily to a decrease of Property and Other Taxes. A 1998 General Obligation Bond issue matured in 2010; therefore, in 2011 the Authority was no longer receiving a debt service levy.

Property Management Revenue decreased by 6.13 percent due to lower occupancy in an Authority owned building.

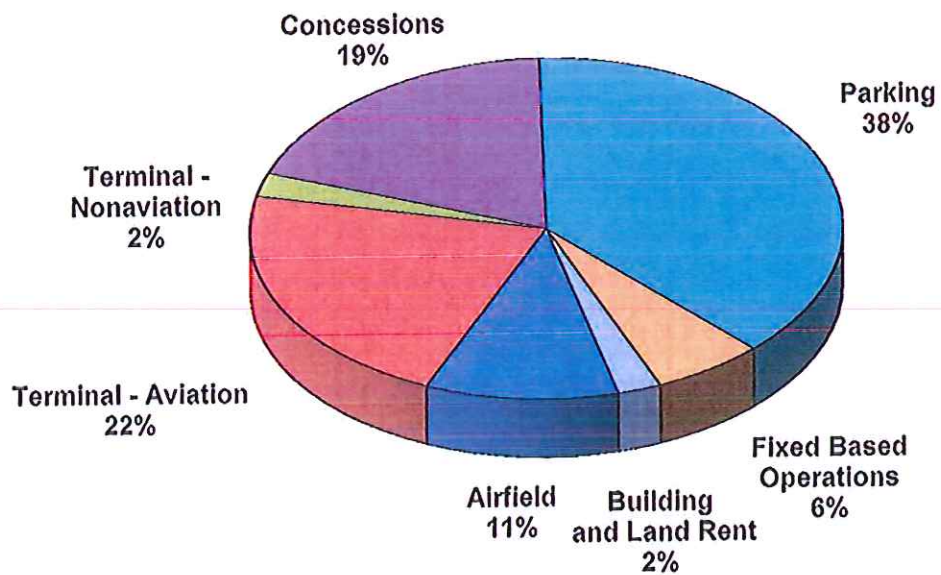
Capital Contributions decreased due to the Airport Improvement Program (A.I.P.) Grants for the construction of the Terminal Expansion Project nearing a close.

Passenger Facility Charge (P.F.C.) Revenues increased in 2011 by 20.5 percent, as a result of an increase in the P.F.C. rate from \$3.00 to \$4.50 which became effective July 1, 2011. A decrease in passenger traffic offset this increase.

AIRPORT SERVICE REVENUES 2010 vs. 2011



AIRPORT SERVICE REVENUES 2011



EXPENSES

Total Expenses decreased in 2011 by 2.03 percent compared to 2010.

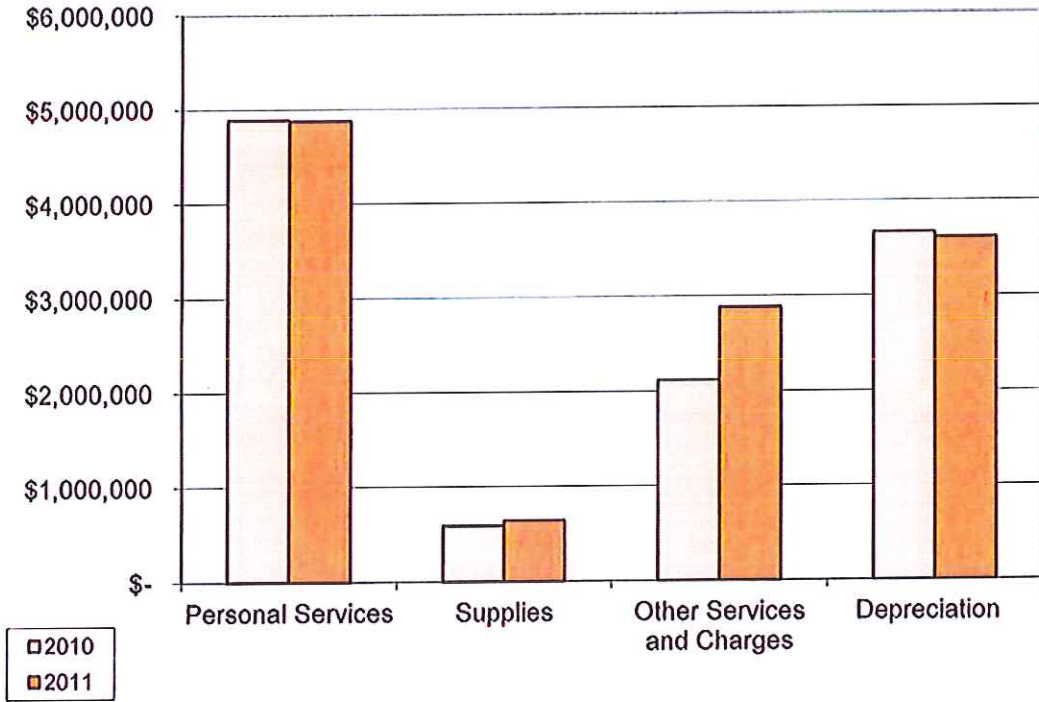
In 2011, Expenses for Supplies increased by 9.54 percent due mainly to the replacement of file servers, computers, and upgrades to software.

Other Services and Charges increased by 36.11 percent due to increases in Marketing and Air Service Development related expenses, Legal Services, Professional/ Technical Services and in Utilities due to the Terminal Expansion Project.

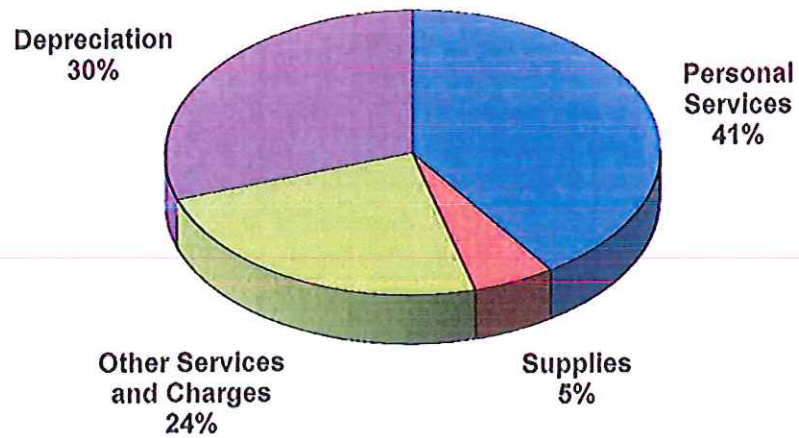
Non-Operating Expenses decreased by 55.44 percent due to the fact that no Capital Assets were written off in 2011.

Property Management Expenses decreased by 9.81 percent in 2011 due to fewer repairs to an office building owned by the Authority.

OPERATING EXPENSES 2010 vs. 2011



OPERATING EXPENSES 2011



SUMMARY OF OPERATIONS AND CHANGES IN NET ASSETS

	<u>2011</u>	<u>2010</u>	<u>Increase/(Decrease)</u>	
			<u>Amount</u>	<u>Percent</u>
Operating Revenues:				
Airport Service Revenues				
Airfield	\$ 606,890	\$ 605,210	\$ 1,680	0.28
Terminal - Aviation	1,250,254	1,225,171	25,083	2.05
Terminal - Nonaviation	128,043	111,226	16,817	15.12
Concessions	1,093,471	1,069,131	24,340	2.28
Parking	2,191,557	2,207,040	(15,483)	(0.70)
Fixed Based Operations	347,090	408,748	(61,658)	(15.08)
Building and Land Rent	134,509	243,613	(109,104)	(44.79)
Airport Service Revenues - Total	<u>5,751,814</u>	<u>5,870,139</u>	<u>(118,325)</u>	<u>(2.02)</u>
Other	<u>12,625</u>	<u>12,039</u>	<u>586</u>	<u>4.87</u>
Total Operating Revenues	<u>5,764,439</u>	<u>5,882,178</u>	<u>(117,739)</u>	<u>(2.00)</u>
Operating Expenses:				
Personal Services	4,871,475	4,884,509	(13,034)	(0.27)
Supplies	642,682	586,715	55,967	9.54
Other Services and Charges	2,880,312	2,116,199	764,113	36.11
Depreciation	<u>3,611,684</u>	<u>3,667,220</u>	<u>(55,536)</u>	<u>(1.51)</u>
Total Operating Expenses	<u>12,006,153</u>	<u>11,254,643</u>	<u>751,510</u>	<u>6.68</u>
Net Income (Loss) - Operations	<u>(6,241,714)</u>	<u>(5,372,465)</u>	<u>(869,249)</u>	<u>(16.18)</u>
Nonoperating Revenues:				
Property Taxes	1,765,272	2,997,689	(1,232,417)	(41.11)
Other Tax Distributions	535,170	620,426	(85,256)	(13.74)
Interest and Investment Revenue	16,139	15,517	622	4.01
Property Management Revenue	257,154	273,942	(16,788)	(6.13)
Federal Operating Grant	144,568	148,565	(3,997)	(2.69)
Other Revenue	<u>41,072</u>	<u>101,332</u>	<u>(60,260)</u>	<u>(59.47)</u>
Total Nonoperating Revenues	<u>2,759,375</u>	<u>4,157,471</u>	<u>(1,398,096)</u>	<u>(33.63)</u>
Nonoperating Expenses:				
Interest Expense	607,514	614,347	(6,833)	(1.11)
Property Management Expense	200,666	222,493	(21,827)	(9.81)
Loss on Change in Capital Asset Policy		590,321	(590,321)	-
Loss on Disposal of Capital Assets		392,349	(392,349)	-
Amortization Expense	<u>9,083</u>	<u>14,628</u>	<u>(5,545)</u>	<u>(37.91)</u>
Total Nonoperating Expenses	<u>817,263</u>	<u>1,834,138</u>	<u>(1,016,875)</u>	<u>(55.44)</u>
Net Income (Loss) Before Contributions	<u>(4,299,602)</u>	<u>(3,049,132)</u>	<u>(1,250,470)</u>	<u>(41.01)</u>
Capital Contributions	3,909,443	7,313,647	(3,404,204)	(46.55)
Passenger Facility Charge Revenue	1,007,280	835,884	171,396	20.50
Capital Assets Donated to County Government	-	(8,999,393)	8,999,393	-
Change in Net Assets	<u>617,121</u>	<u>(3,898,994)</u>	<u>4,516,115</u>	<u>115.83</u>
Total Net Assets - Beginning	<u>84,255,461</u>	<u>88,154,455</u>	<u>(3,898,994)</u>	<u>(4.42)</u>
Total Net Assets - Ending	<u>\$ 84,872,582</u>	<u>\$ 84,255,461</u>	<u>\$ 617,121</u>	<u>0.73</u>

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

SUMMARY OF CASH FLOW ACTIVITIES

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

	<u>2011</u>	<u>2010</u>
Cash Flows		
Operating Activities	\$ (2,229,479)	\$ (1,514,254)
Noncapital Financing Activities	2,691,545	3,451,289
Capital and Related Financing Activities	5,718,228	(5,359,430)
Investing Activities	<u>11,668</u>	<u>15,517</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 6,191,962	\$ (3,406,878)
Cash and Cash Equivalents		
Beginning of Year	<u>8,801,331</u>	<u>12,208,209</u>
End of Year	<u>\$ 14,993,293</u>	<u>\$ 8,801,331</u>

The Authority's available Cash and Cash Equivalents increased from \$8.8 million at the end of 2010 to \$15.0 million at the end of 2011 due primarily to the receipt of Bond proceeds for the Terminal Expansion Project. The \$15.0 million is composed of \$5.1 million available for Unrestricted Operations and \$9.9 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, 2011, was \$86.7 million (net of Accumulated Depreciation). This investment in Capital Assets includes land, buildings, roadways, airfield and equipment which represent a 2.0 percent increase over 2010.

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

During 2011, the Airport Authority District expended \$5.1 million for major capital activities. This includes \$4.8 million for the Terminal Expansion Project including architectural fees, and \$200 thousand for the purchase of a geothermal heating and cooling system.

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

PASSENGER FACILITY CHARGE (P.F.C.)

Effective July 1, 2011, \$1.50 was added to the existing Passenger Facility Charge (P.F.C.) of \$3.00 per enplaned passenger with the approval of the Federal Aviation Administration (FAA) and the St. Joseph County Airport Authority Board. The P.F.C. receipts are intended to be used to repay the debt service on the 2002 and 2011 Bond issues and for any other purposes allowed by the FAA and the Airport Authority Board. The St. Joseph County Airport Authority is authorized to receive a maximum of \$40,172,802. As of December 31, 2011, the Airport Authority had received a total of \$19,010,410. For further details, please refer to the Schedule of Expenditures of Passenger Facility Charges, which is included later in this financial section.

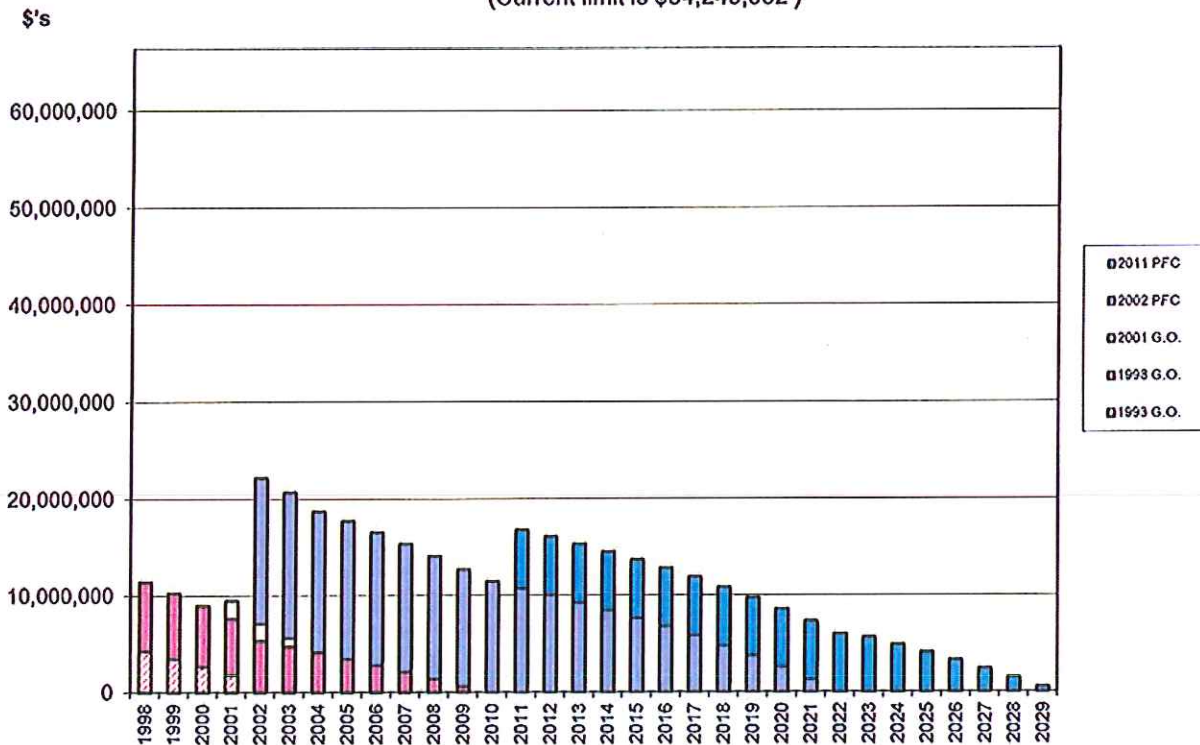
LONG-TERM DEBT AND CREDIT RATINGS

The Airport Authority had \$16,075,000 in Outstanding Long-Term Debt plus \$700 thousand in Outstanding Short-Term Debt as of December 31, 2011. Long-Term and Short-Term Debt consisted of General Obligation Bonds sold in 2002 and 2011. The 2002 Bonds (\$15 million) mature in 2022 and interest rates range from 4.15 percent to 5.25 percent. The 2011 Bonds (\$6 million) mature in 2030 and interest rates range from 4.3 percent to 5.0 percent. Both principal and interest are payable from the revenues derived from the proceeds of an approved Passenger Facility Charge (P.F.C.) on each enplanement at South Bend Airport.

The General Obligation Debt limit for the Airport Authority is 2 percent of the adjusted value of taxable property in St. Joseph County. Per Indiana Statute, the adjusted value is defined as being equal to one third (1/3) of the actual valuation of property in the County. The current adjusted value is \$2,712,499,077. The debt limit is \$54,249,982, and the total outstanding General Obligation Debt is \$16,775,000.

The Authority's General Obligation Debt is rated A1 by Moody's Investor Service (2002 Bonds) and A+ by Standard and Poors (2011 Bonds). The rating for South Bend reflects the General Obligation Security for these Bonds. Also noted is the fact that the Authority benefits from a relatively diverse revenue stream including: parking, terminal revenues, concessions, and general property taxes. Details regarding Long-Term Debt are included in the Notes to the Financial Statements in Section III E.1.

**TOTAL DEBT OUTSTANDING
AT END OF YEAR**
(Current limit is \$54,249,982)



REQUEST FOR INFORMATION

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



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

ST. JOSEPH COUNTY AIRPORT AUTHORITY
STATEMENT OF NET ASSETS
December 31, 2011

Assets

Current assets:

Unrestricted:

Cash and cash equivalents	\$ 5,093,692
Accounts receivable (net of allowance)	573,519
Taxes receivable	146,478
Intergovernmental receivable	511,219
Prepaid items	121,647
Loan receivable	147,861
Other current assets	<u>43,253</u>

Total unrestricted current assets 6,637,669

Restricted:

Cash and cash equivalents:

Construction fund	6,050,899
Passenger facility charge fund	1,876,632
Bond and interest fund	1,284,052
Cumulative building fund	211,240
Rainy day fund	278,861
Cash with fiscal agent	350,561
Other funds	47,356
Accounts receivable - passenger facility charge	136,412
Taxes receivable	<u>13,413</u>

Total restricted current assets 10,049,426

Total current assets 16,687,095

Restricted:

Deferred charges 245,715

Capital assets:

Land, improvements to land and construction in progress	43,520,832
Other capital assets (net of accumulated depreciation)	<u>43,215,116</u>

Total capital assets 86,735,948

Total noncurrent assets 86,981,663

Total assets 103,668,758

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

ST. JOSEPH COUNTY AIRPORT AUTHORITY
STATEMENT OF NET ASSETS
December 31, 2011
(Continued)

Liabilities

Current liabilities:

Unrestricted:

Accounts payable	108,076
Accrued payroll payable	133,031
Deferred revenue	109,811
Compensated absences	209,037
Retainage payable	866,337
Other current liabilities	<u>70,804</u>

Total unrestricted current liabilities 1,497,096

Restricted:

General obligation bonds payable	<u>700,000</u>
----------------------------------	----------------

Total current liabilities 2,197,096

Noncurrent liabilities:

Unrestricted:

Compensated absences	232,257
Net pension obligation	6,462
Other postemployment benefits payable	<u>105,668</u>

Total unrestricted noncurrent liabilities 344,387

Restricted:

Contracts payable	355,245
Interest payable	46,979
General obligation bonds payable (net of unamortized discounts)	<u>15,852,469</u>

Total noncurrent liabilities 16,599,080

Total liabilities 18,796,176

Invested in capital assets, net of related debt 76,480,093

Restricted for debt service 3,097,096

Restricted for capital assets 224,653

Unrestricted 5,070,740

Total net assets \$ 84,872,582

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

ST. JOSEPH COUNTY AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
As Of And For The Year Ended December 31, 2011

Operating revenues:	
Airfield	\$ 606,890
Terminal - aviation	1,250,254
Terminal - nonaviation	128,043
Concessions	1,093,471
Parking	2,191,557
Fixed based operations	347,090
Building and land rent	134,509
Other	<u>12,625</u>
 Total operating revenues	 <u>5,764,439</u>
Operating expenses:	
Personal services	4,871,475
Supplies	642,682
Other services and charges	2,880,312
Depreciation	<u>3,611,684</u>
 Total operating expenses	 <u>12,006,153</u>
 Operating loss	 <u>(6,241,714)</u>
Nonoperating revenues:	
Property taxes	1,765,272
Other tax distributions	535,170
Interest and investment revenue	16,139
Property management revenue	257,154
Federal operating grant	144,568
Other revenue	<u>41,072</u>
 Total nonoperating revenues	 <u>2,759,375</u>
Nonoperating expenses:	
Interest expense	607,514
Property management expense	200,666
Amortization expense	<u>9,083</u>
 Total nonoperating expenses	 <u>817,263</u>
 Loss before contributions	 <u>(4,299,602)</u>
Capital contributions	3,909,443
Passenger facility charge revenue	<u>1,007,280</u>
 Change in net assets	 <u>617,121</u>
Total net assets - beginning	<u>84,255,461</u>
Total net assets - ending	<u>\$ 84,872,582</u>

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

ST. JOSEPH COUNTY AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
As Of And For The Year Ended December 31, 2011

Cash flows from operating activities:	
Receipts from customers and users	\$ 5,873,333
Payments to suppliers and contractors	(3,484,695)
Payments to employees	(4,659,189)
Other nonoperating activity	<u>41,072</u>
Net cash used by operating activities	<u>(2,229,479)</u>
Cash flows from noncapital financing activities:	
Property management activity	76,840
Loan to renter	(174,814)
Interest received on loans	4,471
Principal received on loans	9,472
Operating grant received	144,568
Property and county income taxes	<u>2,631,008</u>
Net cash provided by noncapital financing activities	<u>2,691,545</u>
Cash flows from capital and related financing activities:	
Passenger facility charges	974,710
Capital contributions	5,183,670
Acquisition and construction of capital assets	(5,075,015)
Bond proceeds	5,940,000
Cash paid for bond issue costs	(84,287)
Principal paid on capital debt	(675,000)
Interest paid on capital debt	<u>(545,850)</u>
Net cash used by capital and related financing activities	<u>5,718,228</u>
Cash flows from investing activities:	
Interest received	<u>11,668</u>
Net increase (decrease) in cash and cash equivalents	6,191,962
Cash and cash equivalents, January 1	
(Including \$2,236,095 unrestricted along with the following restricted amounts: \$2,621,898 construction, \$1,917,298 passenger facility charge, \$534,027 bond and interest, \$902,854 cumulative building, \$278,861 rainy day, \$265,705 cash with fiscal agent, and \$44,593 other)	
	<u>8,801,331</u>
Cash and cash equivalents, December 31	
(Including \$5,093,692 unrestricted along with the following restricted amounts: \$6,050,899 construction, \$1,676,632 passenger facility charge, \$1,284,052 bond and interest, \$211,240 cumulative building, \$278,861 rainy day, \$350,561 cash with fiscal agent, and \$47,356 other)	
	<u>\$ 14,993,293</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (6,241,714)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	3,611,684
Work in progress items expensed	46,166
Write off loan receivable	17,481
Net nonoperating receipts (expenses)	41,072
(Increase) decrease in assets:	
Accounts receivable	(917)
Prepaid items	(21,122)
Intergovernmental receivable	12,460
Net pension assets	116,790
Increase (decrease) in liabilities:	
Accounts payable	(1,805)
Accrued payroll payable	20,372
Deferred revenue	109,811
Net pension obligation	6,462
Other post employment benefit payable	50,205
Compensated absence payable	5,997
Taxes payable	<u>(2,421)</u>
Total adjustments	<u>4,012,235</u>
Net cash used by operating activities	<u>\$ (2,229,479)</u>
Noncash investing, capital and financing activities:	
Construction in progress items moved to deferred charges to be amortized	\$ 65,938
Completed construction projects moved to capital assets	445,201
Capital assets acquired on account	1,221,583
Discount on bonds	60,000

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

ST. JOSEPH COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Fund Financial Statements

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

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

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

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

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

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

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

D. Assets, Liabilities and Net Assets

1. Deposits and Investments

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

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

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Airport Authority in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the Airport Authority on or prior to December 31 of the year collected. Delinquent property taxes outstanding at year end, net of allowance for uncollectible accounts, are recorded as a receivable with an offset to unearned revenue since the amounts are not considered available.

3. Prepaid Items

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

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

The financial statements report \$3,321,749 of restricted net assets, all of which is restricted by enabling legislation.

5. Capital Assets

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

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

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

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

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

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

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

6. Compensated Absences

- a. Sick Leave – Airport Authority employees working 8-hour shifts earn sick leave at the rate of 48 hours per year. Employees working 24-hour shifts have the same benefits as employees working 8-hour shifts but earn 72 hours per year. Employees working 8-hour shifts may accumulate a maximum of 720 hours of sick leave. Employees working 24-hour shifts may accumulate a maximum of 1080 hours of sick leave. Employees have the opportunity at the beginning of each calendar year to roll that year's earned sick leave into their accumulated balance, to get paid for those earned hours in advance at their current rate of pay, or to split their earned sick leave time between the two options. At the termination of employment, employees are paid at their current rate of pay for a percentage of their accumulated sick leave. This percentage is based on the number of years of service and whether or not the termination of employment is a retirement.
- b. Vacation Leave – Airport Authority employees working 8-hour shifts earn vacation leave at rates from 80 to 160 hours per year based upon their number of years of service. Employees working 24-hour shifts have the same benefits as employees working 8-hour shifts but earn from 112 to 288 hours vacation leave per year. Vacation leave does not accumulate from year to year.

Vacation and sick leave is accrued when incurred.

7. Long-Term Obligations

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

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

8. Equity Classification

Equity is classified as net assets and displayed in the following components:

- a. Invested in capital assets, net of related debt - Consists of capital assets net of accumulated depreciation and reduced by outstanding debt related to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

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

E. Receipts and Disbursements

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

II. Stewardship, Compliance and Accountability

Budgetary Information

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

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

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

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

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The Airport Authority does not have a deposit policy for custodial credit risk. At December 31, 2011, the Airport Authority had deposit balances in the amount of \$14,993,293. This entire balance was not exposed to custodial credit risk.

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Receivables

The Airport Authority recognizes \$27,256 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, 2011, was as follows:

<u>2011</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 35,530,999	\$ 61,033	\$ -	\$ 35,592,032
Construction in progress, nonaviation	414,314	88,994	-	503,308
Construction in progress, aviation	<u>2,728,017</u>	<u>5,254,780</u>	<u>557,305</u>	<u>7,425,492</u>
Total capital assets, not being depreciated	<u>38,673,330</u>	<u>5,404,807</u>	<u>557,305</u>	<u>43,520,832</u>
Capital assets, being depreciated:				
Buildings	49,639,849	-	-	49,639,849
Airfield	40,991,645	-	-	40,991,645
Equipment	<u>8,715,998</u>	<u>445,789</u>	-	<u>9,161,787</u>
Totals	<u>99,347,492</u>	<u>445,789</u>	-	<u>99,793,281</u>
Less accumulated depreciation for:				
Buildings	20,924,362	1,445,962	-	22,370,324
Airfield	26,296,711	1,618,632	-	27,915,343
Equipment	<u>5,745,408</u>	<u>547,090</u>	-	<u>6,292,498</u>
Totals	<u>52,966,481</u>	<u>3,611,684</u>	-	<u>56,578,165</u>
Total capital assets, being depreciated, net	<u>46,381,011</u>	<u>(3,165,895)</u>	-	<u>43,215,116</u>
Total capital assets, net	<u>\$ 85,054,341</u>	<u>\$ 2,238,912</u>	<u>\$ 557,305</u>	<u>\$ 86,735,948</u>

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

D. Construction Commitments

Construction work in progress is composed of the following:

Project	Total Project Authorized	Expended to December 31	Committed
Relocation of Lincoln Way West - Phase II	\$ 5,949,229	\$ 503,308	\$ 5,445,921
Terminal Expansion - Phase II, III	7,544,536	7,363,804	180,732
Other Projects	100,000	61,688	38,312
Totals	\$ 13,593,765	\$ 7,928,800	\$ 5,664,965

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

E. Long-Term Liabilities

1. General Obligation Bonds

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

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

Purpose	Interest Rates	Original Issue	Balance at December 31	Less: Unamortized Discount	Amount
2002 General Obligation Bonds	4.15% to 5.25%	\$ 15,000,000	\$ 10,775,000	\$ 162,531	\$ 10,612,469
2011 General Obligation Bonds	4.3% to 5%	6,000,000	6,000,000	60,000	5,940,000
Totals			\$ 16,775,000	\$ 222,531	\$ 16,552,469

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

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

	2002 GOB		2011 GOB	
	Principal	Interest	Principal	Interest
2012	\$ 700,000	\$ 517,050	\$ -	\$ 328,854
2013	775,000	486,944	-	281,875
2014	800,000	452,025	-	281,875
2015	825,000	416,225	-	281,875
2016	850,000	376,744	-	281,875
2017-2021	5,525,000	1,144,213	-	1,409,375
2022-2026	1,300,000	50,700	3,185,000	1,168,683
2027-2030	-	-	2,815,000	248,545
Totals	<u>\$ 10,775,000</u>	<u>\$ 3,443,901</u>	<u>\$ 6,000,000</u>	<u>\$ 4,282,957</u>

2. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
General obligation bonds	\$ 11,450,000	\$ 6,000,000	\$ 675,000	\$ 16,775,000	\$ 700,000
Compensated absences	435,297	210,619	204,622	441,294	209,037
Net pension obligation	-	6,462	-	6,462	-
Other postemployment benefits payable	55,463	50,205	-	105,668	-
Total long-term liabilities	<u>\$ 11,940,760</u>	<u>\$ 6,267,286</u>	<u>\$ 879,622</u>	<u>\$ 17,328,424</u>	<u>\$ 909,037</u>

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

IV. Other Information

A. Risk Management

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

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

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

B. Other Postemployment Benefits

Single-Employer Defined Benefit Healthcare Plan

Plan Description

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

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

Funding Policy

The contribution requirements of plan members for the St. Joseph County Airport Authority Healthcare Plan are established by the Airport Authority Board. Currently retirees are required to pay 100 percent of the monthly premium for medical insurance. Retiree health coverage is implicitly more expensive than active health coverage. This higher cost of coverage creates a liability that the Airport pays in higher premiums for current employees' coverage. Calculated required contributions are based on projected pay-as-you-go financing requirements. For the year ended December 31, 2011, the Airport contributed \$0 to the plan.

Annual OPEB Cost and Net OPEB Obligation

The Airport Authority's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Airport Authority's annual OPEB cost for the year 2011, the most recent actuarial study the Airport has determined, the amount actually contributed to the plan for 2011, and changes in the Airport Authority's net OPEB obligation to the plan:

Annual required contribution	\$ 21,256
Interest on net OPEB obligation	3,790
Adjustment to annual required contribution	<u>(3,590)</u>
Annual OPEB cost	21,456
Contributions made	<u>-</u>
Increase (decrease) in net OPEB obligation	21,456
Net OPEB obligation, beginning of year	<u>84,212</u>
Net OPEB obligation, end of year	<u><u>\$ 105,668</u></u>

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

The Airport Authority's 2011 OPEB cost, the percentage of the 2011 OPEB cost contributed to the plan, and the net OPEB obligation for 2011, are as follows:

Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12-31-09	\$ 28,680	0%	\$ 55,463
12-31-10	28,749	0%	84,212
12-31-11	21,456	0%	105,668

Funded Status and Funding Progress

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

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

Actuarial Methods and Assumption

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

In the December 31, 2011, actuarial valuation, the projected unit credit with linear proration to decrement cost method was used. The UAAL is being amortized as a level percent of pay over thirty years based on an open group. Other actuarial assumptions used in the actuarial valuation are as follows:

Inflation rate	4.5%
Investment return	4.5%
Projected salary increases	3%
Postretirement benefit increases	4.5% to 9.0%
Healthcare cost trend rate	5.0% to 10.0%

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

C. Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

Public Employees' Retirement Fund
 One North Capitol, Suite 001
 Indianapolis, IN 46204
 Ph. (888) 526-1687

or the report can be viewed at www.in.gov/perf/2376.htm

Funding Policy

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

Actuarial Information for the Above Plan

Annual required contribution	\$	369,911
Interest on net pension obligation		(8,175)
Adjustment to annual required contribution		9,412
Annual pension cost		371,148
Contributions made		247,896
Increase in net pension obligation		123,252
Net pension obligation, beginning of year		(116,790)
Net pension obligation, end of year	\$	6,462

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

Contribution rates:	
Government	8.5%
Plan members	3%
Actuarial valuation date	07-01-11
Actuarial cost method	Entry age normal cost
Amortization method	Level dollar, closed amortization period
Amortization period	30 years
Amortization period (from date)	07-01-07
Asset valuation method	Four-year smoothing of gains/losses on market value with a 20% corridor

Actuarial Assumptions

Investment rate of return	7.00%
Projected future salary increases:	
Total	3.25% to 4.5%
Attributed to inflation	2.25% to 3.5%
Attributed to merit/seniority	1.00%
Cost-of-living adjustments	1.00%

Three Year Trend Information

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06-30-09	\$ 230,319	104%	\$ (164,652)
06-30-10	286,417	83%	(116,790)
06-30-11	371,148	67%	6,462

Funded Status and Funding Progress for the Above Plan

The funded status of the plan as of June 30, 2011, the most recent actuarial valuation date is as follows:

Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
\$ 2,451,965	\$ 4,934,734	\$ 2,482,769	50%	\$ 3,086,545	80%

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

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

D. Passenger Facility Charge

Effective November 1, 1994, a Passenger Facility Charge (PFC) of \$3.00 per ticket was implemented by the approval of the Federal Aviation Administration (FAA) and the Airport Authority. Effective July 1, 2011, the Passenger Facility Charge was increased to \$4.50 per ticket. The receipts are to be used to repay the debt service on the 2002 and 2011 bond issues, and for any other purposes allowed by the FAA and the Airport Authority Board. During 2011, the Airport Authority received \$974,710 from 38 separate airlines. The Airport Authority is authorized to receive a maximum of \$40,172,802. As of December 31, 2011, the Airport Authority has received a total of \$19,010,410.

E. Subsequent Event

On February 17, 2012 the Board sold \$8,030,000 of General Obligation Refunding Bonds and contributed \$3,030,258 to refund the 2002 General Obligation Bonds. These bonds will be repaid over an 11-year period at interest rates from 2.125 percent to 3.5 percent.

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

Public Employee's Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-09	\$ 3,515,462	\$ 4,803,489	\$ (1,288,027)	73%	\$ 3,191,918	(40%)
07-01-10	3,104,179	5,245,256	(2,141,077)	59%	3,193,006	(67%)
07-01-11	2,451,965	4,934,734	(2,482,769)	50%	3,086,545	(80%)

Healthcare Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
12-31-09	\$ -	\$ 247,029	\$ (247,029)	0%	\$ 2,731,722	(9%)
12-31-10**	-	187,276	(187,276)	0%	2,944,362	(6%)
12-31-11	-	205,742	(205,742)	0%	*	*

* Information not available from applicable actuarial report.

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

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SUPPLEMENTAL FINANCIAL INFORMATION

ST. JOSEPH COUNTY AIRPORT AUTHORITY
 BUDGETARY COMPARISON SCHEDULES
 As Of And For The Year Ended December 31, 2011

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final
	Original	Final	Amounts	Budget
Revenues:				
Airfield	\$ 615,511	\$ 615,511	\$ 606,890	\$ (8,621)
Terminal - aviation	1,265,783	1,265,783	1,250,254	(15,529)
Terminal - nonaviation	114,746	114,746	129,693	14,947
Concessionaire	965,225	965,225	1,093,471	128,246
Parking	2,196,924	2,196,924	2,191,557	(5,367)
Fixed based operations	405,091	405,091	347,090	(58,001)
Building and land rent	231,838	231,838	242,670	10,832
Other	-	-	41,062	41,062
Total revenues	5,795,118	5,795,118	5,902,687	107,569
Expenses:				
Personal services	6,331,381	6,342,091	4,677,271	1,664,820
Supplies	870,938	870,938	655,971	214,967
Other services and charges	3,870,637	3,937,063	2,590,141	1,346,922
Total operating expenses	11,072,956	11,150,092	7,923,383	3,226,709
Debt service:				
Other services and charges	1,221,200	1,221,200	1,220,850	350
Total expenses	12,294,156	12,371,292	9,144,233	3,227,059
Other financing sources (uses):				
Property taxes	2,886,795	2,886,795	2,622,936	(263,859)
Interest income	12,000	12,000	5,956	(6,044)
Federal and state grants	12,422,147	12,422,147	5,340,699	(7,081,448)
Operating transfer	1,221,200	1,221,200	1,968,517	747,317
Capital outlay	(8,426,800)	(11,549,686)	(7,077,891)	4,471,795
Total other financing sources (uses)	8,115,342	4,992,456	2,860,217	(2,132,239)
Deficiency of revenues and other financing sources under expenses and other financing uses	\$ 1,616,304	\$ (1,583,718)	\$ (381,329)	\$ 1,202,389

ST. JOSEPH COUNTY AIRPORT AUTHORITY
 BUDGET/GAAP RECONCILIATION
 For the Year Ended December 31, 2011

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)	\$ (381,329)
Adjustments:	
To adjust revenues for accruals	(1,693,021)
To adjust expenses for accruals	(226,457)
Encumbrances	1,733,027
Transfers	(1,968,517)
Capital expenses	5,075,015
Depreciation	(3,611,684)
Amortization	(23,711)
Debt payments	675,000
Issue costs paid	84,287
Loan transactions	(13,010)
WIP items expensed	(46,166)
Property management activity (net)	56,488
Non-budgeted funds (net)	<u>957,199</u>
Change in net assets (GAAP basis)	<u>\$ 617,121</u>

ST. JOSEPH COUNTY AIRPORT AUTHORITY
 SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES
 As Of And For The Year Ended December 31, 2011

Cash balance, January 1	<u>\$ 1,917,298</u>
Receipts:	
Passenger facility charge collections	974,710
Interest	<u>1,719</u>
Total receipts	<u>976,429</u>
Disbursements:	
Transfer to bond and interest fund	1,216,850
Refund to airlines	<u>245</u>
Total disbursements	<u>1,217,095</u>
Cash balance, December 31	<u><u>\$ 1,676,632</u></u>

**STATISTICAL
SECTION**

STATISTICAL SECTION

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

Contents	Page
Financial Trends	42
These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.	
Revenue Capacity	45
These schedules contain information to help the reader assess the Authority's most significant local revenue sources.	
Debt Capacity	48
These schedules present information to help the reader assess the affordability of the Authority's current levels of outstanding debt and the Authority's ability to issue additional debt in the future.	
Demographic and Economic Information	52
These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.	
Operating Information	58
These schedules contain information and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.	

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

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

REVENUE CATEGORY	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Operating Revenue:										
Airport Service Revenue:										
Airfield	\$ 606,890	\$ 605,210	\$ 601,768	\$ 688,895	\$ 644,949	\$ 656,071	\$ 575,730	\$ 616,142	\$ 651,483	\$ 670,304
Terminal Aviation	1,250,254	1,225,171	1,219,103	1,272,818	1,168,619	1,325,257	1,107,419	1,323,485	1,226,043	1,194,131
Terminal - Non Aviation	128,043	111,226	129,513	146,078	142,275	130,016	158,929	168,616	174,273	177,338
Concessions	1,093,471	1,069,131	1,056,991	1,087,047	1,234,600	1,152,570	1,176,014	1,056,676	1,174,942	1,217,475
Parking	2,191,557	2,207,040	2,037,467	2,547,340	2,474,598	2,390,249	2,140,480	1,978,445	2,114,621	1,655,499
Fixed Base Operations	347,090	408,748	407,000	383,730	494,342	227,714	336,559	275,482	287,756	231,271
Building and Land Rent	134,509	243,613	321,511	226,897	241,895	157,287	245,010	250,498	180,257	257,548
Total Airport Service Revenue	5,751,814	5,870,139	5,773,353	6,352,805	6,401,278	6,039,164	5,740,141	5,669,344	5,809,375	5,403,566
Other	12,625	12,039	10,619	116,289	14,620	99,788	18,507	19,930	307,826	8,250
Total Operating Revenue	5,764,439	5,882,178	5,783,972	6,469,094	6,415,898	6,138,952	5,758,648	5,689,274	6,117,201	5,411,816
Nonoperating Revenue:										
Property Taxes	1,765,272	2,997,689	2,702,107	2,909,741	2,681,849	2,782,173	3,504,509	3,211,004	5,351,948	3,045,923
Other Tax Distributions	535,170	620,426	836,637	618,671	495,964	524,731	-	-	-	-
Interest Income	16,139	15,517	61,882	277,387	733,312	420,128	334,694	147,272	103,343	140,570
Fuel Farm Cleanup	-	-	-	-	-	-	-	-	-	-
Other Grants	-	-	-	-	-	149,117	-	-	-	349,643
Property Management Revenue	257,154	273,942	328,987	295,774	242,955	257,168	483,473	807,271	-	-
Operating Grant	144,568	148,565	-	65,717	-	-	-	75,609	-	44,203
Gain on Disposal of Fixed Assets	-	-	-	-	-	-	-	-	-	-
Other	41,072	101,332	122,378	495,017	190,112	200,561	30,108	8,279	124,159	174,612
Total Nonoperating Revenue	2,759,375	4,157,471	4,051,991	4,572,307	4,344,192	4,333,878	4,386,919	4,249,435	5,579,450	3,754,951
Total Revenue	\$ 8,523,814	\$ 10,039,649	\$ 9,835,963	\$ 11,041,401	\$ 10,760,090	\$ 10,472,830	\$ 10,145,567	\$ 9,938,709	\$ 11,696,651	\$ 9,166,767

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

EXPENSE CATEGORY:	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Operating Expenses:										
Personal Services	\$ 4,871,475	\$ 4,884,509	\$ 4,810,162	\$ 4,884,616	\$ 4,698,058	\$ 4,282,845	\$ 4,189,818	\$ 3,915,002	\$ 3,851,804	\$ 3,637,335
Supplies	642,682	586,715	808,565	732,590	706,584	597,088	624,271	616,920	567,901	415,584
Other Services and Charges	2,880,312	2,116,199	3,134,908	3,074,743	2,602,485	2,021,793	2,618,130	2,105,825	2,172,414	2,139,542
Bad Debt Expense	-	-	-	-	-	-	-	-	-	34,915
Depreciation	3,611,684	3,667,220	3,630,659	3,090,620	2,957,397	2,945,583	2,969,658	3,005,978	3,142,095	2,674,795
Total Operating Expenses	12,006,153	11,254,643	12,384,294	11,782,569	10,964,524	9,847,309	10,401,877	9,643,725	9,734,014	8,902,121
Nonoperating Expenses:										
Interest Expense	607,514	614,347	675,362	727,662	774,487	170,824	199,594	252,627	314,404	402,478
Amortization Expenses	9,083	14,628	14,628	14,628	14,628	14,628	6,970	30,427	30,428	27,360
Premium/Costs Early Bond Call	-	-	-	-	-	-	-	-	-	37,455
Property Management Expense	200,666	222,493	257,044	209,198	285,856	227,526	432,674	391,706	-	-
Loss on Change in Capital Asset Policy	-	590,321	-	-	-	-	-	-	-	-
Loss on Disposal/Capital Assets	-	392,349	-	-	-	61,363	-	-	-	-
Fuel Farm Cleanup	-	-	-	-	-	-	-	-	1,519	-
Total Nonoperating Expenses	817,263	1,834,138	947,034	951,488	1,074,971	474,341	639,238	674,760	346,351	174,851
Total Expenses	\$ 12,823,416	\$ 13,088,781	\$ 13,331,328	\$ 12,734,057	\$ 12,039,495	\$ 10,321,650	\$ 11,041,115	\$ 10,318,485	\$ 10,080,365	\$ 9,544,265
Income Before Contributions	\$ (4,299,602)	\$ (3,049,132)	\$ (3,495,365)	\$ (1,692,656)	\$ (1,279,405)	\$ 151,180	\$ (895,548)	\$ (379,776)	\$ 1,616,286	\$ (377,498)
Capital Contributions	3,909,443	7,313,647	834,428	4,036,643	3,125,639	2,828,377	2,890,293	5,012,824	4,079,935	3,931,456
Transfer of Capital Assets	-	(8,999,393)	-	-	-	(225,754)	-	-	-	-
Passenger Facility Charge	1,007,280	835,884	820,664	960,513	1,083,989	1,060,891	913,894	1,107,419	1,122,435	1,143,307
Change in Net Assets	617,121	(3,998,994)	(1,840,273)	3,304,500	2,930,223	3,814,694	2,908,639	5,740,467	6,818,656	4,697,265
NET ASSETS AT YEAR END										
Invested in Capital Assets	76,480,093	76,503,028	78,662,042	79,687,866	76,431,514	74,590,274	67,030,110	61,497,134	59,604,389	56,942,112
Net of Related Debt	3,097,096	2,653,237	2,933,036	2,803,293	3,459,495	3,421,415	3,279,547	2,806,645	3,687,620	2,061,046
Restricted for Debt Service	224,653	929,722	742,198	96,259	528,757	580,173	888,626	650,671	548,596	367,553
Unrestricted	5,070,740	4,169,474	5,817,179	7,407,310	6,270,462	5,168,203	8,747,028	12,082,222	7,455,600	5,106,838
Total Net Assets	\$ 84,872,582	\$ 84,255,461	\$ 88,154,455	\$ 89,994,728	\$ 86,690,228	\$ 83,760,005	\$ 79,945,311	\$ 77,036,672	\$ 71,296,205	\$ 64,477,549

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Cash Flows From Operating Activities										
Cash Received From Customers and Users	\$ 5,873,333	\$ 5,966,212	\$ 5,885,644	\$ 6,779,251	\$ 6,304,894	\$ 5,959,038	\$ 5,701,701	\$ 5,537,717	\$ 5,670,619	\$ 5,354,472
Cash Paid to Suppliers and Contractors	(3,484,695)	(2,565,804)	(3,192,577)	(3,850,097)	(3,215,578)	(2,957,093)	(3,012,713)	(2,647,808)	(2,718,638)	(2,563,918)
Cash Paid to Employees	(4,659,199)	(5,015,994)	(4,701,127)	(4,900,805)	(4,601,055)	(4,212,974)	(4,190,303)	(4,038,688)	(3,746,521)	(3,627,115)
Net Cash Provided By Operating Activities	<u>(2,229,479)</u>	<u>(1,514,254)</u>	<u>(1,895,682)</u>	<u>(1,714,553)</u>	<u>(1,273,384)</u>	<u>(815,408)</u>	<u>(1,501,915)</u>	<u>(1,148,774)</u>	<u>(670,382)</u>	<u>(536,928)</u>
Cash Flows From Noncapital Financing Activities										
Loan Principal Repayments	9,472	-	-	-	-	-	229,640	31,028	28,402	25,999
Loan Interest Repayments	-	-	-	-	-	-	3,377	21,892	24,519	26,921
Loan to Renter	(174,814)	-	-	-	-	-	-	-	-	-
Loan principal disbursed	-	-	-	-	-	-	-	-	-	-
Loan to Fixed Base Operator	-	-	-	-	-	-	-	-	-	-
Principal From Loan	-	-	-	-	-	-	-	-	-	-
Interest From Loan	4,471	-	-	-	-	-	-	-	-	-
Federal and State Grants	-	-	250,000	-	-	-	-	-	-	-
Operating Grant Received	144,568	-	-	-	-	-	-	-	-	-
Property and County Income Taxes	2,631,008	3,345,266	5,427,794	1,421,755	3,177,813	3,306,904	4,496,507	2,667,381	5,208,979	3,126,149
Property Management Activity	76,840	106,023	35,220	-	-	-	10,246	330,996	-	-
Fuel Farm and Pollution Clean Up	-	-	-	-	-	-	-	-	-	(174,851)
Other Nonoperating Receipts	-	-	-	-	-	-	30,108	-	354,874	176,012
Net Cash Provided By Noncapital Financing Activities	<u>2,691,545</u>	<u>3,451,289</u>	<u>5,713,014</u>	<u>1,421,755</u>	<u>3,177,813</u>	<u>3,306,904</u>	<u>4,769,878</u>	<u>3,051,297</u>	<u>5,626,774</u>	<u>3,180,230</u>
Cash Flows From Capital and Related Financing Activities										
Proceeds From Bond	5,940,000	-	-	-	-	-	-	-	-	14,706,312
Passenger Facility Charges	974,465	830,988	820,664	960,513	1,111,775	1,044,598	941,002	1,068,918	1,132,485	1,149,156
Capital Contributions	5,183,670	5,590,147	834,428	4,036,643	3,768,140	5,069,832	5,042,177	512,525	3,613,926	4,048,896
Acquisition and Construction of Capital Assets	(5,075,015)	(9,835,902)	(3,081,985)	(5,944,930)	(7,651,783)	(9,150,964)	(6,884,959)	(6,787,203)	(4,686,647)	(8,234,098)
Principal Paid on Capital Debt	(675,000)	(1,245,000)	(1,375,000)	(1,275,000)	(1,200,000)	(1,125,000)	(1,040,000)	(1,925,000)	(1,495,000)	(2,315,000)
Interest Paid on Capital Debt	(545,850)	(599,663)	(658,588)	(710,888)	(757,713)	(801,006)	(840,720)	(303,155)	(988,908)	(385,479)
Proceeds From Sale of Land	-	-	-	-	-	-	-	-	-	-
Proceeds from Sales of Capital Assets	-	-	-	170,457	-	-	82,656	145,050	-	37,068
Refund of Capital Asset Disbursements	-	-	-	363,400	-	230,643	-	-	-	-
Bond Issue Costs	(84,287)	-	-	-	-	-	-	-	(66,197)	(102,895)
Net Cash Used by Capital and Related Financing Activities	<u>(5,717,983)</u>	<u>(5,859,430)</u>	<u>(3,460,481)</u>	<u>(2,399,805)</u>	<u>(4,729,581)</u>	<u>(4,731,897)</u>	<u>(2,499,844)</u>	<u>(7,288,965)</u>	<u>(2,430,341)</u>	<u>8,903,960</u>
Cash Flows From Investing Activities										
Interest Received	11,913	15,517	61,882	277,387	733,312	898,955	606,005	195,266	166,425	113,649
Investments Purchased	-	-	-	-	-	-	-	-	-	-
Investments Sold	-	-	-	-	-	-	-	-	-	-
Net Cash Provided by Investing Activities	<u>11,913</u>	<u>15,517</u>	<u>61,882</u>	<u>277,387</u>	<u>733,312</u>	<u>898,955</u>	<u>606,005</u>	<u>195,266</u>	<u>166,425</u>	<u>113,649</u>
Net increase in Cash and Cash Equivalents	<u>6,191,962</u>	<u>(3,406,878)</u>	<u>428,733</u>	<u>(2,415,216)</u>	<u>(2,091,840)</u>	<u>(1,341,446)</u>	<u>1,374,124</u>	<u>(5,191,176)</u>	<u>2,632,476</u>	<u>11,660,911</u>
Cash and Cash Equivalents, January 1	<u>8,801,331</u>	<u>12,208,209</u>	<u>11,779,476</u>	<u>14,194,692</u>	<u>16,286,532</u>	<u>17,627,978</u>	<u>16,253,854</u>	<u>21,445,030</u>	<u>18,812,554</u>	<u>7,151,643</u>
Cash and Cash Equivalents, December 31	<u>\$ 14,993,293</u>	<u>\$ 8,801,331</u>	<u>\$ 12,208,209</u>	<u>\$ 11,779,476</u>	<u>\$ 14,194,692</u>	<u>\$ 16,286,532</u>	<u>\$ 17,627,978</u>	<u>\$ 16,253,854</u>	<u>\$ 21,445,030</u>	<u>\$ 18,812,554</u>

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

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
PRINCIPAL REVENUE SOURCES										
AVIATION-RELATED REVENUES										
Airfield	\$ 608,890	\$ 605,210	\$ 601,768	\$ 688,895	\$ 644,949	\$ 656,071	\$ 575,730	\$ 616,142	\$ 651,483	\$ 670,304
Terminal Aviation	1,250,254	1,225,171	1,219,103	1,272,818	1,168,619	1,325,257	1,107,419	1,323,485	1,226,043	1,194,131
Fixed Base Operations	347,090	408,748	407,000	383,730	494,342	227,714	336,559	275,482	287,756	231,271
TOTAL AVIATION-RELATED REVENUES	2,204,234	2,239,129	2,227,871	2,345,443	2,307,910	2,209,042	2,019,708	2,215,109	2,165,282	2,095,706
Percent of Total Revenues	25.9%	22.3%	22.4%	21.3%	21.4%	21.1%	19.9%	22.3%	18.5%	22.9%
NON-AVIATION REVENUES										
Terminal - Non-Aviation	128,043	111,226	129,513	146,078	142,275	130,016	158,929	168,616	174,273	177,338
Concessions	1,093,471	1,069,131	1,056,991	1,087,047	1,234,600	1,152,570	1,176,014	1,086,676	1,174,942	1,217,475
Parking	2,191,557	2,207,040	2,037,467	2,547,340	2,474,598	2,390,249	2,140,480	1,978,445	2,114,621	1,655,499
Other	12,625	12,039	10,619	3,358	14,620	99,788	18,507	19,930	307,826	8,250
Building and Land Rent	134,509	243,613	321,511	226,897	241,895	157,287	245,010	250,498	180,257	257,548
TOTAL NON-AVIATION REVENUES	3,560,205	3,643,049	3,556,101	4,010,720	4,107,988	3,929,910	3,738,940	3,474,165	3,951,919	3,316,110
Percent of Total Revenues	41.8%	36.3%	35.7%	36.4%	36.2%	37.5%	36.9%	35.0%	33.8%	36.2%
NON-OPERATING REVENUES										
Property Taxes	1,765,272	2,997,689	2,702,107	2,909,741	2,661,849	2,782,173	3,504,509	3,211,004	5,351,948	3,045,923
Other Tax Distributions	535,170	620,426	836,637	618,671	495,964	524,731	-	-	-	-
Operating Grant	144,568	148,565	113,728	97,961	-	-	-	-	-	-
Interest Income	16,139	15,517	61,882	277,387	733,312	420,128	334,694	147,272	103,343	140,570
Other	41,072	101,332	122,378	405,017	190,112	200,561	30,108	8,279	124,159	174,612
Fuel Farm Cleanup	-	-	-	-	-	-	-	-	-	-
Other Grants	-	-	-	-	-	149,117	-	-	-	-
Property Management Revenue	257,154	273,942	328,987	295,774	242,955	257,168	483,473	807,271	-	-
Gain on Disposal of Fixed Assets	-	-	-	65,717	-	-	34,135	-	-	-
TOTAL NON-OPERATING REVENUES	2,759,375	4,157,471	4,165,719	4,670,268	4,344,192	4,333,878	4,366,919	4,249,435	5,579,450	3,754,951
Percent of Total Revenues	32.4%	41.4%	41.9%	42.4%	40.4%	41.4%	43.2%	42.8%	47.7%	41.0%
TOTAL REVENUES	\$ 8,523,814	\$ 10,039,649	\$ 9,949,691	\$ 11,026,431	\$ 10,760,090	\$ 10,472,930	\$ 10,145,567	\$ 9,938,709	\$ 11,696,651	\$ 9,166,767
Enplaned Passengers										
TOTAL REVENUE PER ENPLANED PASSENGER	\$ 28.24	\$ 31.86	\$ 31.61	\$ 31.15	\$ 27.62	\$ 28.48	\$ 29.12	\$ 25.48	\$ 29.09	\$ 22.41
CONTRACT AIRLINE RATES										
Landing Fee (Per 1,000 lbs.)	\$1.02	\$0.99	\$0.96	\$0.93	\$0.90	\$0.87	\$0.84	\$0.82	\$0.80	\$0.78
Terminal Counter Rental Rates (Per sq. foot)	\$4.55	\$3.54	\$2.56	\$1.60	\$0.68	\$0.79	\$0.82	\$0.88	\$0.80	\$0.78
Airline Cost Per Enplanement	\$6.15	\$5.81	\$5.79	\$5.54	\$4.66	\$5.39	\$4.83	\$4.97	\$4.67	\$4.56

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

<u>Year</u>	<u>State</u>	<u>County</u>	<u>Township(s)</u>	<u>School District(s)</u>	<u>Library(s)</u>	<u>Cities and Towns</u>	<u>South Bend Transportation</u>	<u>Airport Authority</u>	<u>Total</u>
2011	\$.0000	.5424	\$.0438	1.2211	\$.3027	2.9541	\$.0934	\$.0297	5.1872
2010	.0000	.5866	.0406	1.0728	.2657	2.7279	.0821	.0342	4.8099
2009	.0000	.5693	.0537	1.0297	.2257	2.4081	.0821	.0353	4.4039
2008	.0024	.7576	.0482	1.5417	.2216	2.2396	.0821	.0292	4.9224
2007	.0024	.8711	.0285	1.5419	.1957	2.1046	.0821	.0277	4.8540
2006	.0024	.9899	.0269	1.6033	.2027	2.1795	.0856	.0301	5.1204
2005	.0024	.7831	.0276	1.5969	.1854	2.1148	.0831	.0297	4.8230
2004	.0024	.7652	.0923	1.6201	.1830	2.1115	.0827	.0346	4.8918
2003	.0033	.7366	.1122	1.4792	.1686	1.9606	.0768	.0472	4.5845
2002	.0033	.9473	.0382	2.1725	.2496	2.6664	.1079	.0406	6.2258

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

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

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

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

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Adjusted Value (2)	\$ 2,712,499,077	\$ 2,805,590,588	\$ 2,801,822,329	\$ 3,321,622,752	\$ 3,321,907,827	\$ 3,070,614,922	\$ 3,078,870,950	\$ 3,021,609,224	\$ 3,185,653,660	\$ 5,969,800,000
Debt Limit Percentage	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	0.667%
Debt Limit	\$ 54,249,982	\$ 56,111,812	\$ 56,036,447	\$ 66,432,455	\$ 66,438,157	\$ 61,412,298	\$ 61,577,419	\$ 60,432,184	\$ 63,713,073	\$ 39,818,566
Bonds Outstanding	16,775,000	11,450,000	12,695,000	14,070,000	15,345,000	16,545,000	17,670,000	18,710,000	20,635,000	22,130,000
Subtotal	\$ 37,474,982	\$ 44,661,812	\$ 43,341,447	\$ 52,362,455	\$ 51,093,157	\$ 44,867,298	\$ 43,907,419	\$ 41,722,184	\$ 43,078,073	\$ 17,688,566
Amount Available in Debt Service Fund	1,284,052	534,027	497,709	64,279	589,636	655,517	622,147	96,419	1,046,744	18,327
Legal Debt Margin	\$ 36,190,930	\$ 44,127,785	\$ 42,843,738	\$ 52,298,176	\$ 50,503,521	\$ 44,211,781	\$ 43,285,272	\$ 41,625,765	\$ 42,031,329	\$ 17,670,239

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

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

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

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

Year	Principal	Interest	Total Debt Service	Total Expenses	Less Depreciation	Add Principal	Total General Expenditures	Ratio of Debt Service to Total General Expenditures
2011	\$ 675,000	\$ 545,850	\$ 1,220,850	\$ 12,823,416	\$ 3,611,684	\$ 675,000	\$ 9,886,732	12.3%
2010	1,245,000	598,792	1,843,792	13,088,781	3,667,220	1,245,000	10,666,561	17.3%
2009	1,375,000	658,588	2,033,588	13,331,328	3,630,659	1,375,000	11,075,669	18.4%
2008	1,275,000	710,888	1,985,888	12,734,057	3,090,620	1,275,000	10,918,437	18.2%
2007	1,200,000	757,713	1,957,713	12,039,495	2,957,397	1,200,000	10,282,098	19.0%
2006	1,125,000	801,006	1,926,006	10,321,650	2,945,583	1,125,000	8,501,067	22.7%
2005	1,040,000	840,720	1,880,720	11,041,115	2,969,658	1,040,000	9,111,457	20.6%
2004	1,925,000	303,155	2,228,155	10,318,485	3,005,978	1,925,000	9,237,507	24.1%
2003	1,495,000	988,908	2,483,908	10,080,365	3,142,095	1,495,000	8,433,270	29.5%
2002	2,315,000	385,479	2,700,479	9,544,265	2,674,795	2,315,000	9,184,470	29.4%

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

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

<u>Year</u>	<u>Population (1)</u>	<u>Assessed Value (2) (3)</u>	<u>Gross Bonded Debt (4)</u>	<u>Debt Service Monies Available</u>	<u>Net Bonded Debt</u>	<u>Percentage of Net Bonded Debt To Assessed Value (5)</u>	<u>Net Bonded Debt Per Capita</u>
2011	266,931	\$ 8,137,497,231	\$ 16,775,000	\$ 1,284,052	\$ 15,490,948	.1904%	\$ 58.04
2010	266,931	8,416,771,764	11,450,000	534,027	10,915,973	.1297%	40.89
2009	265,559	8,405,466,986	12,695,000	497,709	12,197,291	.1451%	45.93
2008	265,559	9,964,868,255	14,070,000	64,279	14,005,721	.1406%	52.74
2007	265,559	9,965,723,481	15,345,000	589,636	14,755,364	.1481%	55.56
2006	265,559	9,211,844,767	16,545,000	655,517	15,889,483	.1725%	59.83
2005	265,559	9,236,612,849	17,670,000	622,147	17,047,853	.1846%	64.20
2004	265,559	9,064,827,672	18,710,000	96,419	18,613,581	.2053%	70.09
2003	265,559	9,556,960,981	20,635,000	1,046,744	19,588,256	.2050%	73.76
2002	265,559	5,969,800,000	22,130,000	18,327	22,111,673	.3704%	83.26
2001	265,559	1,944,237,000	9,445,000	138,780	9,306,220	.4787%	35.04

Notes: (1) Source: U. S. Department of Census and the Indiana Department of Workforce Development Services
2000 Population estimate applicable to years 2002 through 2009, 2010 Population Estimate applicable to 2010 and 2011

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

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

(4) Includes funds held by fiscal agent on December 31 payable January 1 of the following year.

(5) See **Note 2**

ST. JOSEPH COUNTY AIRPORT AUTHORITY
COMPUTATION OF DIRECT AND OVERLAPPING DEBT (1) (2) (3)
AS OF DECEMBER 31, 2011

DIRECT DEBT	Total Amount	Applicable to St. Joseph County Percent	Amount
St. Joseph County Airport Authority	\$ 16,775,000	100.00%	\$ 16,775,000
OVERLAPPING DEBT			
Schools (4)			
South Bend Community School Corporation	\$ 192,828,672	100.00%	\$ 192,828,672
School City Mishawaka	51,045,380	100.00%	51,045,380
Penn Harris Madison School Corporation	74,769,683	100.00%	74,769,683
John Glenn School Corporation	17,973,530	65.55%	11,781,649
New Prairie United School Corporation	55,528,212	32.89%	18,263,229
Union North United School Corporation	7,050,000	51.13%	3,604,665
Total Schools			\$ 352,293,278
Other than Schools:			
St. Joseph County	\$ 29,375,000	100.00%	\$ 29,375,000
City of South Bend	239,075,065	100.00%	239,075,065
Olive Township-			
New Carlisle Library	3,535,000	100.00%	3,535,000
City of Mishawaka	63,218,474	100.00%	63,218,474
Mishawaka-Penn-Harris Public Library	5,675,000	100.00%	5,675,000
Public Library of St. Joseph County	10,830,000	100.00%	10,830,000
Total Other			\$ 351,708,539
Total Overlapping Debt			704,001,817
Total Direct and Overlapping Debt			\$ 720,776,817

Notes:

- (1) Source: St. Joseph County Auditor, H. J. Umbaugh & Associates, and Governmental Agencies
- (2) Includes General Obligation Bonded Debt and Capital Leases.
- (3) Overlapping debt percentages are based on 2010 payable 2011 final assessed valuations.
- (4) Includes school building corporation bonds, common schoolhouse fund loans, and veterans memorial loans.

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

Year	St. Joseph County Personal Income (in Thousands) (1)	St. Joseph County Per Capita Income (1)	St. Joseph County Unemployment (2)	St. Joseph County Labor Force (2)	Area in Square Miles (3)
2011	(4)	(4)	10.1%	128,868	461
2010	\$ 8,891,812	\$ 33,322	11.4%	127,611	461
2009	9,289,258	34,712	11.6%	128,714	461
2008	9,466,916	35,363	6.6%	132,758	461
2007	9,396,281	34,636	5.1%	134,771	461
2006	9,008,220	33,739	5.1%	136,217	461
2005	8,519,179	32,354	5.2%	135,084	461
2004	8,294,939	31,174	5.1%	133,412	461
2003	7,886,846	29,927	5.3%	132,350	461
2002	7,670,796	28,742	5.3%	132,940	461

- Notes:**
- (1) Source: U.S. Department of Commerce, Bureau of Economic Analysis
 - (2) Source: Indiana Department of Workforce Development Services
 - (3) Source: Michiana Area Council of Governments
 - (4) Information not available for 2011

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

		2011		
Employer	Type of Business	Employees	Rank	Percentage of Total County Employment (3)
University of Notre Dame	Colleges/Universities	4707	1	3.65%
Memorial Health System	Hospitals	3545	2	2.75%
South Bend Community School Corporation	Public Schools	3212	3	2.49%
AM General	Manufacturing/Assembly	2400	4	1.86%
Saint Joseph Regional Medical Center Inc.	Hospitals	2123	5	1.65%
City of South Bend	Government	1361	6	1.06%
1st Source Bank	Banks/Financial Institution	1257	7	0.98%
St. Joseph County	Government	1211	8	0.94%
The Diocese of Fort Wayne - South Bend	Private/Parochial Schools	1094	9	0.85%
Martin's Supermarkets	Retail (Groceries)	1062	10	0.82%
Indiana University South Bend	Colleges/Universities	1050	11	0.81%
Wal-Mart	Retail - Dept.	1031	12	0.80%
Penn-Harris-Madison School Corporation	Public Schools	998	13	0.77%
School City of Mishawaka	Public Schools	955	14	0.74%
Honeywell	Manufacturing	750	15	0.58%
U.S. Postal Service	Postal Service	678	16	0.53%
Bayer Corporation	Manufacturing	675	17	0.52%
South Bend Medical Foundation, Inc.	Health Care/Medical Services	649	18	0.50%
Meijer, Inc.	Retail (Groceries/Dept. Store)	631	19	0.49%
Press Ganey Associates, Inc.	Marketing/Public Relations (Healthcare Measurement)	621	20	0.48%
Steel Warehouse Company, Inc.	Manufacturing - Steel	556	21	0.43%
South Bend Clinic	Health Care/Medical Services	545	22	0.42%
I/N Tek - I/N Kote	Manufacturing - Metal	531	23	0.41%
City of Mishawaka	Government	511	24	0.40%
Gurley Leep	Automobile Dealership	<u>500</u>	25	0.39%
		32,653		25.34%

- Notes:** (1) Source: The Chamber of Commerce of St. Joseph County.
(2) Information prior to 2006 is not available including information for 2002.
(3) St. Joseph County total workforce in 2011 was 128,868.

ST. JOSEPH COUNTY, INDIANA
 PRINCIPAL PROPERTY TAXPAYERS (1)
 DECEMBER 31, 2011

	2011			2002		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value (2)</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value (3)</u>
American Electric Power (Utility)	140,015,750	1	1.72%	92,617,720	3	1.55%
Edward Rose of Indiana (Housing)	125,999,420	2	1.55%	50,664,550	8	0.85%
I/N Tek I/N Kote (Steel)	89,928,220	3	1.11%	210,275,050	1	3.52%
Memorial Health System (Healthcare)	87,035,630	4	1.07%	-	-	-
AM General Corp, LLC (Manufacturing)	76,761,050	5	0.94%	36,176,520	10	0.61%
Wal Mart / Sam's Club (Retail)	71,774,910	6	0.88%	-	-	-
SBC/Indiana Bell Telephone Co. (Phone)	65,760,340	7	0.81%	66,520,940	5	1.11%
University of Notre Dame (Education)	63,907,155	8	0.79%	-	-	-
Schottenstein Store Corp. (Retail)	54,805,000	9	0.67%	-	-	-
Northern Indiana Public Service (Utility)	53,772,970	10	0.66%	55,101,280	6	0.92%
Total	829,760,445		10.20%	511,356,060		8.56%

Notes: (1) Source: St. Joseph County Auditor and H. J. Umbaugh and Associates
 (2) 2010 Payable 2011 Valuation \$8,137,497,231
 (3) 2001 Payable 2002 Valuation \$5,969,800,000

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

<u>Year</u>	<u>Airline Passengers</u>			<u>Cargo in Pounds</u>			<u>Flight Operations (1)</u>			<u>Number of Airlines (2)</u>
	<u>Enplaned</u>	<u>Deplaned</u>	<u>On</u>	<u>Off</u>	<u>Passenger Carriers</u>	<u>Cargo</u>	<u>General Aviation</u>			
2011	301,881	297,246	11,100,994	12,863,645	13,682	1,374	18,364	13		
2010	315,081	311,516	10,482,119	13,226,108	14,636	1,354	17,505	8		
2009	314,745	310,332	9,502,502	11,707,558	15,720	1,526	19,782	9		
2008	354,015	350,403	16,357,020	19,138,828	19,919	2,638	21,093	13		
2007	389,562	389,722	20,049,901	21,034,841	20,050	2,868	25,405	13		
2006	367,750	361,869	18,837,867	22,377,252	20,704	2,940	33,218	13		
2005	348,364	345,311	15,728,245	19,755,496	22,038	3,334	38,883	13		
2004	390,106	389,927	13,779,325	17,674,620	26,874	3,804	34,670	11		
2003	402,088	400,103	12,757,739	17,403,293	27,126	5,248	32,726	10		
2002	409,001	403,079	11,072,612	15,597,998	27,636	3,340	44,022	9		

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

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

**ST. JOSEPH COUNTY AIRPORT AUTHORITY
INSURANCE IN FORCE ON DECEMBER 31, 2011**

<u>Name of Carrier</u>	<u>Policy Number</u>	<u>Policy Period</u>	<u>Description of Coverage</u>	<u>Liability Limits</u>	<u>Annual Premium</u>
Ace Property & Casualty	NO 219921A	7-01-11 to 7-01-12	General Liability \$5,000,000 Hangars Keepers	\$1,000 Medical Expense \$5,000 Each Occurrence	\$34,549.00
Auto Owners	42-365-347-00	7-01-11 to 7-01-12	Business Auto Liability PD-Licensed Vehicles	\$1,000,000 Liability/\$1,000/Ded/Comprehensive \$1,000/Ded/Collision \$5,000 Medical \$1,000,000 Uninsured Motorist	12,018.75
Liberty Mutual	WC7-Z21-968486-03	7-01-11 to 7-01-12	Workers Compensation	\$1 million Policy Limit	411,792.00
Fidelity Deposit	CCP0029470 10	7-01-11 to 7-01-12	Crime/Employee Dishonesty	\$100,000 Employee Dishonesty Computer Fraud \$1,000.00 Deductible per Occurrence	1,400.00
Western Surety	70242749	1-28-11 to 1-28-12	Treasurer's Public Official Bond	\$60,000 Limit Liability	425.00
Travelers Insurance	63922J356A	9-01-11 to 9-01-12	Property Fire, DIC, & In-Transit and All Licensed Vehicles	Value \$66,430,903 \$10,000 Deductible per Incident Extra Expense - \$250,000.00	68,066.00
CNA Security Co/Western Surety	7035344IN00 70399235N00 70297587N00	8-22-08 to 10-08-15	Notary Public	Notary Bonds	150.00
CRC Insurance Services, Inc.	STJ65632	7-01-11 to 7-01-12	Director's & Officers Liability Coverage	\$5 million \$250,000 Deductible/ Incident	17,001.00
St. Paul/Travelers	Binder 061525	7-21-11 to 7-21-12	Fiduciary Dishonesty Coverage	\$250,000 Annual	796.00
					\$176,197.75

Quick Reference Information

Effective July 2012

South Bend Regional Airport
 Operated by the St. Joseph County Airport Authority
 4477 Progress Drive
 South Bend, IN 46628
 Michael Daigle, A.A.E., Executive Director
 574-282-4590 Fax 574-239-2585 Email info@sbnair.com Website http://www.flysbn.com

Runways: 9R/27L - 8,412 ft. long x 150 ft. wide; 9L/27R - 4,300 ft. long x 75 ft. wide; 18/36 - 7100 ft. long x 150 ft. wide
 Elevation: 799' Longitude: 86 18' 55.1"W (degrees, minutes, seconds)
 Based Aircraft: 47 Latitude: 41 42' 15.6"N Design Aircraft: 757- (Dimensions) 727 - 200 (Weight)

Passenger Airlines	Monthly Departures	Weekly Departures	Initial Destination	Equipment Used	Seating	Max Seating	Monthly Seats	Weekly Seats	Avg. Daily Seats
Allegiant Air	17	4.25	Clearwater/St. Pete	MD80	150	150	2,550	638	
Allegiant Air	9	2.25	Las Vegas	MD80	150	150	1,350	338	
Allegiant Air	9	2.25	Phoenix/Mesa	MD80	150	150	1,350	338	
Allegiant Air	11	2.75	Sanford/Orlando	MD80	150	150	1,650	413	
Allegiant Air	8	2	Punta Gorda	MD80	150	150	1,200	300	
Delta Connection	116	29	Atlanta	FRJ	50	50	5,800	1,450	
Delta Connection	86	21.5	Minneapolis	CRJ	50	50	4,300	1,075	
Delta Connection	160	40	Detroit	CRJ/SAAB	50	50	8,000	2,000	
United	31	7.75	Cleveland	Q200	37	37	1,147	286.75	
United	181	45.25	ORD/Chicago	CRJ/EMB	50/70	70	9,498	2,375	
Total	628	157					36,845	9,211	1,152

Fixed Base Operator Services available

Atlantic Aviation
 574/233-8285
 Charter Service, flight instruction, aircraft maintenance- engine overhaul, propellor overhaul, structural repair, line service
 Avionics- maintenance/installation

Air Cargo- Daily Pickup of air cargo provided by:

Federal Express
 Mountain Air Cargo
 UPS
 Delta Air Lines
 Express Mail- USPS
 Towne Air Freight
 Amerflight

Bus Service- On Airport

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

Rail Service- Off Airport

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

Rail Service- On Airport

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

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

	Full-time Equivalent Employees as of December 31, 2011									
<u>FUNCTION</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Administration	10	10	10	10	10	9	9	11	11	10
Operations	5	7	8	8	8	8	8	8	6	8
Maintenance Terminal Airfield	9 13	9 13	10 13	10 13	10 13	10 14	10 14	10 14	11 13	11 11
Public Safety	17	17	17	17	17	17	17	16	15	16
<u>TOTAL</u>	54	56	58	58	58	58	58	59	56	56

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

<u>FUNCTION</u>	<u>Fiscal Year</u>									
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Operations										
Field Condition Reports	506	491	516	684	668	N/A	N/A	N/A	N/A	N/A
Notice to Airmen (NOTAMs)	159	154	165	271	246	N/A	N/A	N/A	N/A	N/A
Field Checks	1,125	1,122	1,405	1,685	1,568	N/A	N/A	N/A	N/A	N/A
Terminal Checks	952	924	1,068	1,156	1,129	N/A	N/A	N/A	N/A	N/A
Perimeter Checks	1,816	1,738	2,104	2,198	2,132	N/A	N/A	N/A	N/A	N/A
Maintenance										
Terminal										
Square Footage Maintained	275,571	196,484	150,584	150,584	150,584	N/A	N/A	N/A	N/A	N/A
Work Orders Processed	1,080	685	623	571	525	N/A	N/A	N/A	N/A	N/A
Airfield										
Vehicles - Hours of Operation										
Blowers	699	708	332	665	537	N/A	N/A	N/A	N/A	N/A
Brooms	2,917	2,960	1,538	2,507	1,570	N/A	N/A	N/A	N/A	N/A
Loaders	1,185	1,216	709	1,227	298	N/A	N/A	N/A	N/A	N/A
Plows	670	662	444	544	600	N/A	N/A	N/A	N/A	N/A
Total Snow Equipment - Hours	5,471	5,546	3,023	4,943	3,005	N/A	N/A	N/A	N/A	N/A
Public Safety										
Aircraft and Other Fire Calls	27	23	22	41	37	N/A	N/A	N/A	N/A	N/A
Medical Responses	29	43	30	26	34	N/A	N/A	N/A	N/A	N/A
Arrests	11	10	18	10	14	N/A	N/A	N/A	N/A	N/A
Various Additional Reports	244	23	16	43	19	N/A	N/A	N/A	N/A	N/A
Airport Ordinance Violations	583	482	482	429	344	N/A	N/A	N/A	N/A	N/A
State Citations/Tickets	13	12	16	17	15	N/A	N/A	N/A	N/A	N/A
Approximate Calls for Service	1,200	1,228	1,250	1,200	1,180	N/A	N/A	N/A	N/A	N/A

Note: (1) Information is not available for years 2002 through 2006.

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

Function	Fiscal Year									
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Operations										
Pick-Up Trucks	2	2	2	2	2	N/A	N/A	N/A	N/A	N/A
Maintenance										
Terminal										
Pick-Up Trucks	4	4	4	4	4	N/A	N/A	N/A	N/A	N/A
Cargo Van	1	1	1	1	1	N/A	N/A	N/A	N/A	N/A
Loaders	1	1	1	1	1	N/A	N/A	N/A	N/A	N/A
Sweepers	1	1	1	1	1	N/A	N/A	N/A	N/A	N/A
Airfield										
Blowers/Jet Air Blowers	4	4	4	4	4	N/A	N/A	N/A	N/A	N/A
Brooms	5	5	5	5	3	N/A	N/A	N/A	N/A	N/A
Loaders	2	2	2	2	2	N/A	N/A	N/A	N/A	N/A
Back Hoe Loader	1	1	1	1	1	N/A	N/A	N/A	N/A	N/A
Plows	3	3	3	3	3	N/A	N/A	N/A	N/A	N/A
Pick-Up Trucks	5	5	5	5	5	N/A	N/A	N/A	N/A	N/A
Mowers	4	4	4	4	4	N/A	N/A	N/A	N/A	N/A
Lighting Trucks	1	1	1	1	1	N/A	N/A	N/A	N/A	N/A
Sweepers	1	1	1	1	1	N/A	N/A	N/A	N/A	N/A
Public Safety										
Stations	1	1	1	1	1	N/A	N/A	N/A	N/A	N/A
Patrol Units	4	4	4	4	4	N/A	N/A	N/A	N/A	N/A
ARFF Vehicles	4	4	4	4	3	N/A	N/A	N/A	N/A	N/A
Buses	1	1	1	1	1	N/A	N/A	N/A	N/A	N/A

Note: (1) Information is not available for years 2002 through 2006.

**COMPLIANCE
SECTION**

**SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS**



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

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

We have audited the financial statements of the St. Joseph County Airport Authority (Airport Authority), as of and for the year ended December 31, 2011, and have issued our report thereon dated June 18, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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

State Board of Accounts

June 28, 2012



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 WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE PASSENGER FACILITY CHARGE
AUDIT GUIDE FOR PUBLIC AGENCIES AND OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the St. Joseph County Airport Authority (Airport Authority) with the types of compliance requirements described in the Passenger Facility Charge Audit Guide for Public Agencies (Guide), issued by the Federal Aviation Administration for its passenger facility charge program, and in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended December 31, 2011. The Airport Authority's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Airport Authority's management. Our responsibility is to express an opinion on the Airport Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 compliance requirements referred to above that are applicable to its passenger facility charge program and compliance requirements that could have a direct and material effect on its major federal program for the year ended December 31, 2011.

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

Internal Control Over Compliance

The management of the Airport Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to the passenger facility charge program and federal programs. In planning and performing our audit, we considered the Airport Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Airport Authority's internal control over compliance.

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

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

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

State Board of Accounts

June 28, 2012

ST. JOSEPH COUNTY AIRPORT AUTHORITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Year Ended December 31, 2011

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Direct Grant:			
Airport Improvement Program	20.106	AIP-03-18-0079-40	\$ 102,737
		AIP-03-18-0079-41	565,582
		AIP-03-18-0079-42	1,125,579
		AIP-03-18-0079-43	1,313,086
		AIP-03-18-0079-44	<u>693,939</u>
Total for federal grantor agency			<u>3,800,923</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Direct Grant:			
Law Enforcement Officer Reimbursement Agreement Program	97.090	HSTS0208HSLR091	<u>183,262</u>
Total federal awards expended			<u>\$ 3,984,185</u>

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

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

Basis of Presentation

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

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

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	no

Identification of Major Programs:

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

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