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February 25, 2019


Board of Directors  
St. Joseph County Airport Authority  
4477 Progress Drive  
South Bend, IN 46628

As authorized under Indiana Code 5-11-1, we engaged private examiners under our review to perform the audit of St. Joseph County Airport Authority. We have reviewed the audit report opined upon by Katz, Sapper & Miller, Independent Public Accountants, for the period January 1, 2017 to December 31, 2017. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of St Joseph County Airport Authority as of December 31, 2017, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Katz, Sapper & Miller prepared the audit report in accordance with the guidelines established by the State Board of Accounts.

In addition to the report presented herein, a Supplemental Report for St. Joseph Airport Authority was prepared in accordance with the guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

  
Paul D. Joyce, CPA  
State Examiner

**ST. JOSEPH COUNTY AIRPORT AUTHORITY**  
**ANNUAL FINANCIAL REPORT**  
For the fiscal year ended December 31, 2017

ST. JOSEPH COUNTY AIRPORT AUTHORITY  
South Bend, Indiana

**FINANCIAL STATEMENT**

For the fiscal year ended December 31, 2017

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ST. JOSEPH COUNTY AIRPORT AUTHORITY

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January 21, 2019

To the Members of the Board:

The Annual Financial Report of the St. Joseph County Airport Authority for the fiscal year ended December 31, 2017, is submitted herewith. This report was prepared by the Department of Administration and Finance of the St. Joseph County Airport Authority in conjunction with Crowe LLP, the Auditor's Office of St. Joseph County, Indiana, the Indiana State Board of Accounts and Katz, Sapper, and Miller, LLP.

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

The guidelines recommended by the Government Finance Officers Association of the United States and Canada have been followed in the preparation of this report. One should read this letter of transmittal in conjunction with the Management Discussion and Analysis (MD&A) that is located immediately following the report of the independent auditor in the Financial Section of this report.

#### **THE REPORTING ENTITY**

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

## FINANCIAL INFORMATION

### Internal Control Structure and Budgetary Controls

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

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

The accounts of the Airport Authority are maintained in six (6) main funds (Aviation, Cumulative Building, Restricted, PFC, Debt Service and Section 125) as required by state statute for budgetary purposes. Annual budgets are adopted and monthly budget reports are prepared on a cash basis. Appropriations lapse with the expiration of the budgetary period unless encumbered by a purchase order or contract. Encumbered appropriations for purchase orders or contracts are carried over and added to the subsequent year's budget. For external financial reporting purposes, the Airport Authority consolidates its financial activity into an enterprise fund which recognizes expenses when incurred. Thus, this component unit financial report has been prepared using the accrual method of accounting.

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

### 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. As authorized under Indiana Code 5-11-1, the State Board of Accounts engaged Katz, Sapper, and Miller, LLP as private examiners to perform the audit for 2017. Findings regarding federal projects are reported to the Federal Aviation Administration. All financial data is available to the public.

Respectfully submitted,



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Mr. Michael A. Daigle, A.A.E.  
Executive Director and CEO



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Mr. Aaron M. Kobb  
Vice President of Finance

ST. JOSEPH COUNTY AIRPORT AUTHORITY  
SOUTH BEND INTERNATIONAL AIRPORT  
2017 OFFICIALS

<b>Office</b>	<b>Official</b>	<b>Year Appointed</b>	<b>Term Expires</b>
President	Mr. David R. Sage	1991	12/31/2020
VicePresident	Dr. Jay Asdell	2013	12/31/2019
Treasurer/Asst. Secretary	Mr. Thomas S. Botkin	2007	12/31/2018
Secretary	Mr. Abraham Marcus	2010	12/31/2017
ExecutiveDirector	Mr. Michael A Daigle, A.A.E.		

## *Independent Auditors' Report*

Board of Directors  
St. Joseph County Airport Authority, St. Joseph County, Indiana

### **Report on the Financial Statements**

We have audited the accompanying financial statements of St. Joseph County Airport Authority (the Airport Authority), a component unit of St. Joseph County, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Airport Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Uniform Compliance Guidelines for Audit of Hospitals and State and Local Governments by Authorized Independent Public Accountants*, issued by the Indiana State Board of Accounts. Those standards and guidelines require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **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, 2017, and the changes in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Restatement of Beginning Net Position**

As discussed in Note E to the financial statements, net position as of January 1, 2017 was restated to correct a misstatement due to a prior year error that resulted in the understatement of prior year capital contributions. Our opinion is not modified with respect to this matter.

### **Report on Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10 through 23 and schedules of proportionate share of the net pension liability, contributions and changes in the total OPEB liability and related ratios and related notes on pages 44 through 47 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Report on Other Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the Airport Authority's basic financial statements. The accompanying budgetary comparison schedule, budget/GAAP reconciliation, schedule of expenditures of passenger facility charges, on pages 48 through 50 and the schedule of expenditures of federal awards as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* on pages 59 and 60 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Trend Sections on pages 3 through 5 and 51 through 55 have not been subjected to the auditing procedures applied in the audit of the basic financial statements. The Introductory and Trend Sections, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2019, on our consideration of the Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Airport Authority's internal control over financial reporting and compliance.

*Katz, Sapper & Miller, LLP*

Indianapolis, Indiana  
January 21, 2019

*Independent Auditors' 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*

Board of Directors  
St. Joseph County Airport Authority, St. Joseph County, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of St. Joseph County Airport Authority (the Airport Authority), a component unit of St. Joseph County, which comprise the statement of net position as of December 31, 2017, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 21, 2019.

### **Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, as described in the accompanying schedule of findings and questioned costs, that we consider to be a material weakness.

## **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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

*Katz, Sapper & Miller, LLP*

Indianapolis, Indiana  
January 21, 2019

ST. JOSEPH COUNTY AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2017

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This Management Discussion and Analysis (MD&A) provides an introduction to the major activities affecting the operations of the South Bend International Airport (Airport) and an introduction and overview of the financial performance and statements of the St. Joseph County Airport Authority (Airport Authority) for the fiscal year ended December 31, 2017. 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 Airport Authority together with the notes thereto, which are essential to a full understanding of the data contained in the financial statements. In addition to the basic financial statements and accompanying notes, this section also presents certain **Required Supplementary Information (R.S.I.)**. The R.S.I. is followed by **Supplemental Financial Information**, which includes budgetary comparison schedules, a reconciliation of our budget to Generally Accepted Accounting Principles (G.A.A.P.), and a schedule of expenditures of Passenger Facilities Charges.

### **AIRPORT ACTIVITIES & HIGHLIGHTS**

As of December 31, 2017, the Airport provided nonstop flights to 10 cities: Atlanta, Chicago, Detroit, Las Vegas, Minneapolis, New York City/Newark, Orlando/Sanford, Phoenix/Mesa, Fort Myers/Punta Gorda, and Tampa/St. Petersburg with connections world-wide. The Airport's multimodal terminal serves approximately one million air, rail, and bus passengers each year. Three (3) major passenger airlines (Allegiant, Delta, and United) were all represented either by the airline itself or through a regional partner. In some cases, more than one company contracted with the national carrier for this purpose.

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

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

In June 2017, the Airport began to receive international aircraft arrivals through the General Aviation Facility (GAF). The GAF is staffed with one full-time U.S. Customs and Border Protection (CBP) officer who processes each flight. GAF operations met expectations through the first six months of operations with almost 60 flights. Aircraft registered in the United States, Canada and Mexico have utilized this service with flights originating from many countries including Japan, Italy and Ireland. These aircraft are corporate or privately owned with less than 16 passenger seats per aircraft.

2017 also marked the roll-out of Project Propel. This campaign was designed to encourage local business CEOs/owners to change travel policies to start and end air travel at the Airport as opposed to other airports in the region. The goal of the campaign is recapture some of the 800,000 plus air travelers from our region that travel to other airports to fly on an annual basis. In turn, this will lead to larger aircraft, more frequency and more nonstop routes.

ST. JOSEPH COUNTY AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2017

Below outlines the Airport Authority 2017 annual statistical report. The report is a comparative analysis of 3 years of numbers, which calculates increase and decrease percentages by comparing the current year versus the previous year.

**2017 COMPOSITE STATISTIC CHART**



	Airline Enplanements					Aircraft Landed Weight					Air Cargo					Aircraft Operations				
	For Ref.					For Ref.					For Ref.					For Ref.				
	2015	2016	2017	Diff.	%	2015	2016	2017	Diff.	%	2015	2016	2017	Diff.	%	2015	2016	2017	Diff.	%
Jan	20,950	21,784	23,057	1,273	5.84%	34,772,652	36,687,174	36,170,333	-516,841	-1.41%	2,098,521	2,139,612	1,784,156	-355,456	-16.61%	2,118	2,299	1,976	-323	-14.05%
Feb	23,619	24,248	24,174	-74	-0.31%	35,752,757	36,711,899	35,332,224	-1,379,675	-3.76%	1,982,029	2,235,693	1,704,796	-530,897	-23.75%	2,076	2,507	2,635	128	5.11%
Mar	32,671	31,107	30,085	-1,022	-3.29%	46,639,832	45,555,432	44,036,966	-1,518,466	-3.33%	2,091,126	2,174,484	2,147,721	-26,763	-1.23%	2,916	3,235	2,601	-634	-19.60%
Apr	26,834	27,055	23,877	-3,178	-11.75%	38,818,535	39,182,485	38,725,078	-457,407	-1.17%	2,246,031	1,989,256	1,874,776	-114,480	-5.75%	3,062	3,466	3,116	-350	-10.10%
May	24,791	27,050	24,522	-2,528	-9.35%	39,040,896	39,298,291	38,246,493	-1,051,798	-2.68%	2,225,111	1,797,724	2,074,980	277,256	15.42%	3,252	3,175	3,400	225	7.09%
Jun	26,927	28,744	25,310	-3,434	-11.95%	39,879,119	41,271,198	38,511,352	-2,759,846	-6.69%	2,429,641	1,949,166	2,269,959	320,793	16.46%	3,009	3,644	3,458	-186	-5.10%
Jul	28,250	28,722	24,798	-3,924	-13.66%	40,743,981	39,543,471	37,304,662	-2,238,809	-5.66%	2,570,119	1,840,510	1,766,312	-74,198	-4.03%	3,279	3,751	3,477	-274	-7.30%
Aug	26,057	27,247	23,548	-3,699	-13.58%	38,374,476	38,801,916	39,768,928	967,012	2.49%	2,315,735	1,991,475	2,207,242	215,767	10.83%	2,844	3,190	3,456	266	8.34%
Sep	25,214	28,658	24,188	-4,470	-15.60%	38,678,848	41,009,502	38,900,636	-2,108,866	-5.14%	2,547,048	2,125,743	2,036,532	-89,211	-4.20%	3,610	3,834	4,132	298	7.77%
Oct	28,379	31,299	29,311	-1,988	-6.35%	41,834,156	44,396,260	42,587,991	-1,808,269	-4.07%	2,562,100	2,093,620	2,042,061	-51,559	-2.46%	3,403	4,073	4,156	83	2.04%
Nov	24,861	26,492	26,675	183	0.69%	37,528,439	39,867,829	40,074,807	206,978	0.52%	2,065,886	2,027,636	1,989,084	-38,552	-1.90%	3,054	2,999	3,623	624	20.81%
Dec	25,747	26,491	25,946	-545	-2.06%	39,574,693	39,635,692	39,406,140	-229,552	-0.58%	2,583,764	2,291,585	1,866,760	-424,825	-18.54%	2,290	2,082	2,278	196	9.41%
Ann. Totals	314,300	328,897				471,638,384	481,961,149				27,717,111	24,656,504				34,913	38,255			
YTD	314,300	328,897	305,491	-23,406	-7.12%	471,638,384	481,961,149	469,065,610	-12,895,539	-2.68%	27,717,111	24,656,504	23,764,379	-892,125	-3.62%	34,913	38,255	38,308	53	0.14%

Comments:

CSA cargo operations for January - May of 2015 were not reported until May, affecting the numbers for Landed Weight, Air Cargo, and Aircraft Operations.  
Air Cargo - March, April & May 2016 - Estimates were originally used for FedEx due to program problems, correct numbers were received in June  
International - General Aviation first flight 6/30/2017

(Continued)

ST. JOSEPH COUNTY AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2017

2017 COMPOSITE STATISTIC CHART



	Aviation Fuel Flowage - Gallons					Car Rental - Gross Sales					Restaurant/Gift Shop - Gross Sales					Republic Parking - Gross Sales				
	For Ref.					For Ref.					For Ref.					For Ref.				
	2015	2016	2017	Diff	%	2015	2016	2017	Diff.	%	2015	2016	2017	Diff.	%	2015	2016	2017	Diff.	%
Jan	390,967	396,160	409,200	13,040	3.29%	\$594,979	\$548,027	\$551,344	\$3,317	0.61%	\$110,917	\$116,368	\$136,403	\$20,035	17.22%	\$251,739	\$262,707	\$281,405	\$18,698	7.12%
Feb	392,688	379,402	422,850	43,448	11.45%	\$585,933	\$595,703	\$556,406	-\$39,297	-6.60%	\$131,990	\$136,196	\$132,327	-\$3,869	-2.84%	\$262,170	\$274,779	\$272,330	-\$2,448	-0.89%
Mar	571,238	519,204	460,833	-58,371	-11.24%	\$693,886	\$675,809	\$688,330	\$12,521	1.85%	\$162,702	\$163,064	\$173,640	\$10,576	6.49%	\$363,277	\$342,057	\$344,829	\$2,772	0.81%
Apr	472,442	434,773	479,786	45,013	10.35%	\$788,384	\$902,408	\$772,959	-\$129,449	-14.34%	\$138,356	\$151,133	\$153,747	\$2,614	1.73%	\$310,230	\$308,515	\$298,071	-\$10,444	-3.39%
May	443,737	451,570	475,368	23,798	5.27%	\$824,157	\$938,885	\$888,201	-\$50,684	-5.40%	\$135,973	\$141,593	\$137,831	-\$3,762	-2.66%	\$254,118	\$272,120	\$251,104	-\$21,016	-7.72%
Jun	456,312	481,037	460,411	-20,626	-4.29%	\$934,993	\$1,074,405	\$852,879	-\$221,526	-20.62%	\$140,681	\$144,623	\$162,251	\$17,628	12.19%	\$247,260	\$261,442	\$252,216	-\$9,226	-3.53%
Jul	509,142	486,341	487,983	1,642	0.34%	\$1,112,974	\$1,142,352	\$1,020,548	-\$121,804	-10.66%	\$155,599	\$153,130	\$170,922	\$17,792	11.62%	\$242,779	\$250,821	\$231,311	-\$19,510	-7.78%
Aug	488,694	461,631	499,209	37,578	8.14%	\$1,128,760	\$1,146,767	\$1,002,616	-\$144,151	-12.57%	\$150,923	\$154,113	\$158,419	\$4,306	2.79%	\$240,787	\$259,745	\$227,856	-\$31,889	-12.28%
Sep	567,797	614,632	576,969	-37,663	-6.13%	\$1,062,665	\$1,099,364	\$948,835	-\$150,529	-13.69%	\$154,291	\$158,866	\$165,255	\$6,389	4.02%	\$221,272	\$257,237	\$223,596	-\$33,641	-13.08%
Oct	572,831	598,280	641,684	43,404	7.25%	\$1,004,687	\$1,037,609	\$1,013,253	-\$24,356	-2.35%	\$162,941	\$172,221	\$188,698	\$16,477	9.57%	\$278,829	\$303,379	\$290,328	-\$13,051	-4.30%
Nov	470,471	441,634	505,764	64,130	14.52%	\$679,332	\$724,608	\$784,073	\$59,465	8.21%	\$140,234	\$144,617	\$162,142	\$17,525	12.12%	\$264,016	\$266,759	\$261,462	-\$5,297	-1.99%
Dec	442,969	450,296	438,498	-11,798	-2.62%	\$638,042	\$722,569	\$597,304	-\$125,265	-17.34%	\$146,090	\$150,272	\$159,552	\$9,280	6.18%	\$234,565	\$252,605	\$234,547	-\$18,058	-7.15%
Ann. Totals	5,779,288	5,714,960				\$10,048,792	\$10,608,506				\$1,730,697	\$1,786,196				\$3,171,043	\$3,312,165			
YTD	5,779,288	5,714,960	5,858,555	143,595	2.51%	\$10,048,792	\$10,608,506	\$9,676,748	-\$931,758	-8.78%	\$1,730,697	\$1,786,196	\$1,901,187	\$114,991	6.44%	\$3,171,043	\$3,312,165	\$3,169,055	-\$143,110	-4.32%

Comments:

CSA cargo operations for January - May of 2015 were not reported until May, affecting the numbers for Landed Weight, Air Cargo, and Aircraft Operations.  
Air Cargo - March, April & May 2016 - Estimates were originally used for FedEx due to program problems, correct numbers were received in June  
International - General Aviation first flight 6/30/2017

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2017 COMPOSITE STATISTIC CHART



	South Shore Passengers					South Shore Ops.					Bus Passengers					International Flights - GAF				
	For Ref.		2017	Diff.	%	For Ref.		2017	Diff.	%	For Ref.		2017	Diff.	%	For Ref.		2017	Diff.	%
2015	2016	2015				2016	2015				2016	2015				2016	2015			
Jan	14,522	14,935	14,626	-309	-2.07%	207	206	207	1	0.49%	2,665	2,724	2,788	64	2.35%	0	0	0	0	-
Feb	15,750	15,708	16,499	791	5.04%	188	188	188	0	0.00%	2,085	2,295	2,060	-235	-10.24%	0	0	0	0	-
Mar	19,077	19,040	18,235	-805	-4.23%	208	203	209	6	2.96%	2,460	2,683	1,192	-1,491	-55.57%	0	0	0	0	-
Apr	22,950	20,090	23,040	2,950	14.68%	202	201	200	-1	-0.50%	2,524	2,639	2,803	164	6.21%	0	0	0	0	-
May	20,356	19,598	20,085	487	2.48%	206	206	208	2	0.97%	2,904	2,841	2,997	156	5.49%	0	0	0	0	-
Jun	20,161	20,209	22,143	1,934	9.57%	202	202	202	0	0.00%	3,063	3,057	3,533	476	15.57%	0	0	1	1	-
Jul	26,640	26,787	27,623	836	3.12%	209	206	206	0	0.00%	3,580	3,366	3,718	332	9.81%	0	0	7	7	-
Aug	22,234	21,219	22,887	1,668	7.86%	207	209	209	0	0.00%	3,371	3,145	3,248	103	3.28%	0	0	15	15	-
Sep	21,946	20,001	23,618	3,617	18.08%	201	201	200	-1	-0.50%	2,679	2,692	2,892	200	7.43%	0	0	10	10	-
Oct	22,901	21,618	25,870	4,252	19.67%	208	207	208	1	0.48%	3,044	2,585	2,917	332	12.84%	0	0	7	7	-
Nov	19,742	21,861	21,387	-474	-2.17%	200	201	201	0	0.00%	2,796	2,714	2,528	-186	-6.85%	0	0	7	7	-
Dec	22,227	22,854	24,781	1,927	8.43%	208	207	217	10	4.83%	3,223	3,364	3,020	-364	-10.76%	0	0	11	11	-
Ann. Totals	248,506	243,920				2,446	2,437				34,394	34,145				0	0			
YTD	248,506	243,920	260,794	16,874	6.92%	2,446	2,437	2,455	18	0.74%	34,394	34,145	33,696	-449	-1.31%	0	0	58	58	-

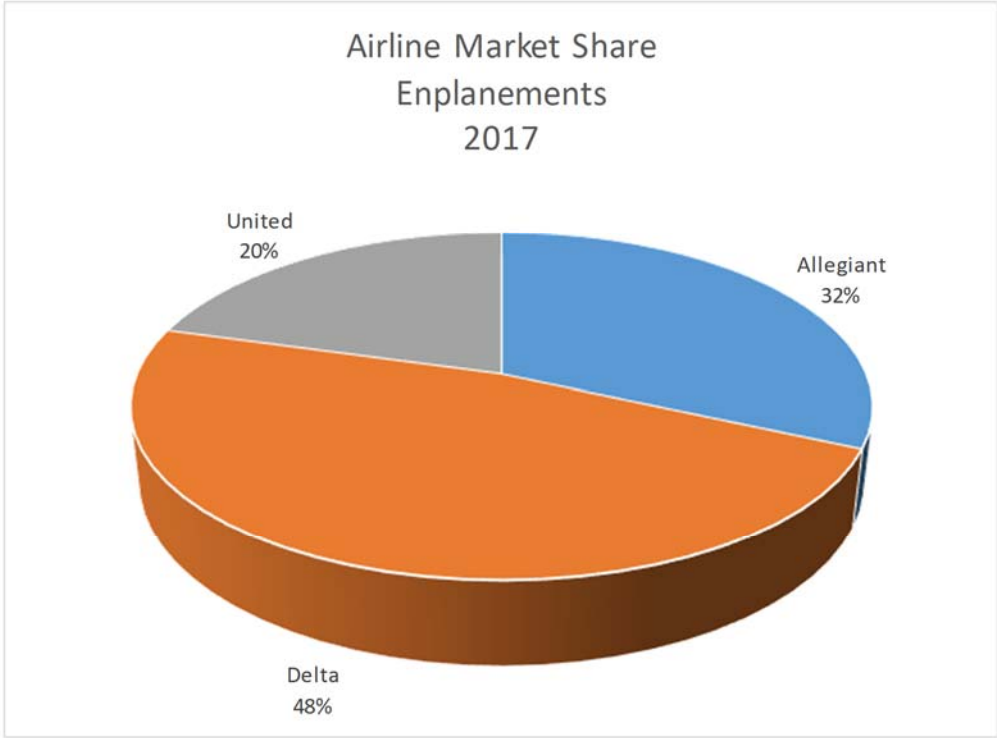
Comments:

CSA cargo operations for January - May of 2015 were not reported until May, affecting the numbers for Landed Weight, Air Cargo, and Aircraft Operations.  
Air Cargo - March, April & May 2016 - Estimates were originally used for FedEx due to program problems, correct numbers were received in June  
International - General Aviation first flight 6/30/2017

(Continued)

ST. JOSEPH COUNTY AIRPORT AUTHORITY  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Airline Market Share Comparison**

	<u>2017</u>	<u>2016</u>	<u>Difference</u>	<u>Change %</u>
Allegiant	95,134	98,652	(3,518)	-3.57%
Delta	142,836	154,672	(11,836)	-7.65%
United	<u>61,853</u>	<u>69,313</u>	<u>(7,460)</u>	<u>-10.76%</u>
<b>Totals</b>	<u><u>299,823</u></u>	<u><u>322,637</u></u>	<u><u>(22,814)</u></u>	<u><u>-7.07%</u></u>

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(Continued)

ST. JOSEPH COUNTY AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**FINANCIAL HIGHLIGHTS**

**Net Position**

	<u>2017</u>	<u>2016</u>	<u>Increase/Decrease</u>	
			<u>Amount</u>	<u>Percent</u>
<b>Assets and Deferred Outflows of Resources</b>				
Current Assets	\$16,085,948	\$13,224,944	\$ 2,861,004	21.63%
Capital Assets	88,007,724	89,855,328	(1,847,604)	-2.06%
Deferred Outflows of Resources	925,856	1,358,426	(432,570)	-31.84%
Total Assets and Deferred Outflows of Resources	<u>105,019,528</u>	<u>104,438,698</u>	<u>580,830</u>	<u>0.56%</u>
<b>Liabilities and Deferred Inflows of Resources</b>				
Current Liabilities	2,493,777	2,464,564	29,213	1.19%
Noncurrent Liabilities	12,440,471	14,019,236	(1,578,765)	-11.26%
Deferred Inflows of Resources	415,923	308,886	107,037	34.65%
Total Liabilities and Deferred Inflows of Resources	<u>15,350,171</u>	<u>16,792,686</u>	<u>(1,442,515)</u>	<u>-8.59%</u>
<b>Net Position</b>				
Net Investment in Capital Assets	79,346,146	78,537,444	808,702	1.03%
Restricted	3,745,328	3,350,238	395,090	11.79%
Unrestricted	6,577,883	5,758,330	819,553	14.23%
Total Net Position	<u>\$89,669,357</u>	<u>\$87,646,012</u>	<u>\$ 2,023,345</u>	<u>2.31%</u>

Total assets and deferred outflows of resources increased by \$0.6 million primarily due to an increase in unrestricted current assets. Total liabilities and deferred inflows of resources decreased by \$1.4 million due to the Authority paying down its bonds as scheduled. The resulting increase in net position of \$2.0 million is the net result of these two major items.

(Continued)

ST. JOSEPH COUNTY AIRPORT AUTHORITY  
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**Changes in Net Position**

	2017	2016	Increase/Decrease	
			Amount	Percent
<b>Operating Revenues</b>				
Airport Service Revenues				
Airfield	\$ 758,121	\$ 765,204	\$ (7,083)	-0.93%
Terminal - Aviation	1,679,980	1,597,758	82,222	5.15%
Terminal - Nonaviation	189,186	142,353	46,833	32.90%
Concessions	1,398,926	1,436,479	(37,553)	-2.61%
Parking	2,552,315	2,680,569	(128,254)	-4.78%
Fixed Based Operations	532,958	502,448	30,510	6.07%
Building and Land Rent	624,331	477,983	146,348	30.62%
Total Airport Service Revenues	7,735,817	7,602,794	133,023	1.75%
Other	13,000	13,000	-	0.00%
Total Operating Revenues	7,748,817	7,615,794	133,023	1.75%
<b>Operating Expenses</b>				
Personal Services	4,614,911	4,777,184	(162,273)	-3.40%
Supplies	722,503	665,317	57,186	8.60%
Other Services and Charges	3,555,030	2,660,041	894,989	33.65%
Depreciation	3,284,883	3,405,519	(120,636)	-3.54%
Total Operating Expenses	12,177,327	11,508,061	669,266	5.82%
<b>Operating Loss</b>	<b>(4,428,510)</b>	<b>(3,892,267)</b>	<b>(536,243)</b>	<b>13.78%</b>
<b>Nonoperating Revenues</b>				
Property Taxes	1,998,868	2,527,146	(528,278)	-20.90%
Other Tax Distributions	548,973	710,580	(161,607)	-22.74%
Interest and Investment Revenue	144,914	19,554	125,360	641.10%
Property Management Revenue	449,526	526,419	(76,893)	-14.61%
Federal Operating Grant	105,396	112,226	(6,830)	-6.09%
Other Revenue	115,035	49,614	65,421	131.86%
Total Nonoperating Revenues	3,362,712	3,945,539	(582,827)	-14.77%
<b>Nonoperating Expenses</b>				
Interest Expense	435,222	465,836	(30,614)	-6.57%
Amortization Expense	18,578	17,728	850	4.79%
Total Nonoperating Expenses	453,800	483,564	(29,764)	-6.16%
<b>Loss Before Contributions</b>	<b>(1,519,598)</b>	<b>(430,292)</b>	<b>(1,089,306)</b>	<b>253.16%</b>
<b>Capital Contributions</b>	<b>1,202,597</b>	<b>6,939,705</b>	<b>(5,737,108)</b>	<b>-82.67%</b>
<b>Passenger Facility Charge Revenue</b>	<b>1,248,795</b>	<b>1,395,957</b>	<b>(147,162)</b>	<b>-10.54%</b>
<b>Change in Net Position</b>	<b>931,794</b>	<b>7,905,370</b>	<b>(6,973,576)</b>	<b>-88.21%</b>
<b>Total Net Position - Beginning</b>	<b>87,646,012</b>	<b>79,740,642</b>	<b>7,905,370</b>	<b>9.91%</b>
<b>Prior Period Restatement</b>	<b>1,091,551</b>	<b>-</b>	<b>1,091,551</b>	<b>N/A</b>
<b>Total Net Position - Ending</b>	<b>\$ 89,669,357</b>	<b>\$ 87,646,012</b>	<b>\$ 2,023,345</b>	<b>2.31%</b>

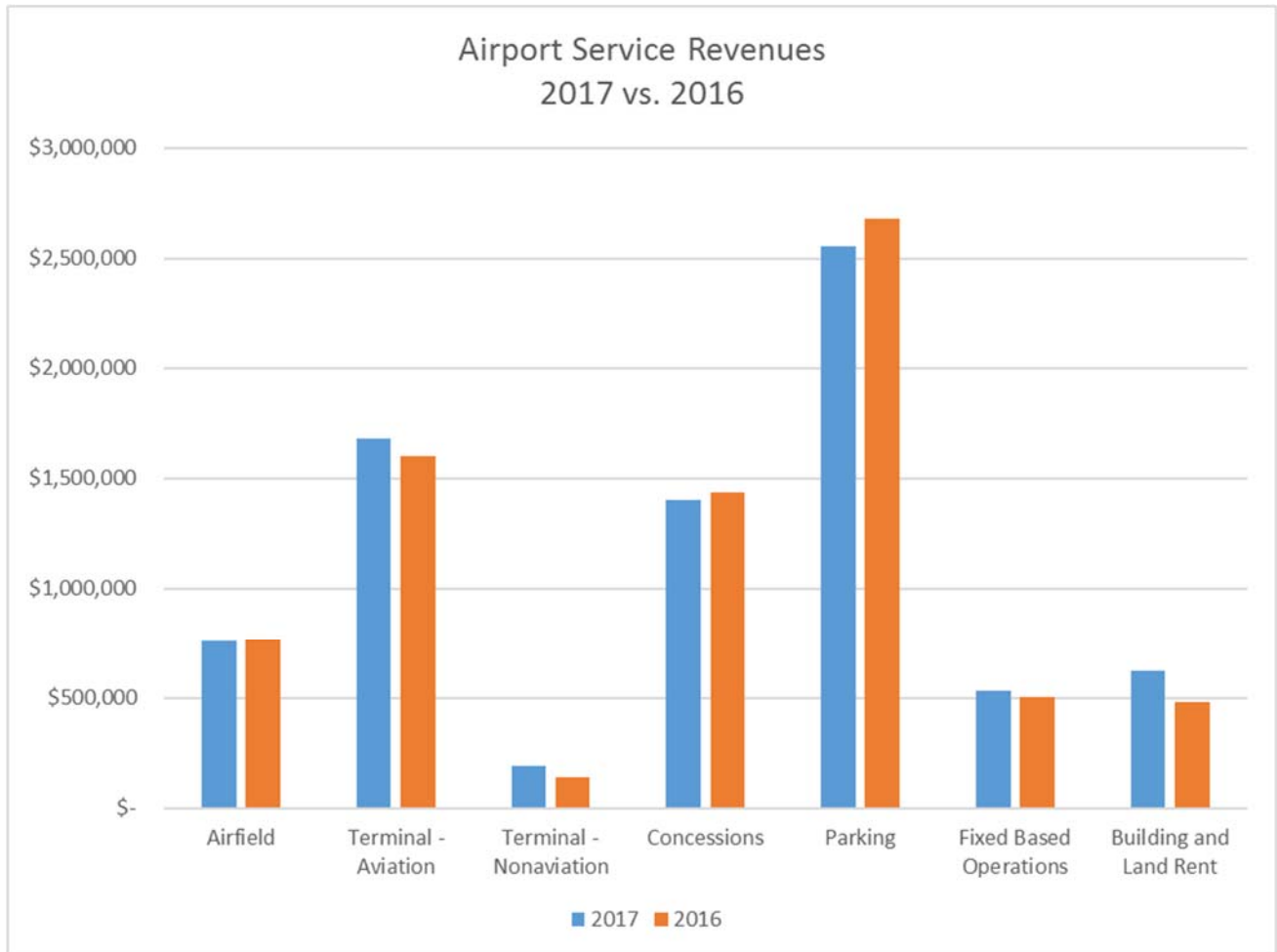
**Revenue**

Total operating and non-operating revenues decreased by 3.9% over 2016 revenues. These decreases do not include changes in Capital Contributions and Passenger Facility Charge (P.F.C.) Revenue. Total Operating Revenue increased by 1.8% compared to 2016 levels. Airport Service Revenue increased by 1.8% 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 (\$1.25 per thousand pounds over 12,500 of maximum gross landed weight) and fuel flowage fees, decreased by

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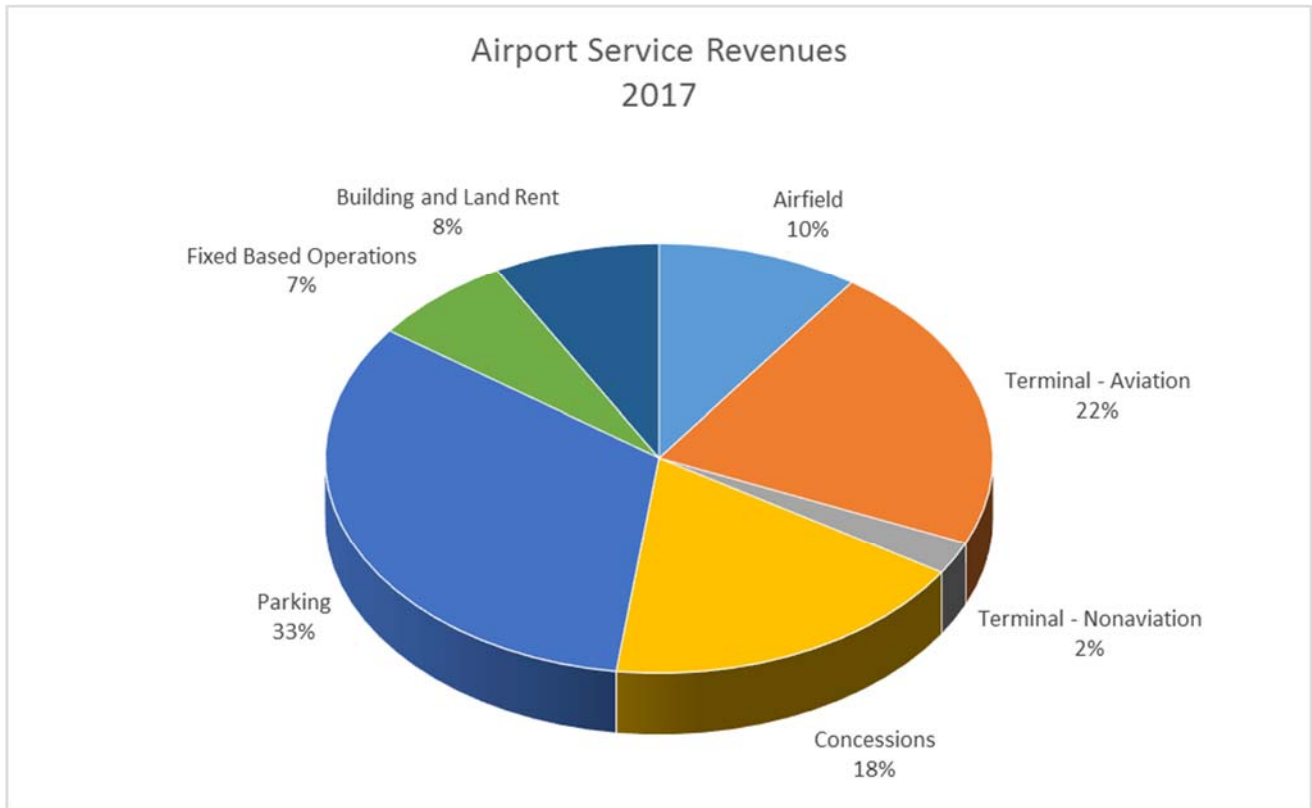
ST. JOSEPH COUNTY AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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0.9%. Terminal Rental Revenue received from the airlines increased by 5.2% in 2017. Terminal Non-Aviation Rental Revenue increased by 32.9% in 2017. Concession Revenue decreased by 2.6% and Parking Revenue decreased by 4.8%. Fixed Base Operations Revenue, a component of General Aviation activity, increased 6.1%. Other Building and Land Rental on the airfield increased by 30.6%. Non-Operating Revenues decreased by 14.8% due primarily to a decrease in Property Tax Revenues. Passenger Facility Charge (P.F.C.) Revenues decreased in 2017 by 10.5%, as a result of a decrease in passenger traffic.



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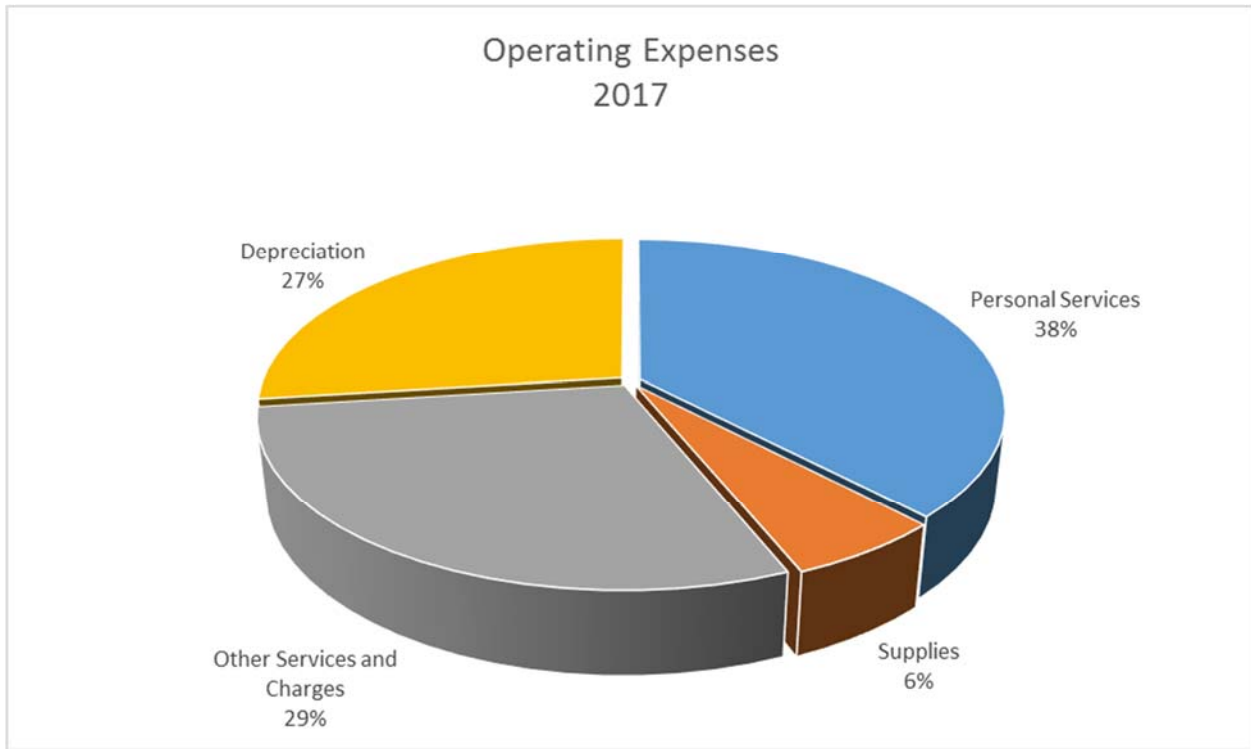
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**Expenses**

Total Operating and Non-Operating Expenses increased in 2017 by 5.3% compared to 2016. A large component of this increase is attributable to an increase in Other Services and Charges. Other Services and Charges increased by 33.7%. This increase can be primarily attributed to increases in Cleaning Services and Pavement/Grounds Expense. Non-Operating Expenses decreased in 2017 by 6.2%.



ST. JOSEPH COUNTY AIRPORT AUTHORITY  
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**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>2017</u>	<u>2016</u>
<b>Cash Flows</b>		
Operating Activities	\$ (622,838)	\$ (508,008)
Noncapital Financing Activities	4,509,373	4,244,978
Capital and Related Financing Activities	(833,265)	(4,317,745)
Investing Activities	144,914	19,554
Net Increase (Decrease)	<u>3,198,184</u>	<u>(561,221)</u>
Cash and Cash Equivalents - Beginning	<u>11,417,012</u>	<u>11,978,233</u>
Cash and Cash Equivalents - Ending	<u>\$14,615,196</u>	<u>\$11,417,012</u>

The Authority's available Cash and Cash Equivalents increased from \$11.42 million at the end of 2016 to \$14.62 million at the end of 2017.

## **CAPITAL ACQUISITIONS AND CONSTRUCTION ACTIVITIES**

### **CAPITAL ASSETS**

The St. Joseph County Airport Authority's investment in Capital Assets as of December 31, 2017, was \$88 million (net of Accumulated Depreciation). This investment in Capital Assets includes land, buildings, roadways, airfield and equipment. In total, this represents a \$1.8 million decrease from 2016. Major Capital Asset events during the current fiscal year included the following:

During 2017, the Airport Authority District disbursed \$1.5 million for major capital activities. The majority of the expenditure went into the completion on construction Federal Inspection Station (FIS). Capital Asset acquisitions are capitalized at cost. Acquisitions are funded using a variety of financing mechanisms, including federal grants with matching state grants and Airport funds, property taxes, debt issuances, and Airport revenues. Additional information on the Authority's Capital Assets and commitments can be found in the Notes to the Financial Statements in Section III.

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

Effective July 1, 2011, \$1.50 was added to the existing Passenger Facility Charge (P.F.C.) of \$3.00 per enplaned passenger with the approval of the Federal Aviation Administration (FAA) and the St. Joseph County Airport Authority Board. The P.F.C. receipts are intended to be used to repay the debt service on the 2011 and 2012 Bond issues and for any other purposes allowed by the FAA and the Airport Authority Board. The St. Joseph County Airport Authority is authorized to receive a maximum of \$40,172,802. As of December 31, 2017, the Airport Authority had received a total of \$26,940,300.

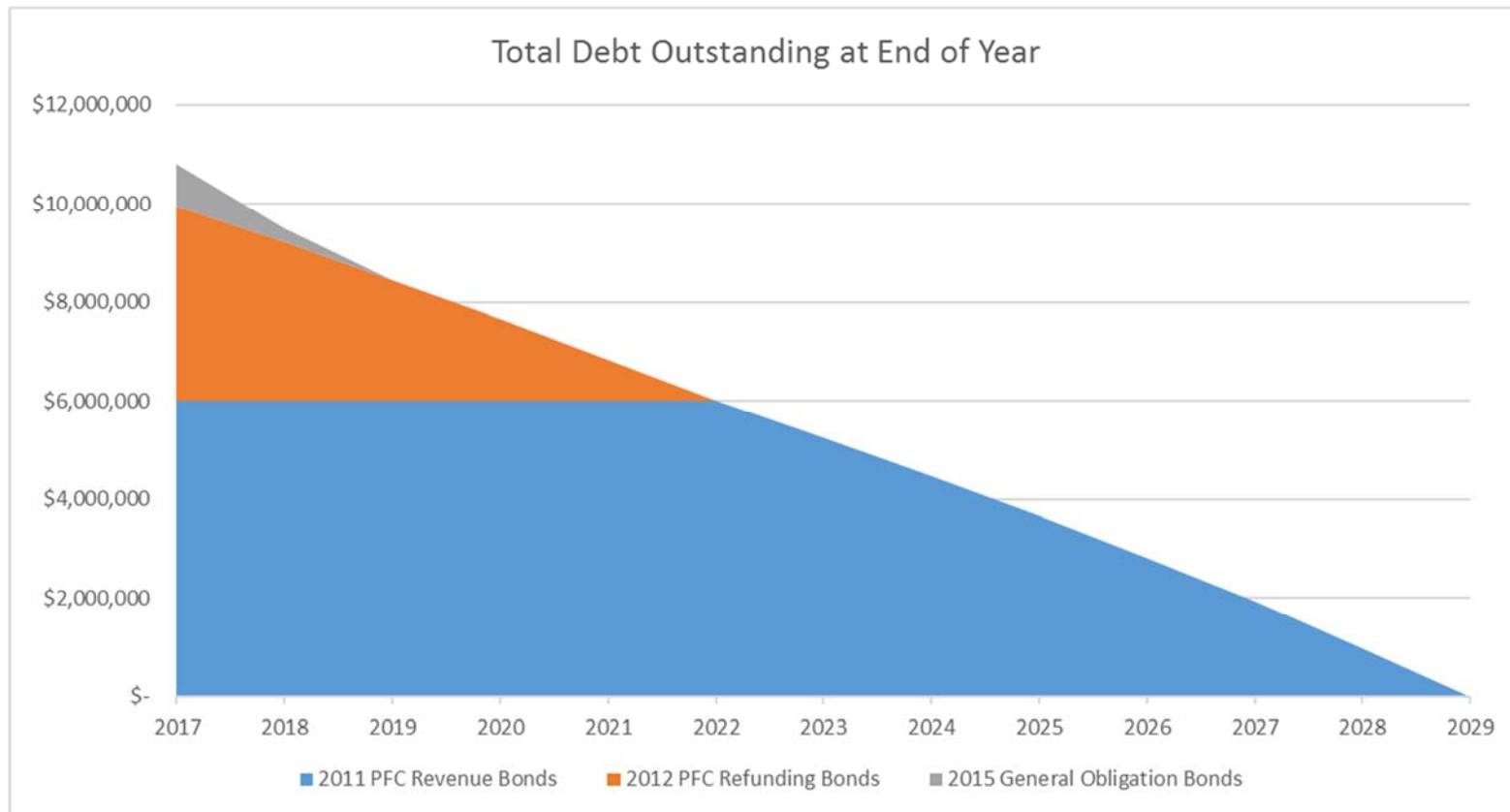
### **LONG TERM DEBT AND CREDIT RATINGS**

The Airport Authority has \$9.5 million in Outstanding Long-Term Debt plus \$1.3 million in Outstanding Short-Term Debt as of December 31, 2017. Long-Term and Short-Term Debt consisted of 2011 General Obligation Bonds, 2012 General Obligation Refunding Revenue Bonds and 2015 General Obligation Bonds. The 2011 Bonds (\$6 million) mature in 2030 and interest rates range from 4.3% to 5.0%. The 2012 Bonds (\$4.7 million) mature on January 1, 2023 at interest rates ranging from 2.0% to 3.5%. Both principal and interest are payable from the revenues derived from the proceeds of an approved Passenger Facility Charge (P.F.C.) on each enplanement at South Bend Airport. The 2015 Bond (\$1.4 million) matures in 2019 and interest rate is 2%. Both principal and interest are payable from the revenues derived from property taxes levies.

The General Obligation Debt limit for the Airport Authority is 2% of the adjusted value of taxable property in St. Joseph County. Per Indiana Statute, the adjusted value is defined as being equal to one third (1/3) of the actual valuation of property in the County. The current adjusted value is \$2,733,734,341. The debt limit is \$54,674,687 and the total outstanding General Obligation Debt is \$10,814,074.

The Authority's General Obligation Debt is rated A+ by Standard and Poors (for both the 2011 and 2012 Bonds). The rating for South Bend reflects the General Obligation Security for these Bonds. The 2015 Bond is privately placed and is not rated. Also noted is the fact that the Authority benefits from a relatively diverse revenue stream including: parking, terminal revenues, concessions, and general property taxes. Details regarding Long-Term Debt are included in the Notes to the Financial Statements in Section III.

ST. JOSEPH COUNTY AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2017



**ST. JOSEPH COUNTY AIRPORT AUTHORITY**  
**STATEMENT OF NET POSITION**  
**December 31, 2017**

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Assets

Current assets:

Unrestricted:

Cash and cash equivalents	\$ 6,789,523
Accounts receivable (net of allowance)	680,315
Taxes receivable	1,341
Intergovernmental receivable	337,649
Prepaid items	<u>210,424</u>
Total unrestricted current assets	<u>8,019,252</u>

Restricted:

Cash and cash equivalents:

Construction fund	2,031,309
Passenger facility charge fund	2,354,550
Customer facility charge fund	961,855
Bond and interest fund	25,575
Cumulative building fund	1,124,180
Rainy day fund	428,768
Excess levy fund	215
Other funds	899,221
Accounts receivable - passenger facility charge	210,980
Taxes receivable	<u>30,043</u>
Total restricted current assets	<u>8,066,696</u>

Total current assets 16,085,948

Noncurrent assets:

Capital assets:

Capital assets not being depreciated	36,016,101
Capital assets, net of accumulated depreciation	<u>51,991,623</u>
Total capital assets	<u>88,007,724</u>

Total assets 104,093,672

Deferred outflows of resources

Deferred amount on refunding	121,187
Deferred pension outflows	<u>804,669</u>
Total deferred outflows of resources	<u>925,856</u>

Total assets and deferred outflows of resources \$ 105,019,528

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Liabilities	
Current liabilities:	
Unrestricted:	
Accounts payable	\$ 172,263
Accrued payroll payable	91,099
Unearned revenue	158,569
Compensated absences	232,659
Retainage payable	57,000
Other current liabilities	<u>9,856</u>
Total unrestricted current liabilities	<u>721,446</u>
Restricted:	
General obligation bonds payable	1,305,000
Customer deposits payable	19,569
Contracts payable	<u>447,762</u>
Total restricted current liabilities	<u>1,772,331</u>
Total current liabilities	<u>2,493,777</u>
Noncurrent liabilities:	
Unrestricted:	
Compensated absences	133,553
Net pension liability	2,698,788
Net OPEB liability	<u>99,056</u>
Total noncurrent unrestricted liabilities	<u>2,931,397</u>
Restricted:	
General obligation bonds payable (net of unamortized premiums)	<u>9,509,074</u>
Total noncurrent restricted liabilities	<u>9,509,074</u>
Total noncurrent liabilities	<u>12,440,471</u>
Total liabilities	<u>14,934,248</u>
Deferred inflow of resources	
Deferred pension inflow	274,945
Deferred OPEB inflow	<u>140,978</u>
Total deferred inflows of resources	<u>415,923</u>
Total liabilities and deferred inflow of resources	<u>15,350,171</u>
Net Position:	
Net investment in capital assets	79,346,146
Restricted for debt service	2,591,105
Restricted for capital assets	1,154,223
Unrestricted	<u>6,577,883</u>
Total net position	<u>\$ 89,669,357</u>

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**ST. JOSEPH COUNTY AIRPORT AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**Year Ended December 31, 2017**

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Operating revenues:	
Airfield	\$ 758,121
Terminal - aviation	1,679,980
Terminal - nonaviation	189,186
Concessions	1,398,926
Parking	2,552,315
Fixed based operations	532,958
Building and land rent	624,331
Other	<u>13,000</u>
Total operating revenues	<u>7,748,817</u>
Operating expenses:	
Personal services	4,614,911
Supplies	722,503
Other services and charges	3,555,030
Depreciation	<u>3,284,883</u>
Total operating expenses	<u>12,177,327</u>
Operating loss	<u>(4,428,510)</u>
Nonoperating revenues:	
Property taxes	1,998,868
Other tax distributions	548,973
Interest and investment revenue	144,914
Property management revenue	449,526
Federal operating grant	105,396
Other revenue	<u>115,035</u>
Total nonoperating revenues	<u>3,362,712</u>
Nonoperating expenses:	
Interest expense	435,222
Amortization expense	<u>18,578</u>
Total nonoperating expenses	<u>453,800</u>
Loss before contributions	<u>(1,519,598)</u>
Capital contributions	1,202,597
Passenger facility charge revenue	<u>1,248,795</u>
Total contributions	<u>2,451,392</u>
Change in net position	<u>931,794</u>
Total net position - beginning as restated	<u>88,737,563</u>
Total net position - ending	<u>\$ 89,669,357</u>

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**ST. JOSEPH COUNTY AIRPORT AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**Year Ended December 31, 2017**

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Cash flows from operating activities:	
Receipts from customers and users	\$ 8,062,320
Payments to suppliers and contractors	(5,786,006)
Payments to employees	<u>(2,899,152)</u>
Net cash used by operating activities	<u>(622,838)</u>
Cash flows from noncapital financing activities:	
Property management activity	449,526
Other nonoperating revenue	115,035
Operating grant received	1,395,314
Property and county income taxes	<u>2,549,498</u>
Net cash provided by noncapital financing activities	<u>4,509,373</u>
Cash flows from capital and related financing activities:	
Passenger facility charges	1,207,865
Capital contributions	1,202,597
Acquisition and construction of capital assets	(1,528,505)
Interest paid on capital debt	(435,222)
Principal paid on capital bonds	<u>(1,280,000)</u>
Net cash used by capital and related financing activities	<u>(833,265)</u>
Cash flows from investing activities:	
Interest received	<u>144,914</u>
Net cash provided by investing financing activities	<u>144,914</u>
Net increase in cash and cash equivalents	<u>3,198,184</u>
Cash and cash equivalents, January 1	<u>11,417,012</u>
Cash and cash equivalents, December 31	<u>\$ 14,615,196</u>

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Reconciliation of operating income to net cash used by operating activities:	
Operating loss	\$ (4,428,510)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	3,284,883
Pension expense	162,549
OPEB expense	6,799
(Increase) decrease in assets:	
Accounts receivable	299,464
Prepaid items	(55,235)
Increase in liabilities:	
Accounts payable	44,388
Accrued payroll payable	24,298
Unearned revenue	12,839
Compensated absences	21,585
Other current liabilities	2,902
Customer deposits payable	1,200
Total adjustments	<u>3,805,672</u>
Net cash used by operating activities	<u>\$ (622,838)</u>
Noncash investing, capital and related financing activities:	
Capital assets purchased on account	\$ 504,762

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I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Fund Financial Statements

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

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

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

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

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

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ST. JOSEPH COUNTY AIRPORT AUTHORITY  
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D. Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

E. Assets, Liabilities and Net Position or Equity

1. Deposits and Investments

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

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

2. Property Taxes

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

3. Prepaid Items

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

4. Restricted Assets

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

The financial statements report \$3,745,328 of restricted net position, all of which is restricted by enabling legislation.

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ST. JOSEPH COUNTY AIRPORT AUTHORITY  
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5. Capital Assets

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

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

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

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

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

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

6. Compensated Absences

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

Vacation and sick leave is accrued when incurred.

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ST. JOSEPH COUNTY AIRPORT AUTHORITY  
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7. Long-Term Obligations

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

8. Deferred Outflows of Resources

The Airport Authority reports net position that relate to future periods as deferred outflows of resources in a separate section of its statements of net position. Deferred outflows of resources reported at December 31, 2017, related to the defined benefit pension plan, including contributions made to the plan between the measurement date of the net pension liability and the end of the Airport Authority's fiscal year, changes in the Airport Authority's allocated proportion from the previous year, and differences between the Airport Authority's contributions to the plan and its proportionate share. The amounts related to changes in the Airport Authority's allocated proportion from the previous year and differences between the Airport Authority's contributions to the plan and its proportionate share are being amortized into pension expense over the average expected remaining service lives, except for the difference between expected and actual investment earnings, which is being amortized over five years.

9. Deferred Inflows of Resources

The Airport Authority's statements of net position reports a separate section for deferred inflows of resources, which reflects an increase in net position that applies to future periods. Deferred inflows of resources reported at December 31, 2017, related to the defined benefit pension plan, including actual pension plan investment earnings in excess of the expected amounts and the difference between expected and actual experience on the pension plan included in determining pension expense. These amounts are being amortized into pension expense over the average expected remaining service lives, except for the difference between expected and actual investment earnings, which is being amortized over five years.

10. Equity Classification

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

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

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

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ST. JOSEPH COUNTY AIRPORT AUTHORITY  
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F. Revenues and Expenses

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

G. Subsequent Events

The Airport Authority has evaluated the financial statements for subsequent events occurring through January 21, 2019, the date the financial statements were available to be issued.

II. Stewardship, Compliance and Accountability

Budgetary Information

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

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

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

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, 2017, the Airport Authority had deposit balances in the amount of \$14,615,196. 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.

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ST. JOSEPH COUNTY AIRPORT AUTHORITY  
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B. Receivables

The Airport Authority recognizes \$35,017 in an allowance account for the expected uncollectibility of payments due from airlines.

C. Capital Assets

Capital asset activity for the year ended December 31, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 35,256,307	\$ 34,023	\$ -	\$ 35,290,330
Construction in progress	<u>11,572,095</u>	<u>556,208</u>	<u>11,402,532</u>	<u>725,771</u>
Total capital assets, not being depreciated	46,828,402	590,231	11,402,532	36,016,101
Capital assets, being depreciated:				
Buildings	62,795,812	11,861,664	-	74,657,476
Airfield	37,320,229	-	-	37,320,229
Equipment	<u>7,892,680</u>	<u>387,916</u>	<u>54,072</u>	<u>8,226,524</u>
Totals	108,008,721	12,249,580	54,072	120,204,229
Less accumulated depreciation for:				
Buildings	28,736,501	1,775,613	-	30,512,114
Airfield	29,913,232	1,126,595	-	31,039,827
Equipment	<u>6,332,062</u>	<u>382,675</u>	<u>54,072</u>	<u>6,660,665</u>
Totals	<u>64,981,795</u>	<u>3,284,883</u>	<u>54,072</u>	<u>68,212,606</u>
Total capital assets, being depreciated	<u>43,026,926</u>	<u>8,964,697</u>	<u>-</u>	<u>51,991,623</u>
Total capital assets, net	<u>\$ 89,855,328</u>	<u>\$ 9,554,928</u>	<u>\$ 11,402,532</u>	<u>\$ 88,007,724</u>

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ST. JOSEPH COUNTY AIRPORT AUTHORITY  
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D. Construction Commitments to Contractors

Construction work in progress is composed of the following:

<u>Project</u>	<u>Total Expended to December 31</u>	<u>Remaining Committed</u>
Taxiway Bravo and Apron	\$ 218,109	\$ -
Project	146,597	-
Other	<u>364,706</u>	<u>-</u>
 Totals	 <u>\$ 729,412</u>	 <u>\$ -</u>

The Airport Authority is currently in supplemental design stages for the remaining portions of these projects. As such, an estimate of the remaining commitment is not available at this time.

E. Long-Term Liabilities

1. General Obligation Bonds

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

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

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

<u>Purpose/Original Issue</u>	<u>Interest Rates</u>	<u>Balance at December 31</u>	<u>Unamortized Bond Premium</u>	<u>Amount</u>
2011 General Obligation Bonds				
\$6,000,000	4.3% to 5.0%	\$ 6,000,000	\$ -	\$ 6,000,000
2012 Refunding Bonds				
\$8,030,000	2.125% to 3.25%	3,965,000	7,714	3,972,714
2015 General Obligation Bonds				
\$1,915,000	2.0%	<u>835,000</u>	<u>6,360</u>	<u>841,360</u>
 Totals		 <u>\$ 10,800,000</u>	 <u>\$ 14,074</u>	 <u>\$ 10,814,074</u>

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

	2011 GO Bond		2012 Refunding		2015 GO Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ -	\$ 281,875	\$ 750,000	\$ 111,328	\$ 555,000	\$ 13,950
2019	-	281,875	765,000	91,338	280,000	2,800
2020	-	281,875	795,000	68,638	-	-
2021	-	281,875	815,000	44,638	-	-
2022	-	281,875	840,000	20,038	-	-
2023-2027	3,185,000	1,014,068	-	-	-	-
2028-2029	<u>2,815,000</u>	<u>121,285</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 6,000,000</u>	<u>\$ 2,544,728</u>	<u>\$ 3,965,000</u>	<u>\$ 335,978</u>	<u>\$ 835,000</u>	<u>\$ 16,750</u>

2. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2017, was as follows:

	Restated Beginning Balance	Additions	Reduction	Ending Balance	Due Within One Year
Business-type activities:					
General obligation bonds	\$12,080,000	\$ -	\$1,280,000	\$10,800,000	\$1,305,000
Compensated absences	344,627	21,585	-	366,212	232,659
Net pension liability	2,911,412	-	212,624	2,698,788	-
Total OPEB liability	<u>233,235</u>	<u>6,799</u>	<u>140,978</u>	<u>99,056</u>	<u>-</u>
Total non-current liabilities	<u>\$15,569,274</u>	<u>\$ 28,384</u>	<u>\$1,633,602</u>	<u>\$13,964,056</u>	<u>\$1,537,659</u>

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

IV. Other Information

A. Risk Management

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

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

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B. Other Postemployment Benefits

Single-Employer Defined Benefit Healthcare Plan

Plan Description

St Joseph County Airport Authority Healthcare Plan is a single-employer defined benefit healthcare plan administered by St. Joseph County. The plan provides medical insurance benefits through a third-party insurer to eligible retirees and their spouses/dependents, and the full cost of the benefits is covered by the plan. IC 5-10-8 assigns the authority to establish and amend benefit provisions to the Airport Authority.

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

Employees Covered by Benefit Terms

As of December 31, 2017, the following employees were covered by the benefit terms:

Active employees	48
Inactive employees entitled to but not yet receiving benefits	-
Inactive employees entitled to and receiving benefits	-
	<u>48</u>

Funding Policy and Contributions

The contribution requirements of plan members for the St. Joseph County Airport Authority Healthcare Plan are established by the Airport Authority Board. Currently retirees are required to pay 100% of the monthly premium for medical insurance. Retiree health coverage is implicitly more expensive than active health coverage. This higher cost of coverage creates a liability that the Airport pays in higher premiums for current employees' coverage. Calculated required contributions are based on projected pay-as-you-go financing requirements. For the year ended December 31, 2017, the Airport contributed \$0 to the plan.

Total OPEB Liability

The Airport Authority's total OPEB liability was measured as of December 31, 2017, and the total OPEB liability determined by an actuarial valuation of that date. The plan is unfunded as of December 31, 2017, as such, the presentation of a net OPEB liability is not required, as the total OPEB liability is the same as the net OPEB liability.

Actuarial Methods and Assumption

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

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Inflation rate	2.25%
Projected salary increases	2.25%
Healthcare cost trend rate	5.0 to 9.0%

Mortality rates were based on the RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017. An actuarial experience study has not been recently conducted.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.56%, which is based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale) tax-exempt, high quality 20-year municipal bonds. The prior full valuation used a discount rate of 4.5%. The use of this rate is due to the fact that the plan is unfunded.

Changes in the Total OPEB Liability

The following presents the changes in the total OPEB liability for the fiscal year ended December 31, 2017:

<u>Total OPEB liability</u>	<u>2017</u>
Service cost	\$ 13,576
Interest	8,887
Changes of benefit terms	-
Differences between expected and actual experience	(147,658)
Changes of assumptions	(8,984)
Benefit payments	-
Net change in total OPEB liability	<u>(134,179)</u>
Total OPEB liability - beginning	<u>233,235</u>
Total OPEB liability - ending	<u>\$ 99,056</u>

The following assumption changes were included in the actuarial valuation for the year ended December 31, 2017:

- The actuarial cost method has been updated from Projected Unit Credit with linear proration to decrement to Entry Age Normal Level % of Salary. This change has caused a decrease in liabilities for the Airport Authority.
- The salary scale assumption has been updated from a flat 3.0% per year to the INPRS tables as of June 30, 2016. This caused a decrease in liabilities.
- Discount rate as of the Measurement Date has been updated to be based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale) tax-exempt, high quality 20-year municipal bonds. The prior full valuation used a discount rate of 4.5%. The current full valuation uses a discount rate of 3.81% as of January 1, 2017 and 3.56% as of December 31, 2017. This change has caused an increase in liabilities.

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- Mortality table has been updated from RP-2014 Mortality Table fully generational using Scale MP-2014 to SOA RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017. The impact of this change is a decrease in liabilities.
- Retirement rates have been updated to be based on the PERS actuarial valuation assumptions as of June 30, 2015. The impact of this change is a decrease in liabilities.
- Health care trend rates have been reset to an initial rate of 9.0% decreasing by 0.5% annually to an ultimate rate of 5.0%. This change caused an increase in liabilities for the Airport Authority.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and Health-care Cost Trend Rates

The following presents the total OPEB liability of the Airport Authority, as well as what the Airport Authority's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

	2.56% <u>1% Decrease</u>	3.56% <u>Current Rate</u>	4.56% <u>1% Increase</u>
Total OPEB Liability	\$ <u>106,297</u>	\$ <u>99,056</u>	\$ <u>92,093</u>

The following presents the total OPEB liability of the Airport Authority, as well as what the Airport Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (8.0 percent decreasing to 4.0 percent) or 1-percentage-point higher (10.0 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

	8.00% <u>1% Decrease</u>	9.00% <u>Current Rate</u>	10.00% <u>1% Increase</u>
Total OPEB Liability	\$ <u>88,845</u>	\$ <u>99,056</u>	\$ <u>110,731</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2017, the Airport Authority recognized OPEB expense of \$6,799. At December 31, 2017, the Airport Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ -	\$ 132,892
Change of assumptions	<u>-</u>	<u>8,086</u>
 Totals	 <u>\$ -</u>	 <u>\$ 140,978</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending December 31,</u>	<u>Balance</u>
2018	\$ 15,664
2019	15,664
2020	15,664
2021	15,664
2022	15,664
Thereafter	<u>62,658</u>
	<u>\$ 140,978</u>

C. Pension Plan

Cost-Sharing Multiple-Employer Deferred Plans

Public Employees Retirement Fund

Plan Description

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

Retirement Benefits - Defined Benefit Pension

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

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

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

Contributions

Per Indiana Code, Title 5, Articles 10.2 and 10.3, contributions requirements of the active employees and the participating employers are established and may be amended by the INPRS Board based on recommendations by the INPRS actuary. The primary government is required to contribute at an actuarially determined rate; the current rate for calendar year 2017 is 11.20% percent of annual covered payroll. The annuity savings account consists of member's contributions, set by state statute at three percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member. The actuarial amount, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the PERF plan from the Airport were \$403,895 for the calendar year ended December 31, 2017.

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

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

At December 31, 2017, the Airport Authority reported a liability of \$2,698,788 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Airport Authority's proportion of the net pension liability was based on a projection of the Airport Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating units, actuarially determined. At June 30, 2017, the Airport Authority's proportion was .0006049%, which was a decrease of .0000366% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Airport Authority recognized pension expense of \$162,549. At December 31, 2017, the Airport Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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(Continued)

ST. JOSEPH COUNTY AIRPORT AUTHORITY  
 NOTES TO THE FINANCIAL STATEMENTS  
 December 31, 2017

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 51,253	\$ 2,094
Net difference between projected and actual investment earnings on pension plan investments	426,901	135,308
Change of assumptions	43,331	-
Changes in proportion and difference between employer contributions and proportionate share contributions	79,882	137,543
Authority contributions subsequent to the measurement date	<u>203,302</u>	<u>-</u>
 Totals	 <u>\$ 804,669</u>	 <u>\$ 274,945</u>

\$203,302 reported as deferred outflows of resources related to pensions resulting from the Airport Authority's contributions subsequent to the measurement date will be recognized as pension expense in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Year Ended December 31,</u>
2018	\$ 136,277
2019	148,218
2020	56,445
2021	<u>(14,518)</u>
Total	<u>\$ 326,422</u>

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Asset valuation date:	June 30, 2017
Liability valuation date and method:	June 30, 2017 - Member census data as of June 30, 2016 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2016 and June 30, 2017. Standard actuarial roll forward techniques were then used to project the liability computed as of June 30, 2016 to the June 30, 2017 measurement date.
Actuarial cost method:	Entry age normal - level percent of payroll

(Continued)

ST. JOSEPH COUNTY AIRPORT AUTHORITY  
 NOTES TO THE FINANCIAL STATEMENTS  
 December 31, 2017

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Experience study date:	Computed April 2015 and reflects the experience period from July 1, 2010 to June 30, 2014
Investment rate of return:	6.75%
COLA:	1.0%
Future salary increases, including inflation:	2.50% - 4.25%
Inflation:	2.25%
Mortality - Healthy	RP-2014 Total Data Set Mortality Table, with Social Security Administration generational improvement scale from 2006
Mortality – Disabled	RP-2014 Disabled Mortality Table, with Social Security Administration generational improvement scale from 2006

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the four years ended June 30, 2014. The Study was performed in April 2015. There were no significant assumption changes for the measurement period ending June 30, 2017.

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

<u>Global Asset Class</u>	<u>Target Allocations</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	22.0%	4.9%
Private Equity	14.0%	5.7%
Fixed income - Ex inflation	20.0%	2.3%
Fixed income - inflation linked	7.0%	0.6%
Commodities	8.0%	2.2%
Real estate	7.0%	3.7%
Absolute return	10.0%	3.9%
Risk parity	12.0%	5.1%

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(Continued)

ST. JOSEPH COUNTY AIRPORT AUTHORITY  
 NOTES TO THE FINANCIAL STATEMENTS  
 December 31, 2017

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Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from units will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	<u>5.75%</u> <u>1% Decrease</u>	<u>6.75%</u> <u>Current Rate</u>	<u>7.75%</u> <u>1% Increase</u>
Net Pension Liability	\$ <u>3,936,073</u>	\$ <u>2,698,788</u>	\$ <u>1,670,259</u>

Pension Plan Fiduciary Net Position

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

[https://www.in.gov/inprs/files/2017\\_INPRSCAFRBookWeb.pdf](https://www.in.gov/inprs/files/2017_INPRSCAFRBookWeb.pdf)  
<https://www.in.gov/inprs/files/2017PERFActuarialReport.pdf>

D. Passenger Facility Charge

Effective November 1, 1994, a Passenger Facility Charge (PFC) of \$3.00 per ticket was implemented by the approval of the Federal Aviation Administration (FAA) and the Airport Authority. Effective July 1, 2011, the Passenger Facility Charge was increased to \$4.50 per ticket. The revenues are to be used to repay the debt service on the 2011 and 2012 bond issues, and for any other purposes allowed by the FAA and the Airport Authority Board. During 2017 the Airport Authority earned \$1,248,978 from 31 separate airlines. The Airport Authority is authorized to receive a maximum of \$40,172,802. As of December 31, 2017, the Airport Authority has earned a total of \$26,940,300

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(Continued)

ST. JOSEPH COUNTY AIRPORT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2017

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E. Change in Accounting Principle/Equity Adjustment

The Airport Authority elected to early implement the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As such, beginning net position was restated as the previously reported OPEB obligation was replaced with the beginning total OPEB liability. In addition, in 2017 it was determined that the Airport Authority was recognizing grant revenues on a cash basis. As such, the Airport Authority has corrected the recognition to an accrual basis, resulting in a restatement of net position at January 1, 2017 in the amount of \$1,157,694. The effects of these changes on net position were:

Net position as previously reported	\$ 87,646,012
Grant revenue adjustment	1,157,694
Change in accounting principle	<u>(66,143)</u>
Net position as restated	<u>\$ 88,737,563</u>

F. Leases

The Airport Authority leases space in the St. Joseph County Airport terminal along with other land and buildings on a fixed fee as well as a contingent rental basis. Many of the leases provide for a periodic review and adjustment of the rental amounts. Substantially all capital assets are held by the Airport Authority for the purpose of rental or related use.

Minimum future rentals on noncancelable operating leases to be received in each of the next five years and thereafter as of December 31, 2017 are as follows:

2018	\$ 1,292,420
2019	911,132
2020	618,358
2021	544,526
2022	452,370
Thereafter	<u>1,933,135</u>
	<u>\$ 5,751,941</u>

The Airport Authority has entered into an Agreement and Lease of Premises (Airline Agreement) with certain passenger, charter and cargo airlines serving the airport (collectively, the Signatory Airlines). Other airlines operate under an airport use permit that generally has a term of no more than two years. The Airline Agreement's residual rate-making features are designed to ensure that the Airport Authority's debt service and related coverage obligations will be met. The Airline Agreement authorizes the Airport Authority to implement new fees and charges as necessary. In the event of an airline bankruptcy, the Airport Authority may adjust the rates and charges for all Signatory Airlines in the current rate period to recover the rates and charges due from the bankrupt carrier. However, there can be no assurance that such other airlines will be financially able to absorb the additional costs. Rental rates under these agreements are determined annually.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Proportion of the net pension liability	0.06049%	0.06415%	0.05773%	0.06523%	0.06471%	N/A	N/A	N/A	N/A	N/A
Proportionate share of the net pension liability	\$ 2,698,788	\$ 2,911,412	\$ 2,351,286	\$ 1,714,202	\$ 2,216,369	N/A	N/A	N/A	N/A	N/A
Covered payroll	\$ 3,001,187	\$ 3,074,236	\$ 2,765,233	\$ 3,184,649	\$ 3,106,966	N/A	N/A	N/A	N/A	N/A
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	89.9%	94.7%	85.0%	53.8%	71.3%	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of total pension liability	76.6%	75.3%	77.3%	84.3%	78.8%	N/A	N/A	N/A	N/A	N/A

N/A - information not available

Note: Each year's information is reported as of the plan year end of June 30, which is used to report for the Airport Authority's fiscal year end of December 31.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contributions	\$ 336,133	\$ 344,314	\$ 309,706	\$ 322,365	\$ 337,399	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	<u>(403,895)</u>	<u>(441,714)</u>	<u>(422,505)</u>	<u>(322,365)</u>	<u>(337,399)</u>	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	<u>\$ (67,762)</u>	<u>\$ (97,400)</u>	<u>\$ (112,799)</u>	<u>\$ -</u>	<u>\$ -</u>	N/A	N/A	N/A	N/A	N/A
Covered payroll	\$ 3,001,187	\$ 3,074,236	\$ 2,765,233	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	13.46%	14.37%	15.28%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

N/A - information not available

**ST. JOSEPH COUNTY AIRPORT AUTHORITY  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS  
Single Employer Defined Benefit OPEB Plan  
Last 10 Fiscal Years**

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	<u>2017</u>
<b>Total OPEB liability</b>	
Service cost	\$ 13,576
Interest	8,887
Changes of benefit terms	-
Differences between expected and actual experience	(147,658)
Changes of assumptions	(8,984)
Benefit payments	-
Net change in total OPEB liability	<u>(134,179)</u>
Total OPEB liability - beginning	<u>233,235</u>
Total OPEB liability - ending	<u>\$ 99,056</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0%
Covered payroll	\$ 2,892,120
Total OPEB liability as a percentage of covered payroll	3.4%

**Note: Fiscal year 2017 was the 1st year of implementation, therefore only one year is shown.**

**ST. JOSEPH COUNTY AIRPORT AUTHORITY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**Year Ended December 31, 2017**

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**Public Employees' Retirement Fund**

A. Plan Amendments

There were no plan amendments during the fiscal year.

B. Assumption Changes

There were no assumption changes in the fiscal year.

**Single Employer Defined Benefit OPEB Plan**

A. Plan Amendments

There were no plan amendments during the fiscal year.

B. Assumption Changes

The following assumptions were changed during the fiscal year:

The actuarial cost method has been updated from Projected Unit Credit with linear proration to decrement to Entry Age Normal Level % of Salary. This change has caused a decrease in liabilities for the Airport Authority.

The salary scale assumption has been updated from a flat 3.0% per year to the INPRS tables as of June 30, 2016. This caused a decrease in liabilities.

Discount rate as of the Measurement Date has been updated to be based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale) tax-exempt, high quality 20-year municipal bonds. The prior full valuation used a discount rate of 4.5%. The current full valuation uses a discount rate of 3.81% as of January 1, 2017 and 3.56% as of December 31, 2017. This change has caused an increase in liabilities.

Mortality table has been updated from RP-2014 Mortality Table fully generational using Scale MP-2014 to SOA RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017. The impact of this change is a decrease in liabilities.

Retirement rates have been updated to be based on the PERS actuarial valuation assumptions as of June 30, 2015. The impact of this change is a decrease in liabilities.

Health care trend rates have been reset to an initial rate of 9.0% decreasing by 0.5% annually to an ultimate rate of 5.0%. This change caused an increase in liabilities for the Airport Authority.

**ST. JOSEPH COUNTY AIRPORT AUTHORITY  
SUPPLEMENTAL FINANCIAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
Year Ended December 31, 2017**

	Budgeted Amounts - Original & Final	Actual Budgetary Basis Amounts	Variance With Final Budget
<b>Revenues:</b>			
Airfield	\$ 733,433	\$ 445,818	\$ (287,615)
Terminal - aviation	1,501,725	1,679,980	178,255
Terminal - non-aviation	175,912	189,186	13,274
Concessions	1,339,482	1,398,926	59,444
Parking	2,657,400	2,552,315	(105,085)
Fixed based operations	450,425	532,958	82,533
Building and land rent	276,242	624,331	348,089
Other	-	13,000	13,000
Total revenues	<u>7,134,619</u>	<u>7,436,514</u>	<u>301,895</u>
<b>Expenses:</b>			
Personal services	5,358,496	4,830,142	528,354
Supplies	730,830	715,758	15,072
Other services and charges	10,515,691	3,555,030	6,960,661
Total operating expenses	<u>16,605,017</u>	<u>9,100,930</u>	<u>7,504,087</u>
<b>Debt service:</b>			
Other services and charges	<u>1,715,400</u>	<u>1,715,222</u>	<u>178</u>
Total expenses	<u>18,320,417</u>	<u>10,816,152</u>	<u>7,504,265</u>
<b>Other financing sources (uses):</b>			
Property taxes	1,988,487	2,000,525	12,038
Other tax distributions	474,956	548,973	74,017
Interest income	5,150	144,914	139,764
Federal and state grants	10,009,205	1,395,314	(8,613,891)
Capital outlay	<u>(1,292,000)</u>	<u>(1,528,505)</u>	<u>(236,505)</u>
Total other financing sources (uses)	<u>11,185,798</u>	<u>2,561,221</u>	<u>(8,624,577)</u>
Deficiency of revenues and other financing sources under expenses and other financing uses	<u>\$ -</u>	<u>\$ (818,417)</u>	<u>\$ (818,417)</u>

**ST. JOSEPH COUNTY AIRPORT AUTHORITY  
SUPPLEMENTAL FINANCIAL INFORMATION  
BUDGET/GAAP RECONCILIATION  
Year Ended December 31, 2017**

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

- a. Revenues are recorded when received in cash (budgetary) as opposed to when earned (GAAP).
- b. Expenses are recorded when paid in cash (budgetary) as opposed to when incurred (GAAP).
- c. Encumbrances outstanding at year-end are recorded as expenses for budgetary purposes.
- d. Capital outlays are recorded as expenses when paid (budgetary) as opposed to additions to capital 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)	\$ (818,417)
Adjustments:	
Capital expenses	1,528,505
Depreciation	(3,284,883)
Amortization of deferred amount on refunding and bond premium	(18,578)
Debt payments	1,280,000
Capital contributions	1,202,597
Passenger facility charge revenue	1,248,795
Other non-operating revenue	115,035
Property management activity (net revenue)	449,526
Change in operating revenues receivable and unearned revenues	312,303
Change in intergovernmental receivable	(1,289,918)
Change in taxes receivable	(1,657)
Change in wages and benefits payable	45,883
Changes in payables and prepaid items	(6,745)
Net pension adjustment	162,549
Net OPEB adjustment	<u>6,799</u>
Change in net position (GAAP basis)	<u>\$ 931,794</u>

**ST. JOSEPH COUNTY AIRPORT AUTHORITY  
SUPPLEMENTAL FINANCIAL INFORMATION  
SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES  
Year Ended December 31, 2017**

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Cash balance, January 1	\$ 1,086,084
Receipts:	
Passenger facility charge collections	1,248,978
Interest	<u>19,488</u>
Total receipts	<u>1,268,466</u>
Disbursements:	
Transfer to bond and interest fund	<u>-</u>
Cash balance, December 31	<u>\$ 2,354,550</u>

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating revenues:										
Airport service revenues:										
Airfield	\$ 758,121	\$ 765,204	\$ 716,108	\$ 669,881	\$ 665,933	\$ 605,636	\$ 606,890	\$ 605,210	\$ 601,768	\$ 688,895
Terminal - aviation	1,679,980	1,597,758	1,525,343	1,466,228	1,276,000	1,277,222	1,250,254	1,225,171	1,219,103	1,272,818
Terminal - nonaviation	189,186	142,353	115,954	128,179	105,434	108,390	128,043	111,226	129,513	146,078
Concessions	1,398,926	1,436,479	1,390,394	1,288,817	1,211,590	1,097,687	1,093,471	1,069,131	1,056,991	1,087,047
Parking	2,552,315	2,680,569	2,551,298	2,435,889	2,463,750	2,198,722	2,191,557	2,207,040	2,037,467	2,547,340
Fixed based operations	532,958	502,448	425,101	386,809	381,546	358,468	347,090	408,748	407,000	383,730
Building and land rent	624,331	477,983	311,083	409,037	308,721	247,731	134,509	243,613	321,511	226,897
Airport service revenues - total	<u>7,735,817</u>	<u>7,602,794</u>	<u>7,035,281</u>	<u>6,784,840</u>	<u>6,412,974</u>	<u>5,893,856</u>	<u>5,751,814</u>	<u>5,870,139</u>	<u>5,773,353</u>	<u>6,352,805</u>
Other	13,000	13,000	3,000	4,000	3,000	12,367	12,625	12,039	10,619	116,289
Total operating revenues	<u>7,748,817</u>	<u>7,615,794</u>	<u>7,038,281</u>	<u>6,788,840</u>	<u>6,415,974</u>	<u>5,906,223</u>	<u>5,764,439</u>	<u>5,882,178</u>	<u>5,783,972</u>	<u>6,469,094</u>
Nonoperating revenues:										
Property taxes	1,998,868	2,527,146	2,256,861	2,208,451	2,242,282	2,320,303	1,765,272	2,997,689	2,702,107	2,909,741
Other tax distributions	548,973	710,580	509,765	493,925	461,683	446,283	535,170	620,426	836,637	618,671
Interest and investment revenue	144,914	19,554	9,963	12,203	15,634	18,986	16,139	15,517	61,882	277,387
Property management revenue	449,526	526,419	281,952	242,757	244,898	227,126	257,154	273,942	328,987	295,774
Federal operating grant	105,396	112,226	12,098	238,490	692,138	101,303	144,568	148,565	-	-
Gain on disposal of assets	-	-	-	56,402	-	-	-	-	-	65,717
Other revenue	115,035	49,614	310,005	84,670	50,545	32,921	41,072	101,332	122,378	405,017
Total nonoperating revenues	<u>3,362,712</u>	<u>3,945,539</u>	<u>3,380,644</u>	<u>3,336,898</u>	<u>3,707,180</u>	<u>3,146,922</u>	<u>2,759,375</u>	<u>4,157,471</u>	<u>4,051,991</u>	<u>4,572,307</u>
Total revenue	<u>\$ 11,111,529</u>	<u>\$ 11,561,333</u>	<u>\$ 10,418,925</u>	<u>\$ 10,125,738</u>	<u>\$ 10,123,154</u>	<u>\$ 9,053,145</u>	<u>\$ 8,523,814</u>	<u>\$ 10,039,649</u>	<u>\$ 9,835,963</u>	<u>\$ 11,041,401</u>

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating expenses:										
Personal services	\$ 4,614,911	\$ 4,777,184	\$ 4,929,934	\$ 4,554,567	\$ 4,983,555	\$ 5,050,210	\$ 4,871,475	\$ 4,884,509	\$ 4,810,162	\$ 4,884,616
Supplies	722,503	665,317	736,469	702,877	756,976	623,858	642,682	586,715	808,565	732,590
Other services and charges	3,555,030	2,660,041	3,290,097	2,243,370	3,189,233	2,454,909	2,880,312	2,116,199	3,134,908	3,074,743
Depreciation	3,284,883	3,405,519	3,208,875	3,198,452	3,398,840	3,347,686	3,611,684	3,667,220	3,630,659	3,090,620
Total operating expenses	<u>12,177,327</u>	<u>11,508,061</u>	<u>12,165,375</u>	<u>10,699,266</u>	<u>12,328,604</u>	<u>11,476,663</u>	<u>12,006,153</u>	<u>11,254,643</u>	<u>12,384,294</u>	<u>11,782,569</u>
Nonoperating expenses:										
Interest expense	435,222	465,836	467,639	487,856	503,345	631,215	607,514	614,347	675,362	727,662
Property management expense	-	-	150,541	199,801	186,036	192,996	200,666	222,493	257,044	209,198
Loss on change in capital asset policy	-	-	-	-	-	-	-	590,321	-	-
Loss on disposal of capital assets	-	-	1,055,552	69,948	-	152,751	-	392,349	-	-
Bond issuance costs	-	-	-	-	-	158,849	-	-	-	-
Amortization expense	18,578	17,728	79,399	575	-	1,277	9,083	14,628	14,628	14,628
Total nonoperating expenses	<u>453,800</u>	<u>483,564</u>	<u>1,753,131</u>	<u>758,180</u>	<u>689,381</u>	<u>1,137,088</u>	<u>817,263</u>	<u>1,834,138</u>	<u>947,034</u>	<u>951,488</u>
Total expenses	<u>12,631,127</u>	<u>11,991,625</u>	<u>13,918,506</u>	<u>11,457,446</u>	<u>13,017,985</u>	<u>12,613,751</u>	<u>12,823,416</u>	<u>13,088,781</u>	<u>13,331,328</u>	<u>12,734,057</u>
Income before contributions	<u>(1,519,598)</u>	<u>(430,292)</u>	<u>(3,499,581)</u>	<u>(1,331,708)</u>	<u>(2,894,831)</u>	<u>(3,560,606)</u>	<u>(4,299,602)</u>	<u>(3,049,132)</u>	<u>(349,365)</u>	<u>(1,692,656)</u>
Capital contributions	1,202,597	6,939,705	4,499,206	1,752,133	35,157	3,274,595	3,909,443	7,313,647	834,428	4,036,643
Passenger facility charge revenue	1,248,795	1,395,957	1,291,355	1,287,426	1,341,898	1,227,862	1,007,280	835,884	820,664	960,513
Capital assets donated to County government	-	-	-	(1,552,241)	(5,004,377)	-	-	(8,999,393)	-	-
Total contributions	<u>2,451,392</u>	<u>8,335,662</u>	<u>5,790,561</u>	<u>1,487,318</u>	<u>(3,627,322)</u>	<u>4,502,457</u>	<u>4,916,723</u>	<u>(849,862)</u>	<u>1,655,092</u>	<u>4,997,156</u>
Change in net position	<u>931,794</u>	<u>7,905,370</u>	<u>2,290,980</u>	<u>155,610</u>	<u>(6,522,153)</u>	<u>941,851</u>	<u>617,121</u>	<u>(3,898,994)</u>	<u>1,305,727</u>	<u>3,304,500</u>
Total net position - beginning	87,646,012	79,740,642	79,036,256	78,713,318	85,235,471	84,872,581	84,255,461	88,154,455	89,994,728	86,690,228
Total net position - adjustments	1,091,551	-	(1,586,595)	167,329	-	(578,961)	-	-	-	-
Total net position - ending	<u>\$ 89,669,357</u>	<u>\$ 87,646,012</u>	<u>\$ 79,740,641</u>	<u>\$ 79,036,257</u>	<u>\$ 78,713,318</u>	<u>\$ 85,235,471</u>	<u>\$ 84,872,582</u>	<u>\$ 84,255,461</u>	<u>\$ 91,300,455</u>	<u>\$ 89,994,728</u>

**ST. JOSEPH COUNTY AIRPORT AUTHORITY  
 ASSESSED VALUE OF TAXABLE PROPERTY (ST. JOSEPH COUNTY)  
 LAST TEN FISCAL YEARS**

<b>Year</b>	<b>Real Property Assessed Value</b>	<b>Personal Property Assessed Value</b>	<b>Total Direct Tax Rate</b>	<b>Total Assessed Value</b>
2017	\$ 6,892,445,603	\$ 1,308,757,421	0.0436	\$ 8,201,203,024
2016	6,964,917,748	1,297,718,622	0.0423	8,262,636,370
2015	8,024,367,267	1,252,802,776	0.0338	9,277,170,043
2014	6,344,717,735	1,169,480,507	0.0345	7,514,198,242
2013	6,533,399,996	1,137,751,791	0.0330	7,671,151,787
2012	6,882,357,309	1,117,519,859	0.0309	7,999,877,168
2011	7,291,197,519	846,299,712	0.0297	8,137,497,231
2010	7,255,034,884	1,161,736,880	0.0342	8,416,771,764
2009	7,407,382,632	998,084,354	0.0353	8,405,466,986
2008	8,914,568,570	1,050,299,685	0.0292	9,964,868,255

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

**ST. JOSEPH COUNTY AIRPORT AUTHORITY  
PROPERTY TAX RATES - DIRECT - PER \$100 OF ASSESSED VALUE  
LAST TEN FISCAL YEARS**

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Year	Airport General	Airport Cumulative Building	Airport Debt Service	Total Assessed Value
2017	\$ 0.0254	\$ 0.0031	\$ 0.0151	\$ 0.0436
2016	0.0312	0.0032	0.0079	0.0423
2015	0.0306	0.0032	-	0.0338
2014	0.0312	0.0033	-	0.0345
2013	0.0297	0.0033	-	0.0330
2012	0.0277	0.0032	-	0.0309
2011	0.0264	0.0033	-	0.0297
2010	0.0249	0.0020	0.0073	0.0342
2009	0.0241	0.0092	0.0020	0.0353
2008	0.0195	0.0020	0.0077	0.0292

Source: St. Joseph County Auditor

**ST. JOSEPH COUNTY AIRPORT AUTHORITY  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST SIX FISCAL YEARS**

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<b>Year</b>	<b>Certified Levy (1)</b>	<b>Collections During the Year</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>
2017	\$ 2,337,343	\$ 1,998,868	85.52%
2016	2,719,925	2,527,156	92.91%
2015	2,658,035	2,256,861	84.91%
2014	2,592,399	2,208,451	85.19%
2013	2,531,480	2,151,294	84.98%
2012	2,471,962	2,198,324	88.93%

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

*Independent Auditors' Report on Compliance  
for Each Major Federal Program and on Internal Control  
Over Compliance Required by the Uniform Guidance*

Board of Directors  
St. Joseph County Airport Authority

### **Report on Compliance for Each Major Federal Program**

We have audited St. Joseph County Airport Authority's (the Airport Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Airport Authority's major federal programs for the year ended December 31, 2017. The Airport Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

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

#### ***Auditors' Responsibility***

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

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

### ***Basis for Qualified Opinion on the Airport Improvement Program***

As described in the accompanying schedule of findings and questioned costs, the Airport Authority did not comply with requirements regarding CFDA 20.106 Airport Improvement Program as described in finding number 2017-002 for Special Tests and Provisions – Wage Rate Requirements. Compliance with this requirements is necessary, in our opinion, for the Airport Authority to comply with requirements applicable to that program.

### ***Qualified Opinion on Each Major Federal Program***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Airport Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

### ***Other Matters***

The results of our auditing procedures disclosed another instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2017-003. Our opinion on each major federal program is not modified with respect to these matters.

The Airport Authority's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Airport Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and another we consider to be a significant deficiency.

*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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-002 to be a material weakness.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-003 to be a significant deficiency.

The Airport Authority's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Airport Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

*Katz, Sapper & Miller, LLP*

Indianapolis, Indiana  
January 21, 2019

**ST. JOSEPH COUNTY AIRPORT AUTHORITY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended December 31, 2017**

	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Program or Award Amount</u>	<u>Amount Provided to Subrecipients</u>	<u>Total Federal Expenditures</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>					
Airport Improvement Program	20.106	03-18-0079-050-2014	\$ 1,987,953	\$ -	\$ 1,360,395
		03-18-0079-049-2014	2,398,022	-	278,338
		03-18-0079-046-2014	5,618,980	-	541,156
		03-18-0079-045-2014	2,428,899	-	77,747
				<u>-</u>	<u>2,257,636</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>					
Law Enforcement Officer Reimbursement Agreement Program	97.090	HSTS02-16-H-SLR911	143,656	<u>-</u>	<u>128,994</u>
				<u>\$ -</u>	<u>\$ 2,386,630</u>

ST. JOSEPH COUNTY AIRPORT AUTHORITY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
December 31, 2017

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**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of St. Joseph County Airport Authority (the Airport Authority) for the year ended December 31, 2017. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Airport Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Airport Authority.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Expenditures** reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles in Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Expenditures are included in the Schedule when the reimbursement is received from the awarding agency.

**NOTE 3 - INDIRECT COST RATE**

The Airport Authority has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

ST. JOSEPH COUNTY AIRPORT AUTHORITY  
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 December 31, 2017

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**SECTION I – Summary of Auditors’ Results**

*Financial Statements*

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?   ✓   yes        no
- Significant deficiency(ies)?        yes   ✓   none reported

Noncompliance material to financial statements noted?        yes   ✓   no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?   ✓   yes        no
- Significant deficiency(ies)?   ✓   yes        none reported

Type of auditors’ report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?   ✓   yes        no

Identification of major programs:

CFDA Number	Agency	Title
20.106	U.S. Department of Transportation	Airport Improvement Program

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?        yes   ✓   no

**SECTION II – Financial Statement Findings**

**2017-001 Material Weakness in Internal Control over Financial Reporting**

*Criteria:* Adequate internal controls should be in place to mitigate the risk of material misstatements.

*Condition and Context:* An effective internal control system was not in place at the Airport Authority over the financial close and reporting process. There were no controls to ensure that the federal and state grant income was being tracked in conformance with generally accepted accounting principles. This resulted in a material correcting entry.

*Cause and Effect:* Management of the Airport Authority had not established a proper system of internal control. The failure to establish controls could have enabled material misstatements to remain undetected.

*Identification of Repeat Finding:* This finding is a repeat of finding 2016-001 and 2015-001.

*Recommendation:* We recommend that the Airport Authority's management establish controls to ensure that accounting records were properly closed and that the financial activity in the records are accurately reflected in the financial statements.

*Views of Responsible Officials:* Management agrees with the finding and recommendation.

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

**U.S. DEPARTMENT OF TRANSPORTATION**

**2017-002 Airport Improvement Program – CFDA #20.106**

**Material Weakness in Internal Control Over Compliance and Noncompliance – Special Tests and Provisions – Wage Rate Requirements**

*Criteria:* Title 2 U.S. Code of Federal Regulations Part 176, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, subsection 200.303 states:

“The non-federal entity must:

- (a) Establish and maintain effective internal control over Federal award that provides reasonable assurance that the non-federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the federal award.”

Title 2 U.S. Code of Federal Regulations Part 200, *Wage Rate Requirements Under Section 1606 of the American Recovery and Reinvestment Act of 2009*, subsection 190 states:

- (a) “Section 1606 of the Recovery Act requires that all laborers and mechanics employed by contractors and subcontractors on projects funded directly by or assisted in whole or in part by and through the Federal Government pursuant to the Recovery Act shall be paid wages at rates not less than those prevailing on projects of a character similar in the locality as determined by the Secretary of Labor in accordance with subchapter IV of chapter 31 of title 40, United States Code.

ST. JOSEPH COUNTY AIRPORT AUTHORITY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
December 31, 2017

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Pursuant to Reorganization Plan No. 14 and the Copeland Act, 40 U.S.C. 3145, the Department of Labor has issued regulations at 29 CFR parts 1, 3, and 5 to implement the Davis-Bacon and related Acts. Regulations in 29 CFR 5.5 instruct agencies concerning application of the standard Davis-Bacon contract clauses set forth in that section. Federal agencies providing grants, cooperative agreements, and loans under the Recovery Act shall ensure that the standard Davis-Bacon contract clauses found in 29 CFR 5.5(a) are incorporated in any resultant covered contracts that are in excess of \$2,000 for construction, alteration or repair (including painting and decorating.”

*Condition and Context:* The Airport Authority did not have controls in place to ensure compliance with wage rate requirements as outlined in Title 2 *U.S. Code of Federal Regulations* Part 176, *Wage Rate Requirements Under Section 1606 of the American Recovery and Reinvestment Act of 2009*, subsection 190. The lack of controls was systemic issue, occurring throughout the audit period.

*Cause and Effect:* The Airport Authority had not established an effective internal control structure to ensure compliance with the grant agreement and the Special Tests and Provisions – Wage Rate requirements compliance requirement. The failure to establish an effective internal control system resulted in the Airport Authority lacking evidence of compliance with the wage rate requirements, including not being able to prove that the wage rate requirements were included in the contracts for one of the three contractors used during the period under audit. It also resulted in the Airport Authority not being able to find certified payrolls for two of the three contractors used during the period under audit.

*Identification of Repeat Finding:* This finding is a repeat of finding 2016-003.

*Recommendation:* We recommend that the Airport Authority’s management establish controls to ensure compliance with the Special Tests and provisions – Wage Rate Requirements compliance requirement.

*Views of Responsible Officials:* Management agrees with the finding and recommendation.

#### **2017-003 Airport Improvement Program – CFDA #20.106**

##### **Significant Deficiency in Internal Control Over Compliance and Noncompliance – Written Policies**

*Criteria:* Uniform Guidance requires non-Federal entities receiving Federal funds to have certain written policies, procedures, and standards of conduct (policies) in place.

*Condition and Context:* The Airport Authority did not have the written policies in place in accordance with §200.302 Financial Management paragraphs (b)(6) and (b)(7), §200.305 Payment paragraph (b), and §200.400.31 Compensation – Fringe Benefits paragraphs (g)(6) and (h)(6).

*Cause and Effect:* As the policies referenced above were not written, the Airport Authority is not in compliance with the requirements to have these written policies.

*Recommendation:* We recommend the policies in accordance with §200.302 Financial Management paragraphs (b)(6) and (b)(7), §200.305 Payment paragraph (b), and §200.400.31 Compensation – Fringe Benefits paragraphs (g)(6) and (h)(6) be written by the Airport Authority, approved by the Board of Directors and included in the permanent files of the Airport Authority.

*Views of Responsible Officials:* Management agrees with the finding and recommendation.

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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended December 31, 2017**

**Financial Statement Findings**

***Finding 2016-001***

Subject: Internal Controls Over Financial Transactions and Reporting  
Audit Finding: Material Weakness

*Condition:* An effective internal control system was not in place at the Authority over the financial close and reporting process. There were no controls to ensure that the accounting records were properly closed and that the financial activity in the records was accurately reflected in the financial statements prepared by a consultant.

*Recommendation:* The auditors recommended that the Authority’s management establish controls to ensure that accounting records were properly closed and that the financial activity in the records are accurately reflected in the financial statements.

*Current Status:* The recommendation has not been implemented. A repeat finding was issued at 2017-001.

***Finding 2015-001***

Subject: Internal Controls Over Financial Transactions and Reporting  
Audit Finding: Material Weakness

The discussion for Finding 2016-001 also applies to this finding.

**Federal Award Findings and Questioned Costs**

**Department of Transportation**

***Finding 2016-002***

Subject: Airport Improvement Program – Procurement and Suspension and Debarment  
CFDA Number and Federal Program: 20.106 Airport Improvement Program  
Federal Award Numbers and Years: AIP 03-18-0079-048-2014  
AIP 03-18-0079-049-2014

Compliance Requirement: Procurement and Suspension and Debarment  
Audit Finding: Material Weakness, Other Matters

### **Federal Award Findings and Questioned Costs (Continued)**

*Condition:* An effective internal control system was not in place at the Authority in order to ensure compliance with requirements related to the grant agreement and the Suspension and Debarment requirements of the Procurement and Suspension and Debarment compliance requirement. There were no controls in place to ensure that procedures to ensure that all vendors were not suspended or debarred or otherwise excluded from participation in federal assistance programs were performed timely.

*Recommendation:* The auditors recommended that the Authority's management establish controls to ensure compliance and to comply with the Procurement and Suspension and Debarment compliance requirement.

*Current Status:* The recommendation has not been implemented. A repeat finding was issued at 2017-002.

#### ***Finding 2016-003***

Subject: Airport Improvement Program – Special Tests and Provisions – Wage Rate Requirements

CFDA Number and Federal Program: 20.106 Airport Improvement Program

Federal Award Numbers and Years:           AIP 03-18-0079-046-2014  
  AIP 03-18-0079-047-2014  
  AIP 03-18-0079-048-2014  
  AIP 03-18-0079-049-2014

Compliance Requirement: Special Tests and Provisions – Wage Rate Requirements  
Audit Finding: Material Weakness

*Condition:* An effective internal control system was not in place at the Authority in order to ensure compliance with grant agreement and the Special Tests and Provisions – Wage Rate Requirements compliance requirement.

The Authority hired a consultant to administer all of its grants. The consultant received certified payrolls from the contractors/subcontracts and forwarded them to an Authority employee who was on military leave. The Authority was not able to provide copies of the certified payroll reports for audit. Certified payrolls were provided by the consultant; however, there was no evidence to indicate that the Authority had implemented procedures to ensure that the consultant had adequately verified compliance.

*Recommendation:* We recommend that the Authority's management establish controls to ensure compliance with the Special Tests and Provisions – Wage and Rate Requirements compliance requirement.

*Current Status:* The recommendation has not been implemented. A repeat finding was issued at 2017-003.



**CORRECTIVE ACTION PLAN  
Year Ended December 31, 2017**

U.S. Department of Transportation

St. Joseph County Airport Authority respectively submits the following corrective action plan for the year ended December 31, 2017.

Name and address of independent public accounting firm:

Katz, Sapper & Miller, LLP  
800 East 96<sup>th</sup> Street, Suite 500  
Indianapolis, IN 46240

Audit period: Year ended December 31, 2017

The findings from the schedule of findings and questioned costs for the year ended December 31, 2017, are discussed below. The findings are numbered consistently with the numbers assigned in the Schedule.

**SECTION II – Financial Statement Findings**

**2017-01 Material Weakness in Internal Control over Financial Reporting**

*Recommendation:* We recommend that the Airport Authority's management establish controls to ensure that accounting records were properly closed and that the financial activity in the records are accurately reflected in the financial statements.

**Views of Responsible Officials:** We concur with the finding.

**Description of Corrective Action Plan:**

The Authority currently has an internal controls guide. In order to improve this process, an evaluation of the Airport Authority's system of internal control has been conducted related to the year-end accounting process. An additional step has been created which establishes a year end checklist for the Airport Authority's accounting staff. This checklist incorporates an already existing annual reporting requirements listing. In addition, both reports will be reviewed monthly during routine staff meetings to ensure all necessary actions are being taken and deadlines are being met. A final step in revenue recognition will be taken to review future federal awards and ensure the revenue and expenses are booked in the appropriate fiscal year. This additional step has been communicated to the applicable parties and will be fully implemented by year end 2018.

**Federal Awards Findings and Questioned Costs**

**2017-002 Airport Improvement Program – CFDA #20.106**

**Material Weakness in Internal Control Over Compliance and Noncompliance – Special Tests and Provisions – Wage Rate Requirements**

*Recommendation:* We recommend that the Airport Authority's management establish controls to ensure compliance with the Special Tests and provisions – Wage Rate Requirements compliance requirement.

**Views of Responsible Officials:** We concur with the finding.

**Description of Corrective Action Plan:**

The Authority currently has an internal controls guide. In order to improve this process, an evaluation of the Airport Authority's system of internal control has been conducted related to wage rate compliance. A new system was put in place in 2018 in that certified payroll reports are now being sent to the Airport Authority with a cover letter and signature page acknowledging the review and verification of the presented payroll reports by Airport Authority personnel. This additional step has been communicated to the applicable parties and is currently being followed in 2018 and going forward.

**2017-003 Airport Improvement Program – CFDA #20.106**

**Significant Deficiency in Internal Control Over Compliance and Noncompliance – Written Policies**

*Recommendation:* We recommend the policies in accordance with §200.302 Financial Management paragraphs (b)(6) and (b)(7), §200.305 Payment paragraph (b), and §200.400.31 Compensation – Fringe Benefits paragraphs (g)(6) and (h)(6) be written by the Airport Authority, approved by the Board of Directors and included in the permanent files of the Airport Authority.

**Views of Responsible Officials:** We concur with the finding.

**Description of Corrective Action Plan:**

The Authority will work with both our consultant the independent audit firm to gain a complete understanding of this requirement and instill Board approved written policies in accordance with the noted requirements.

If the U.S. Department of Transportation has questions regarding this plan, please call Aaron Kobb at (574)-282-4590 ext 223.

Regards,



Aaron Kobb, Vice President of Finance

ST. JOSEPH COUNTY AIRPORT AUTHORITY  
OTHER REPORTS  
December 31, 2017

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