



STATE OF INDIANA
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STATE BOARD OF ACCOUNTS
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October 28, 2021

To: The Officials of the St. Joseph County Airport Authority
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 the St. Joseph County Airport Authority. We have reviewed the audit report opined upon by Katz, Sapper & Miller, LLP, Independent Public Accountants, for the period January 1, 2020 to December 31, 2020. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of the St. Joseph County Airport Authority as of December 31, 2020, and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the finding included in the report on page 66. Please see the Schedule of Findings and Questioned Costs for complete details related to the finding. Management's Corrective Action Plan appears on page 68.

In our opinion, Katz, Sapper & Miller, LLP 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 the St. Joseph County 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.

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

ST. JOSEPH COUNTY AIRPORT AUTHORITY

ANNUAL FINANCIAL REPORT

For the fiscal year ended December 31, 2020

ST. JOSEPH COUNTY AIRPORT AUTHORITY

ANNUAL FINANCIAL REPORT
For the fiscal year ended December 31, 2020

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ST. JOSEPH COUNTY AIRPORT AUTHORITY

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September 29, 2021

To the Members of the Board:

The Annual Financial Report of the St. Joseph County Airport Authority for the fiscal year ended December 31, 2020, 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, and the Indiana State Board of Accounts.

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

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

THE REPORTING ENTITY

The St. Joseph County Airport Authority (the "Airport Authority") is a municipal corporation established January 1, 1974, by the St. Joseph County, Indiana, Council, under authority granted by Indiana Statute (I.C. 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. Findings regarding federal projects are reported to the Federal Aviation Administration. All financial data is available to the public.

Respectfully submitted,



Mr. Aaron M. Kobb
Vice President of Finance

ST. JOSEPH COUNTY AIRPORT AUTHORITY
 SOUTH BEND INTERNATIONAL AIRPORT
 2020 OFFICIALS

Office	Official	Year Appointed	Term Expires
President	Dr. Bernard J. Asdell	2013	12/31/2023
Vice President	Mr. Thomas S. Botkin	2007	12/31/2022
Treasurer/Asst. Secretary	Mr. Abraham Marcus	2010	12/31/2021
Secretary	Mr. David R. Sage	1991	12/31/2024
CEO & Executive Director/Assistant Treasurer	Mr. Michael A Daigle, A.A.E.		

Independent Auditors' Report

Board of Directors
St. Joseph County Airport Authority

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, 2020, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2020, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 11 through 24 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 48 through 51 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, and schedule of expenditures of passenger facility charges as specified by the *Passenger Facility Charge Audit Guide for Public Agencies* issued by the Federal Aviation Administration, on pages 52 through 54 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 55 through 59 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2021, 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 solely 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
September 30, 2021

*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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the St. Joseph County Airport Authority (the Airport Authority), component unit of St. Joseph County, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Airport Authority's basic financial statements, and have issued our report thereon dated September 30, 2021.

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) as a basis for designing 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Airport Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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
September 30, 2021

ST. JOSEPH COUNTY AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020

This Management Discussion and Analysis (MD&A) provides an introduction to the major activities affecting the operations of the South Bend International Airport (SBN) 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, 2020. The information contained in this MD&A should be considered in conjunction with the information contained in the Letter of Transmittal included in the Introduction Section and various historical summaries of activities and financial performance included in the Trend and Compliance Sections of this report.

Following this MD&A are the basic financial statements of the Airport Authority together with the notes thereto, which are essential to a full understanding of the data contained in the financial statements. In addition to the basic financial statements and accompanying notes, this section also presents certain Required Supplementary Information (R.S.I.). The R.S.I. is followed by Supplemental Financial Information, which includes budgetary comparison schedules, a reconciliation of our budget to Generally Accepted Accounting Principles (G.A.A.P.), and a schedule of expenditures of Passenger Facilities Charges.

AIRPORT ACTIVITIES & HIGHLIGHTS

2020 was an unprecedented year. The Airport began the year with American Airlines, Allegiant Travel Company, Delta Air Lines, and United Airlines providing nonstop flights to 13 destinations: Atlanta, Charlotte, Chicago, Dallas/Fort Worth, Detroit, Las Vegas, Minneapolis, New York City/Newark, Orlando/Sanford, Phoenix/Mesa, Fort Myers/Punta Gorda, Sarasota/Bradenton and Tampa/St. Petersburg with connections world-wide.

January and February continued the two-year trend of double-digit growth with year-over-year enplanements up 13.27% and 14.14% respectively. In March 2020, like all airports nationwide, we began to see the impacts of the COVID-19 pandemic. This coincided with Indiana Governor Holcomb's executive order signed on March 16 prohibiting restaurants from serving patrons in-house and limited large gatherings. Air travelers began cancelling upcoming trips during the traditionally busy Spring Break season. TSA throughput bottomed-out the week of April 13 with just 540 people passing through SBN's security checkpoint. In April 2020, SBN saw just 1488 enplanements; a year-over-year decrease of 95.51%.

Airlines cancelled flights, adjusted schedules, and grounded aircraft. As a maintenance base for SkyWest Airlines, SBN saw nearly 30 aircraft parked on ramps. SBN retained some service on each of the four air carriers throughout the peak of the pandemic and the duration of the year. There was no more long-term planning for the airlines. Due to the constant change the pandemic brought about, the airlines finalized (cut) flight schedules just 30 days out. Many flights operated with just a few people on board. SBN remained open and operational at all times providing essential services to those that needed it.

The safety of every passenger, employee, and individual that visits SBN has always been, and always will remain, our top priority. As such, hand sanitizer stations were installed at each entrance and at each jet bridge; our custodial partners continued to follow the CDC's guidelines to regularly disinfect all surfaces focusing additional attention to high touch areas like handrails and bathrooms using EPA-approved products that are effective against COVID-19; signage on all entrance doors reminded individuals of the requirement to wear a face mask covering the nose and mouth; floor graphics were installed in common areas reminding individuals to socially distance 6 feet apart; and public address announcements were created to remind travelers to wear a face covering, socially distance, and wash hands or utilize hand sanitizer regularly.

(Continued)

ST. JOSEPH COUNTY AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020

Each month from May through October, there was a slight improvement of the number of people flying from South Bend. But, by November a second surge of COVID-19 had travelers canceling trips as there was renewed messaging nationally to stay home. Passenger traffic dipped in November. Year end 2020 enplanements were down 49.33% over 2019. This was better than the national average of -60%. Leisure travel made up the majority of people traveling from SBN.

The average one-way fare excluding taxes and fees for year end 2020 was \$145. This is down 28% over 2019. 2020 carrier shares were Allegiant 34%, American 27%, Delta 23%, and United 16%.

In addition to air travel, the Airport serves as the terminating stop for the South Shore inter-urban electric rail service (NICTD), which provides travel between South Bend and Downtown Chicago (Millennium Station). South Shore ridership ended 2020 down 65.04% with operations being down just 3.88%. Bus service was terminated at SBN in December 2019. RoyalZOOM signed a 90-day operating agreement to begin bus service on March 3, 2020 from SBN servicing stops along the Northwest Indiana and Chicagoland corridor, along with Chicago's O'Hare and Midway airports. The service quickly ceased on March 15, 2020 due to the pandemic's impact on travel and has yet to resume.

In 2020, the Airport continued to receive international aircraft arrivals through the General Aviation Facility (GAF) with reduced usage due to the pandemic's effect worldwide. The GAF is staffed with one full-time U.S. Customs and Border Protection (CBP) officer who processes each flight. CBP allowed SBN to pause GAF activity in third quarter. In 2020, 41 GAF flights were processed. This is a year over year reduction of 69.63%. Historically, 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.

Below outlines the Airport Authority 2020 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.

(Continued)

ST. JOSEPH COUNTY AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020

2020 COMPOSITE STATISTIC CHART



	Airline Enplanements					Aircraft Landed Weight					Air Cargo					Aircraft Operations				
	For Ref. 2018	2019	2020	Diff.	%	For Ref. 2018	2019	2020	Diff.	%	For Ref. 2018	2019	2020	Diff.	%	For Ref. 2018	2019	2020	Diff.	%
Jan	24,334	27,446	31,089	3,643	13.27%	37,338,558	45,119,355	46,956,721	1,837,366	4.07%	1,843,758	1,800,406	1,531,563	-268,843	-14.93%	2,090	2,469	2,437	-32	-1.30%
Feb	23,589	30,163	34,427	4,264	14.14%	34,116,427	43,915,750	48,317,342	4,401,592	10.02%	1,774,488	1,685,905	1,421,503	-264,402	-15.68%	2,564	2,905	3,235	330	11.36%
Mar	31,761	40,371	21,628	-18,743	-46.43%	44,471,024	54,550,047	53,255,392	-1,294,655	-2.37%	1,851,234	1,957,265	1,515,570	-441,695	-22.57%	3,405	3,443	2,691	-752	-21.84%
Apr	26,440	33,159	1,488	-31,671	-95.51%	38,592,178	49,157,940	25,000,949	-24,156,991	-49.14%	1,717,205	2,033,219	1,353,341	-679,878	-33.44%	3,124	3,472	1,545	-1,927	-55.50%
May	27,042	33,646	6,385	-27,261	-81.02%	40,158,989	48,752,498	23,653,345	-25,099,153	-51.48%	2,069,079	2,414,023	1,585,719	-828,304	-34.31%	3,241	3,606	1,990	-1,616	-44.81%
Jun	31,349	35,982	10,329	-25,653	-71.29%	47,137,609	48,069,984	24,410,105	-23,659,879	-49.22%	2,054,333	2,449,186	1,589,329	-859,857	-35.11%	3,377	3,731	2,028	-1,703	-45.64%
Jul	32,358	37,589	14,244	-23,345	-62.11%	48,676,256	52,156,923	32,787,340	-19,369,583	-37.14%	1,850,470	2,344,420	1,657,177	-687,243	-29.31%	4,174	4,053	2,672	-1,381	-34.07%
Aug	33,370	34,972	15,303	-19,669	-56.24%	50,721,887	49,413,099	36,427,743	-12,985,356	-26.28%	2,110,500	2,119,468	1,522,375	-597,093	-28.17%	3,555	3,911	2,880	-1,031	-26.36%
Sep	32,843	34,800	16,384	-18,416	-52.92%	50,567,236	49,570,763	36,408,280	-13,162,483	-26.55%	2,207,003	1,631,790	1,631,499	-291	-0.02%	4,654	4,281	3,056	-1,225	-28.61%
Oct	37,330	37,640	21,265	-16,375	-43.50%	54,636,739	52,012,517	40,746,322	-11,266,195	-21.66%	1,942,067	1,862,042	1,797,376	-64,666	-3.47%	3,923	4,022	2,982	-1,040	-25.86%
Nov	35,608	36,398	19,616	-16,782	-46.11%	52,171,472	51,515,544	41,103,205	-10,412,339	-20.21%	1,825,215	1,603,884	1,592,248	-11,636	-0.73%	3,103	3,576	2,666	-910	-25.45%
Dec	32,853	35,763	19,586	-16,177	-45.23%	49,320,627	49,127,887	46,731,628	-2,396,259	-4.88%	1,706,870	1,517,426	1,886,237	368,811	24.31%	2,890	3,041	2,485	-556	-18.28%
Ann. Totals	368,877	417,929				547,909,002	593,362,307				22,952,222	23,419,034				40,100	42,510			
YTD	368,877	417,929	211,744	-206,185	-49.33%	547,909,002	593,362,307	455,798,372	-137,563,935	-23.18%	22,952,222	23,419,034	19,083,937	-4,335,097	-18.51%	40,100	42,510	30,667	-11,843	-27.86%

(Continued)

ST. JOSEPH COUNTY AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020

2020 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.				
	2018	2019	2020	Diff.	%	2018	2019	2020	Diff.	%	2018	2019	2020	Diff.	%	2018	2019	2020	Diff.	%
Jan	405,970	508,391	521,332	12,941	2.55%	\$567,289	\$698,471	\$729,762	\$31,291	4.48%	\$148,963	\$168,895	\$163,073	-\$5,822	-3.45%	\$285,292	\$310,436	\$354,715	\$44,279	14.26%
Feb	436,183	563,504	599,532	36,028	6.39%	\$595,332	\$682,397	\$754,761	\$72,364	10.60%	\$146,779	\$180,879	\$193,464	\$12,585	6.96%	\$271,854	\$343,289	\$379,742	\$36,453	10.62%
Mar	536,600	626,890	583,673	-43,217	-6.89%	\$795,129	\$889,712	\$579,120	-\$310,592	-34.91%	\$194,745	\$239,253	\$118,802	-\$120,451	-50.34%	\$350,756	\$439,565	\$251,950	-\$187,615	-42.68%
Apr	505,154	579,000	201,422	-377,578	-65.21%	\$778,450	\$1,003,632	\$140,492	-\$863,140	-86.00%	\$156,803	\$197,310	\$13,851	-\$183,459	-92.98%	\$317,946	\$382,901	\$18,585	-\$364,316	-95.15%
May	496,824	565,763	247,933	-317,830	-56.18%	\$909,603	\$1,078,072	\$280,476	-\$797,596	-73.98%	\$162,292	\$210,096	\$37,077	-\$173,019	-82.35%	\$274,283	\$342,200	\$44,217	-\$297,983	-87.08%
Jun	483,691	558,063	297,386	-260,677	-46.71%	\$1,001,124	\$1,060,068	\$468,404	-\$591,664	-55.81%	\$206,732	\$222,580	\$60,612	-\$161,968	-72.77%	\$296,506	\$341,681	\$68,761	-\$272,920	-79.88%
Jul	552,415	615,989	368,329	-247,660	-40.21%	\$1,371,950	\$1,458,011	\$732,751	-\$725,260	-49.74%	\$206,437	\$238,848	\$89,230	-\$149,618	-62.64%	\$297,498	\$302,894	\$91,822	-\$211,072	-69.69%
Aug	696,916	635,253	399,593	-235,660	-37.10%	\$1,317,134	\$1,394,398	\$827,404	-\$566,994	-40.66%	\$209,213	\$216,414	\$102,262	-\$114,152	-52.75%	\$296,295	\$316,135	\$95,474	-\$220,661	-69.80%
Sep	901,028	663,561	375,253	-288,308	-43.45%	\$1,234,325	\$1,205,292	\$738,409	-\$466,883	-38.74%	\$206,175	\$215,717	\$109,100	-\$106,617	-49.42%	\$287,693	\$320,529	\$119,370	-\$201,159	-62.76%
Oct	700,934	754,441	435,530	-318,911	-42.27%	\$1,149,256	\$1,222,851	\$681,311	-\$541,540	-44.29%	\$218,985	\$225,575	\$136,919	-\$88,656	-39.30%	\$359,033	\$365,173	\$165,793	-\$199,380	-54.60%
Nov	668,753	696,536	390,493	-306,043	-43.94%	\$1,008,292	\$1,039,499	\$579,117	-\$460,382	-44.29%	\$211,669	\$219,652	\$114,698	-\$104,954	-47.78%	\$334,068	\$332,839	\$146,284	-\$186,555	-56.05%
Dec	588,774	569,333	442,064	-127,269	-22.35%	\$749,294	\$894,183	\$440,276	-\$453,907	-50.76%	\$184,283	\$197,911	\$122,988	-\$74,923	-37.86%	\$287,249	\$313,701	\$135,848	-\$177,853	-56.70%
Ann. Totals	6,973,242	7,336,724				\$11,477,178	\$12,626,586				\$2,253,076	\$2,533,130				\$3,658,473	\$4,111,343			
YTD	6,973,242	7,336,724	4,862,540	-2,474,184	-33.72%	\$11,477,178	\$12,626,586	\$6,952,283	-\$5,674,303	-44.94%	\$2,253,076	\$2,533,130	\$1,262,076	-\$1,271,054	-50.18%	\$3,658,473	\$4,111,343	\$1,872,561	-\$2,238,782	-54.45%

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ST. JOSEPH COUNTY AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020

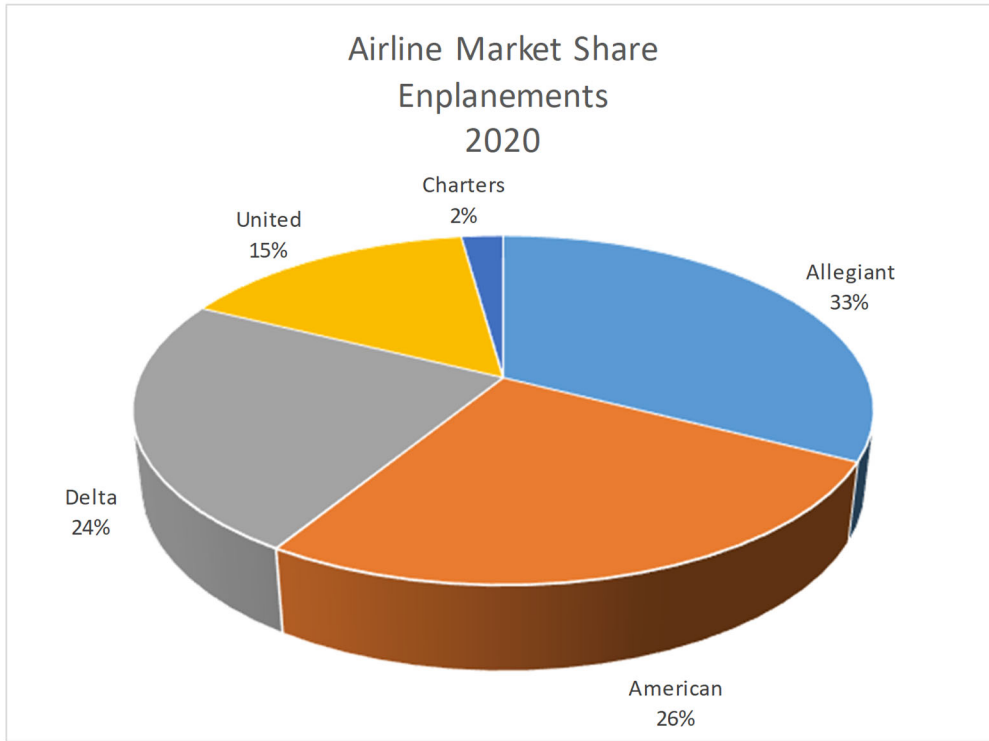
2020 COMPOSITE STATISTIC CHART



	South Shore Passengers					South Shore Ops.					International Flights - GAF				
	<u>For Ref.</u>					<u>For Ref.</u>					<u>For Ref.</u>				
	2018	2019	2020	Diff.	%	2018	2019	2020	Diff.	%	2018	2019	2020	Diff.	%
Jan	15,027	14,125	15,044	919	6.51%	195	186	199	13	6.99%	10	6	10	4	66.67%
Feb	16,778	12,881	15,748	2,867	22.26%	180	166	185	19	11.45%	9	11	8	-3	-27.27%
Mar	21,211	20,397	8,640	-11,757	-57.64%	199	197	185	-12	-6.09%	10	7	4	-3	-42.86%
Apr	20,509	20,180	1,902	-18,278	-90.57%	182	194	150	-44	-22.68%	7	7	0	-7	-100.00%
May	19,452	19,127	2,914	-16,213	-84.76%	185	183	153	-30	-16.39%	13	12	4	-8	-66.67%
Jun	20,965	20,088	3,854	-16,234	-80.81%	181	182	161	-21	-11.54%	13	8	6	-2	-25.00%
Jul	25,692	23,571	5,847	-17,724	-75.19%	209	190	183	-7	-3.68%	7	13	1	-12	-92.31%
Aug	22,069	20,433	6,293	-14,140	-69.20%	192	190	189	-1	-0.53%	8	13	0	-13	-100.00%
Sep	20,944	19,530	6,151	-13,379	-68.50%	190	192	192	0	0.00%	12	16	0	-16	-100.00%
Oct	18,422	20,997	6,760	-14,237	-67.80%	201	201	199	-2	-1.00%	20	20	3	-17	-85.00%
Nov	22,997	22,150	4,924	-17,226	-77.77%	193	190	190	0	0.00%	16	9	1	-8	-88.89%
Dec	22,575	22,795	4,523	-18,272	-80.16%	194	197	194	-3	-1.52%	7	13	4	-9	-69.23%
Ann. Totals	246,641	236,274				2,301	2,268				132	135			
YTD	246,641	236,274	82,600	-153,674	-65.04%	2,301	2,268	2,180	-88	-3.88%	132	135	41	-94	-69.63%

(Continued)

ST. JOSEPH COUNTY AIRPORT AUTHORITY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2020



Airline Market Share Comparison

	<u>2020</u>	<u>2019</u>	<u>Difference</u>	<u>Change %</u>
Allegiant	68,968	102,188	(33,220)	-32.51%
American	55,496	75,998	(20,502)	-26.98%
Delta	49,868	158,335	(108,467)	-68.50%
United	32,796	74,869	(42,073)	-56.20%
Charters	4,616	6,539	(1,923)	-29.41%
Totals	<u><u>211,744</u></u>	<u><u>417,929</u></u>	<u><u>(206,185)</u></u>	<u><u>-49.33%</u></u>

(Continued)

ST. JOSEPH COUNTY AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020

FINANCIAL HIGHLIGHTS

Net Position

	<u>2020</u>	<u>2019</u>	Increase/Decrease	
			Amount	Percent
Assets and Deferred Outflows of Resources				
Current Assets	\$ 24,554,480	\$ 19,392,536	\$ 5,161,944	26.62%
Capital Assets	106,259,251	96,001,811	10,257,440	10.68%
Deferred Outflows of Resources	<u>615,594</u>	<u>368,584</u>	<u>247,010</u>	<u>67.02%</u>
Total Assets and Deferred Outflows of Resources	<u>131,429,325</u>	<u>115,762,931</u>	<u>15,666,394</u>	<u>13.53%</u>
Liabilities and Deferred Inflows of Resources				
Current Liabilities	17,636,177	8,888,771	8,747,406	98.41%
Noncurrent Liabilities	9,313,351	10,271,445	(958,094)	-9.33%
Deferred Inflows of Resources	<u>769,420</u>	<u>688,996</u>	<u>80,424</u>	<u>11.67%</u>
Total Liabilities and Deferred Inflows of Resources	<u>27,718,948</u>	<u>19,849,212</u>	<u>7,869,736</u>	<u>39.65%</u>
Net Position				
Net Investment in Capital Assets	84,695,322	81,743,342	2,951,980	3.61%
Restricted	5,873,966	5,168,652	705,314	13.65%
Unrestricted	<u>13,141,089</u>	<u>9,001,725</u>	<u>4,139,364</u>	<u>45.98%</u>
Total Net Position	<u>\$ 103,710,377</u>	<u>\$ 95,913,719</u>	<u>\$ 7,796,658</u>	<u>8.13%</u>

Total assets and deferred outflows of resources increased by \$15.7 million primarily due to an increase in capital assets driven by ongoing improvements made to the airport. Total liabilities and deferred inflows of resources increased by \$7.9 million due to the Authority accruing capital costs for construction projects. The resulting increase in net position of \$7.8 million is the net result of these two major items.

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ST. JOSEPH COUNTY AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020

Changes in Net Position

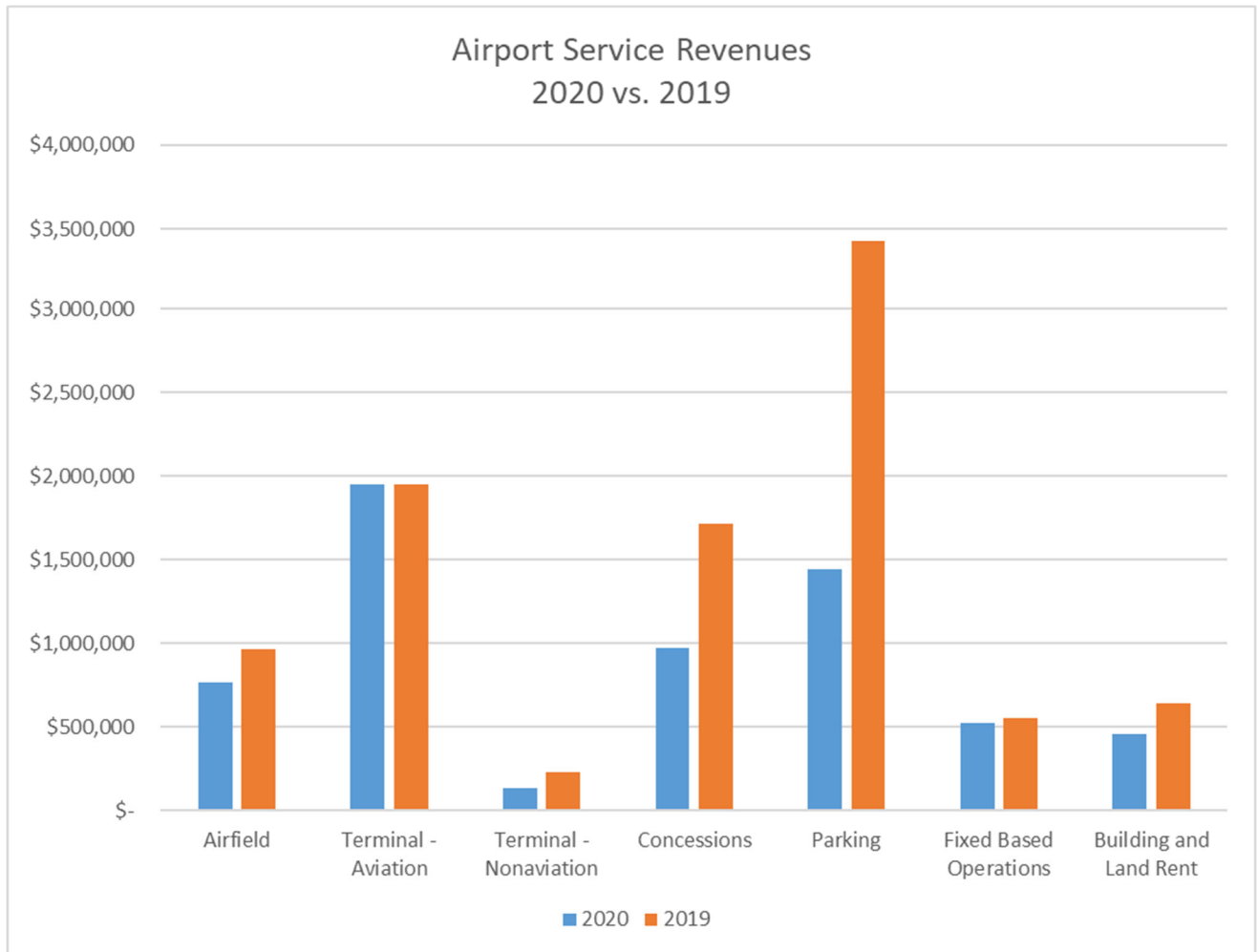
	<u>2020</u>	<u>2019</u>	<u>Increase/Decrease</u>	
			<u>Amount</u>	<u>Percent</u>
Operating Revenues				
Airport Service Revenues				
Airfield	\$ 761,880	\$ 965,160	\$ (203,280)	-21.06%
Terminal - Aviation	1,946,192	1,946,664	(472)	-0.02%
Terminal - Nonaviation	134,478	229,213	(94,735)	-41.33%
Concessions	968,737	1,714,885	(746,148)	-43.51%
Parking	1,439,708	3,403,679	(1,963,971)	-57.70%
Fixed Based Operations	526,460	550,164	(23,704)	-4.31%
Building and Land Rent	458,747	637,982	(179,235)	-28.09%
Total Airport Service Revenues	6,236,202	9,447,747	(3,211,545)	-33.99%
Other	13,000	13,000	-	0.00%
Total Operating Revenues	6,249,202	9,460,747	(3,211,545)	-33.95%
Operating Expenses				
Personal Services	5,126,523	5,164,751	(38,228)	-0.74%
Supplies	709,984	947,963	(237,979)	-25.10%
Other Services and Charges	3,999,895	5,212,816	(1,212,921)	-23.27%
Depreciation	3,550,613	3,393,684	156,929	4.62%
Total Operating Expenses	13,387,015	14,719,214	(1,332,199)	-9.05%
Operating Loss	(7,137,813)	(5,258,467)	(1,879,346)	35.74%
Nonoperating Revenues				
Property Taxes	3,318,073	2,585,031	733,042	28.36%
Other Tax Distributions	792,325	688,716	103,609	15.04%
Interest and Investment Revenue	124,024	441,422	(317,398)	-71.90%
Property Management Revenue	321,545	594,422	(272,877)	-45.91%
Federal Operating Grant	7,388,917	112,850	7,276,067	6447.56%
Other Revenue	282,487	66,752	215,735	323.19%
Total Nonoperating Revenues	12,227,371	4,489,193	7,738,178	172.37%
Nonoperating Expenses				
Interest Expense	253,538	192,019	61,519	32.04%
Bond Issuance Costs	500	742,154	(741,654)	-99.93%
Amortization Expense	-	3,167	(3,167)	-100.00%
Total Nonoperating Expenses	254,038	937,340	(683,302)	-72.90%
Loss Before Contributions	4,835,520	(1,706,614)	6,542,134	-383.34%
Capital Contributions	2,065,660	2,932,458	(866,798)	-29.56%
Passenger Facility Charge Revenue	895,478	1,759,925	(864,447)	-49.12%
Change in Net Position	7,796,658	2,985,769	4,810,889	161.13%
Total Net Position - Beginning	95,913,719	92,927,950	2,985,769	3.21%
Total Net Position - Ending	\$ 103,710,377	\$ 95,913,719	\$ 7,796,658	8.13%

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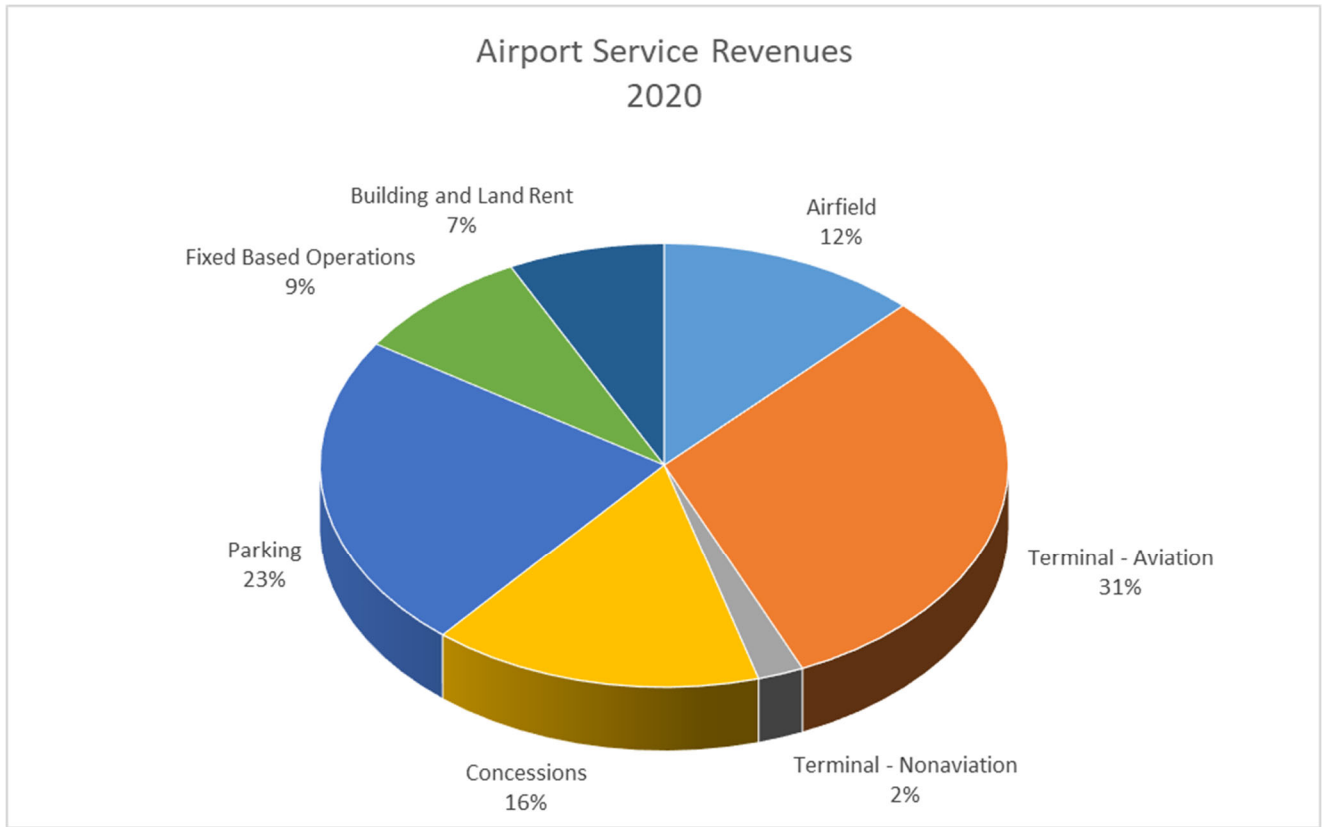
ST. JOSEPH COUNTY AIRPORT AUTHORITY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2020

Revenue

Total Operating Revenues decreased by 34% compared to 2019 levels, in large part due to the COVID-19 pandemic that had significant impacts on air travel throughout the world. Airport Service Revenues decreased by 34% 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 (\$1.34 per thousand pounds over 12,500 of maximum gross landed weight) and fuel flowage fees, decreased by 21%. Terminal Rental Revenue decreased by less than 1% in 2020. Terminal Non-Aviation Rental Revenue decreased by 41% in 2020. Concession Revenue decreased by 43% and Parking Revenue decreased by 58%. Fixed Base Operations Revenue, a component of General Aviation activity, decreased 4%. Other Building and Land Rental on the airfield decreased by 28%. Non-Operating Revenues increased by 172% due to additional funding received from federal sources to offset losses created by the COVID-19 pandemic. Passenger Facility Charge (P.F.C.) Revenues decreased in 2020 by 49%, again as a result of a decrease in passenger traffic due to the COVID-19 pandemic.



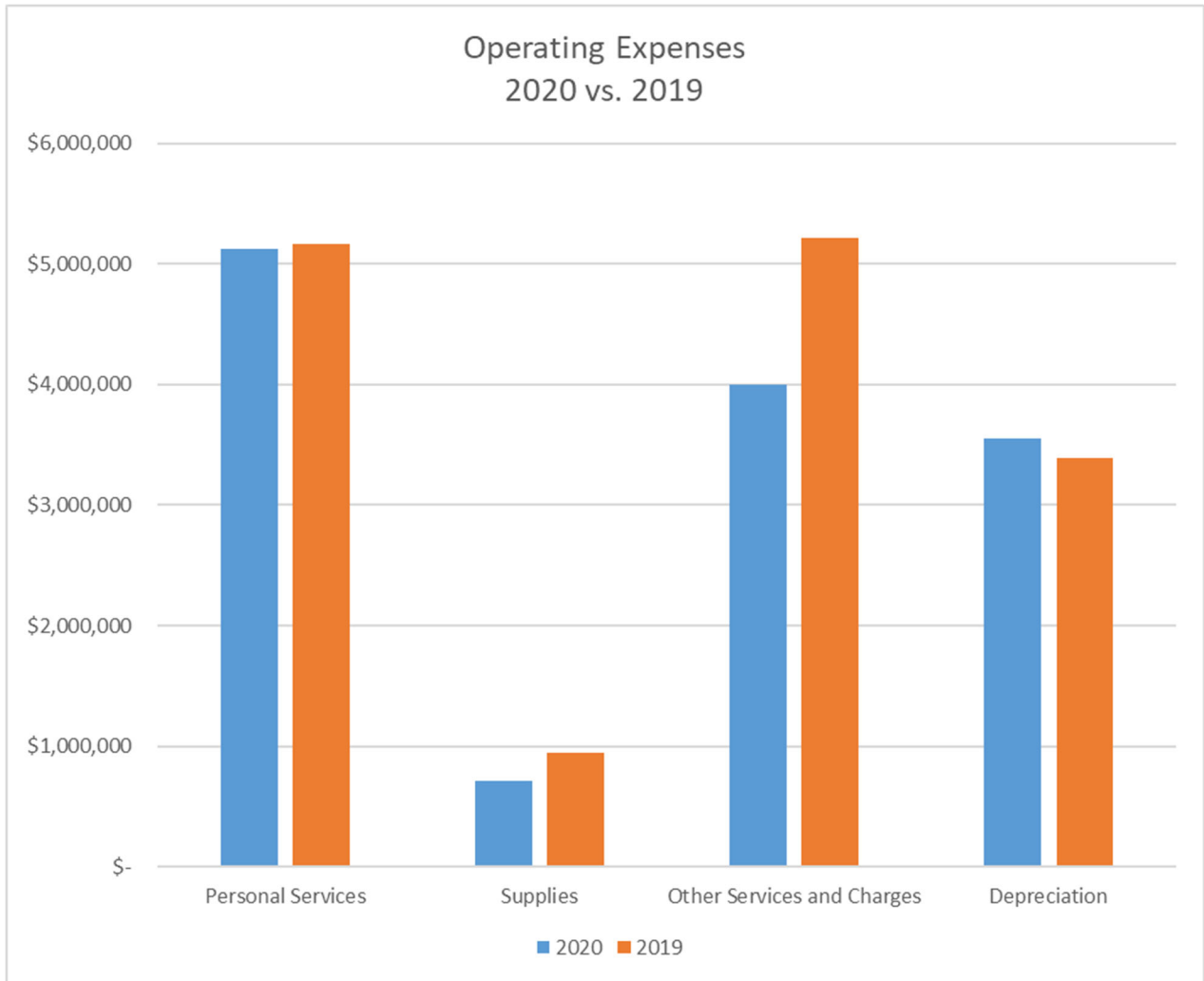
ST. JOSEPH COUNTY AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020



Expenses

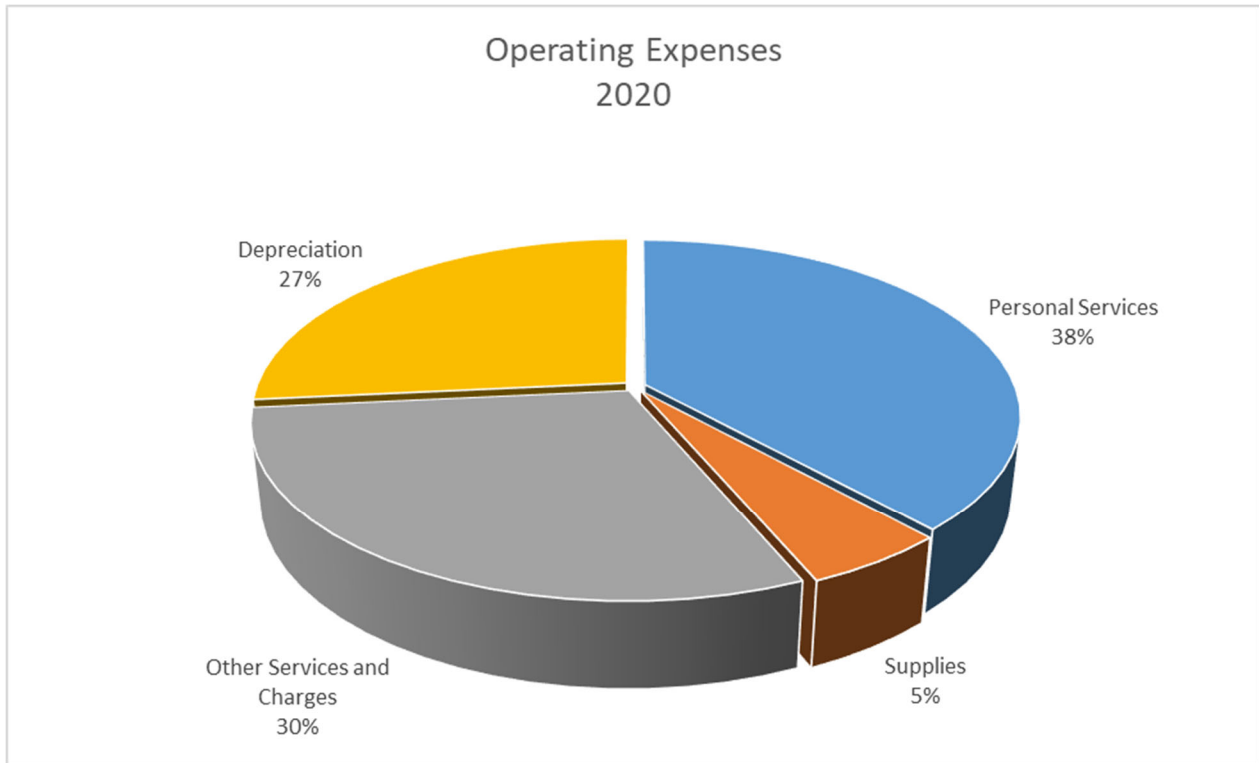
Total Operating and Non-Operating Expenses decreased in 2020 by 9% and 73% respectively compared to 2019. A large component of this decrease is attributable to a decrease in Bond Issuance Costs due to the issuance of the 2019 General Obligation Refunding Bonds in October 2019, which decreased by \$741,654 after increasing by the same amount in the prior year.

ST. JOSEPH COUNTY AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020



(Continued)

ST. JOSEPH COUNTY AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020



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>2020</u>	<u>2019</u>
Cash Flows		
Operating Activities	\$ (3,733,420)	\$ (2,429,778)
Noncapital Financing Activities	12,097,948	4,064,981
Capital and Related Financing Activities	(3,630,862)	(2,575,450)
Investing Activities	<u>124,024</u>	<u>441,422</u>
Net Increase (Decrease)	<u>4,857,690</u>	<u>(498,825)</u>
Cash and Cash Equivalents - Beginning	<u>16,533,362</u>	<u>17,032,187</u>
Cash and Cash Equivalents - Ending	<u>\$21,391,052</u>	<u>\$16,533,362</u>

The Authority's available Cash and Cash Equivalents increased from \$16.5 million at the end of 2019 to \$21.4 million at the end of 2020.

CAPITAL ACQUISITIONS AND CONSTRUCTION ACTIVITIES

CAPITAL ASSETS

The St. Joseph County Airport Authority's Investment in Capital Assets as of December 31, 2020, was \$106.3 million (net of Accumulated Depreciation). This investment in Capital Assets includes land, buildings, airfield and equipment. In total, this represents a \$10.3 million increase from 2019. Major Capital Asset events during the current fiscal year included the following:

During 2020, the Airport Authority District disbursed \$5.2 million and incurred costs of \$13.8 million for major capital activities. The majority of the expenditure went into a parking lot expansion along with design work on the reconstruction of the terminal ramp and taxiway. 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, 2020, the Airport Authority had received a total of \$31,299,828.

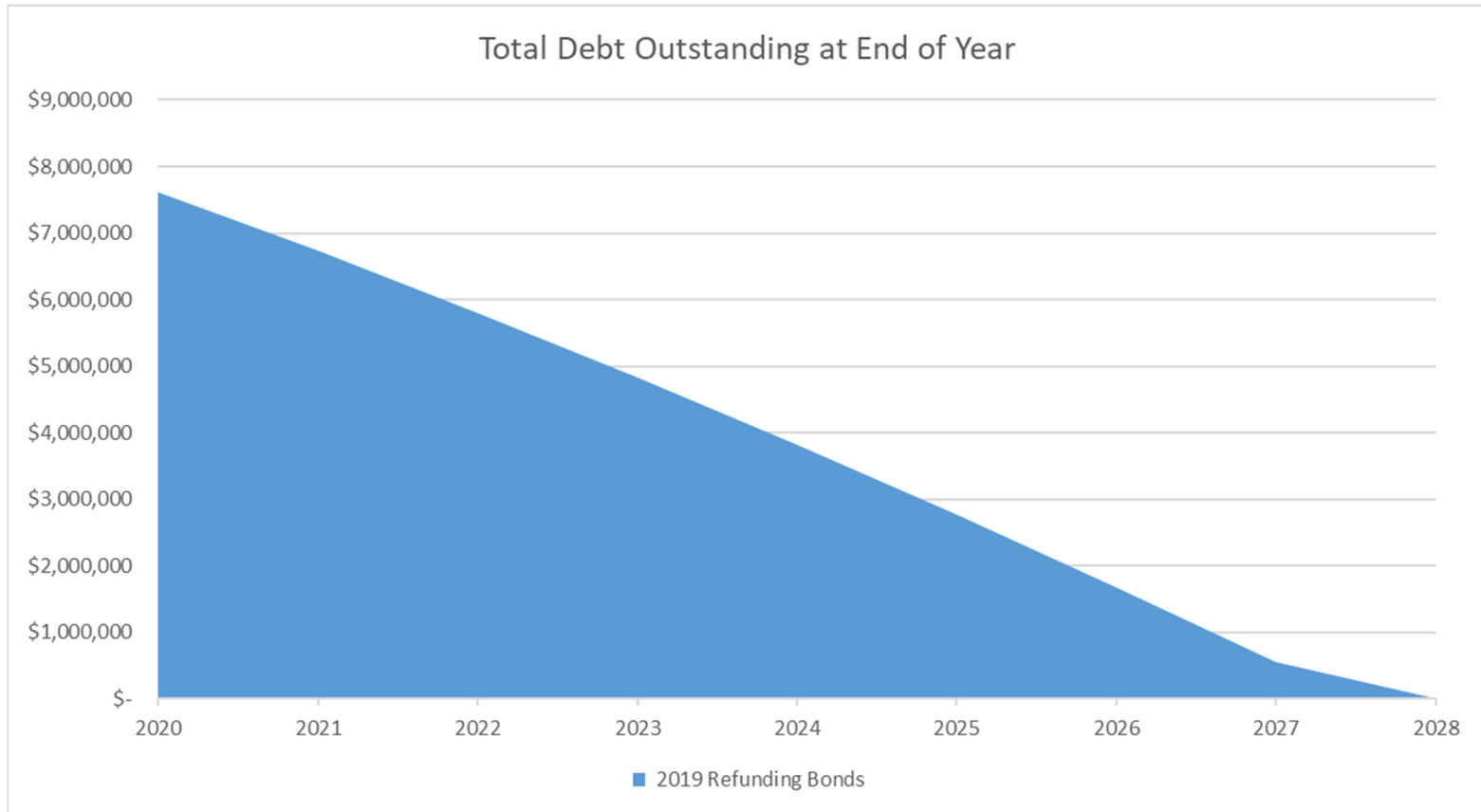
LONG TERM DEBT AND CREDIT RATINGS

The Airport Authority has \$7.0 million in Outstanding Long-Term Debt plus \$0.9 million in Outstanding Short-Term Debt as of December 31, 2020. Long-Term and Short-Term Debt consisted of the 2019 General Obligation Refunding Bonds issued in October 2019, which refunded the 2011 General Obligation Bonds and 2012 General Obligation Refunding Revenue Bonds completely. The 2019 General Obligation Refunding Bonds (original issue of \$8.4 million) mature in 2027 with interest rates ranging from 0.01% to 4.00%. 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 SBN as well as 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 \$9,386,302,045. The debt limit is \$62,575,346 and the total outstanding General Obligation Debt is \$7,908,958.

The Authority's General Obligation Debt is rated A by Standard and Poor's. The rating for the Authority reflects the General Obligation Security for these Bonds. Although this is a downgrade from prior years, the rating reflects 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, 2020



ST. JOSEPH COUNTY AIRPORT AUTHORITY
STATEMENT OF NET POSITION
December 31, 2020

Assets	
Current assets:	
Unrestricted:	
Cash and cash equivalents	\$ 11,647,667
Accounts receivable (net of allowance)	968,640
Intergovernmental receivable	1,905,777
Prepaid items	<u>201,161</u>
Total unrestricted current assets	<u>14,723,245</u>
Restricted:	
Cash and cash equivalents:	
Construction fund	2,031,309
Passenger facility charge fund	2,763,446
Customer facility charge fund	45,118
Bond and interest fund	2,020
Debt service reserve fund	1,126,892
Cumulative building fund	1,893,758
Rainy day fund	525,333
Excess levy fund	235
Other funds	1,355,274
Accounts receivable - passenger facility charge	61,814
Taxes receivable	<u>26,036</u>
Total restricted current assets	<u>9,831,235</u>
Total current assets	<u>24,554,480</u>
Noncurrent assets:	
Capital assets:	
Capital assets not being depreciated	54,775,541
Capital assets, net of accumulated depreciation	<u>51,483,710</u>
Total capital assets	<u>106,259,251</u>
Total assets	<u>130,813,731</u>
Deferred outflows of resources	
Deferred pension outflows	573,038
Deferred OPEB outflows	<u>42,556</u>
Total deferred outflows of resources	<u>615,594</u>
Total assets and deferred outflows of resources	<u>\$ 131,429,325</u>

Liabilities	
Current liabilities:	
Unrestricted:	
Accounts payable	\$ 738,582
Accrued payroll payable	140,755
Unearned revenue	117,265
Compensated absences	230,897
Other current liabilities	<u>4,372</u>
Total unrestricted current liabilities	<u>1,231,871</u>
Restricted:	
General obligation bonds payable	890,000
Retainage payable	108,511
Customer deposits payable	14,619
Contracts payable	15,362,649
Other liabilities	<u>28,527</u>
Total restricted current liabilities	<u>16,404,306</u>
Total current liabilities	<u>17,636,177</u>
Noncurrent liabilities:	
Unrestricted:	
Compensated absences	153,534
Net pension liability	1,966,579
Net OPEB liability	<u>174,280</u>
Total noncurrent unrestricted liabilities	<u>2,294,393</u>
Restricted:	
General obligation bonds payable (net of unamortized premiums)	<u>7,018,958</u>
Total noncurrent restricted liabilities	<u>7,018,958</u>
Total noncurrent liabilities	<u>9,313,351</u>
Total liabilities	<u>26,949,528</u>
Deferred inflow of resources	
Deferred amount on refunding	215,120
Deferred pension inflow	449,329
Deferred OPEB inflow	<u>104,971</u>
Total deferred inflows of resources	<u>769,420</u>
Total liabilities and deferred inflow of resources	<u>27,718,948</u>
Net Position:	
Net investment in capital assets	84,695,322
Restricted for debt service	3,954,172
Restricted for capital assets	1,919,794
Unrestricted	<u>13,141,089</u>
Total net position	<u>\$ 103,710,377</u>

ST. JOSEPH COUNTY AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year Ended December 31, 2020

Operating revenues:	
Airfield	\$ 761,880
Terminal - aviation	1,946,192
Terminal - nonaviation	134,478
Concessions	968,737
Parking	1,439,708
Fixed based operations	526,460
Building and land rent	458,747
Other	<u>13,000</u>
Total operating revenues	<u>6,249,202</u>
Operating expenses:	
Personal services	5,126,523
Supplies	709,984
Other services and charges	3,999,895
Depreciation	<u>3,550,613</u>
Total operating expenses	<u>13,387,015</u>
Operating loss	<u>(7,137,813)</u>
Nonoperating revenues:	
Property taxes	3,318,073
Other tax distributions	792,325
Interest and investment revenue	124,024
Property management revenue, net	321,545
Federal operating grant	7,388,917
Other revenue	<u>282,487</u>
Total nonoperating revenues	<u>12,227,371</u>
Nonoperating expenses:	
Interest expense	253,538
Bond issuance costs	<u>500</u>
Total nonoperating expenses	<u>254,038</u>
Income before contributions	<u>4,835,520</u>
Capital contributions	2,065,660
Passenger facility charge revenue	<u>895,478</u>
Total contributions	<u>2,961,138</u>
Change in net position	<u>7,796,658</u>
Total net position - beginning	<u>95,913,719</u>
Total net position - ending	<u><u>\$ 103,710,377</u></u>

ST. JOSEPH COUNTY AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS
Year Ended December 31, 2020

Cash flows from operating activities:	
Receipts from customers and users	\$ 6,141,253
Payments to suppliers and contractors	(6,416,919)
Payments to employees	<u>(3,457,754)</u>
Net cash used by operating activities	<u>(3,733,420)</u>
Cash flows from noncapital financing activities:	
Property management activity	333,401
Other nonoperating revenue	282,487
Operating grant received	7,388,917
Property and county income taxes	<u>4,104,999</u>
Net cash provided by noncapital financing activities	<u>12,109,804</u>
Cash flows from capital and related financing activities:	
Passenger facility charges	1,084,722
Capital contributions	1,642,062
Acquisition and construction of capital assets	(5,244,671)
Interest paid on capital debt	(309,331)
Principal paid on capital bonds	(815,000)
Bond issuance costs	<u>(500)</u>
Net cash used by capital and related financing activities	<u>(3,642,718)</u>
Cash flows from investing activities:	
Interest received	<u>124,024</u>
Net cash provided by investing financing activities	<u>124,024</u>
Net increase in cash and cash equivalents	<u>4,857,690</u>
Cash and cash equivalents, January 1	<u>16,533,362</u>
Cash and cash equivalents, December 31	<u>\$ 21,391,052</u>

Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (7,137,813)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	3,550,613
Pension expense	(186,339)
OPEB expense	4,877
(Increase) decrease in assets:	
Accounts receivable	(94,781)
Prepaid items	18,102
Other current assets	322
Increase (decrease) in liabilities:	
Accounts payable	114,752
Accrued payroll payable	34,967
Unearned revenue	(17,068)
Compensated absences	(22,376)
Other current liabilities	(2,576)
Customer deposits payable	3,900
Total adjustments	<u>3,404,393</u>
Net cash used by operating activities	<u>\$ (3,733,420)</u>
Noncash investing, capital and related financing activities:	
Capital assets purchased on accounts payable	\$ 15,471,160

ST. JOSEPH COUNTY AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

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 modified 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.

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ST. JOSEPH COUNTY AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
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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 \$5,873,966 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 1,080 hours of sick leave. Employees have the opportunity at the beginning of each calendar year to roll that year's earned sick leave (accrued during the previous year) into their accumulated balance, to get paid for those earned hours in advance at their current rate of pay, or to split their earned sick leave time between the two options. At the termination of employment, employees are paid at their current rate of pay for a percentage of their accumulated sick leave.
- 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
NOTES TO THE FINANCIAL STATEMENTS
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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, 2020, related to the defined benefit pension plan and the defined benefit OPEB plan, including contributions made to the pension 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 related to the pension plan from the previous year, differences between the Airport Authority's contributions to the pension plan and its proportionate share, difference between expected and actual experience for both plans, and changes in assumptions for the OPEB plan. The amounts related to the pension plan 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. For the OPEB plan, the amounts related to experience and changes in assumptions are being amortized into OPEB expense over the average expected remaining service lives.

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, 2020, related to the defined benefit pension plan, including the difference between expected and actual experience on the pension plan included in determining pension expense, change in assumptions, changes in its proportionate share, and the difference between employer contributions and proportionate share contributions. These amounts are being amortized into pension expense over the average expected remaining service lives. For the defined benefit OPEB plan, these amounts include the difference between expected and actual experience for the OPEB plan, and changes in assumptions for the OPEB plan. These amounts are being amortized into OPEB expense over the average expected remaining service lives. Deferred inflows of resources reported at December 31, 2020, also includes a deferred gain amount on advance refunding of bonds, which is being recognized as a component of interest expense on a straight-line basis over the remaining life of the refunded bonds.

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".

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ST. JOSEPH COUNTY AIRPORT AUTHORITY
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- 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.

- 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 September 30, 2021, 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, 2020, the Airport Authority had deposit balances in the amount of \$21,391,052. 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
NOTES TO THE FINANCIAL STATEMENTS
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B. Receivables

The Airport Authority recognizes \$50,526 in an allowance account for the expected uncollectibility of payments due from tenants.

C. Capital Assets

Capital asset activity for the year ended December 31, 2020, 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	\$ 35,379,236	\$ -	\$ -	\$ 35,379,236
Construction in progress	11,499,654	10,693,090	2,796,439	19,396,305
	<u>46,878,890</u>	<u>10,693,090</u>	<u>2,796,439</u>	<u>54,775,541</u>
Capital assets, being depreciated:				
Buildings	74,889,196	91,946	-	74,981,142
Airfield	39,606,125	4,691,536	-	44,297,661
Equipment	9,703,375	1,127,920	-	10,831,295
Totals	<u>124,198,696</u>	<u>5,911,402</u>	<u>-</u>	<u>130,110,098</u>
Less accumulated depreciation for:				
Buildings	34,543,888	1,992,355	-	36,536,243
Airfield	33,181,254	1,167,225	-	34,348,479
Equipment	7,350,633	391,033	-	7,741,666
Totals	<u>75,075,775</u>	<u>3,550,613</u>	<u>-</u>	<u>78,626,388</u>
Total capital assets, being depreciated	<u>49,122,921</u>	<u>2,360,789</u>	<u>-</u>	<u>51,483,710</u>
Total capital assets, net	<u>\$ 96,001,811</u>	<u>\$ 13,053,879</u>	<u>\$ 2,796,439</u>	<u>\$ 106,259,251</u>

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ST. JOSEPH COUNTY AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
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D. Construction Commitments to Contractors

Construction work in progress is composed of the following:

Project	Expended to December 31	<u>Total</u> Remaining Committed
Parking Lot Expansion/Lighting	\$ 1,807,980	\$ -
Taxiway Bravo and Terminal Ramp	15,881,669	-
Masterplan and ALP Update	1,202,600	-
Other	504,056	-
Totals	\$ 19,396,305	\$ -

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</u>	<u>Original Issue</u>	<u>Interest Rates</u>	<u>Balance at December 31</u>	<u>Unamortized Bond Premium</u>	<u>Amount</u>
2019 General Obligation Refunding Bonds	\$8,435,000	0.01% to 4.00%	\$ 7,620,000	\$ 288,958	\$ 7,908,958

In October 2019, the Airport Authority issued the 2019 General Obligation Refunding Bonds for \$8,435,000 and used the proceeds, net of issuance costs, to advance refund the 2011 General Obligation Bonds for \$6,000,000 and the 2012 Refunding Bonds for \$2,835,000. The net proceeds of the refunding issue were placed in an irrevocable escrow account and invested in U.S. Government Securities. As of December 31, 2020, \$0 of the 2011 General Obligation Bonds remained outstanding and \$0 of the 2012 Refunding Bonds remained outstanding, as both bond series were called on January 1, 2020. The economic gain for the Airport Authority on the advance refunding transaction was \$1,089,476.

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

	<u>Principal</u>	<u>Interest</u>
2021	\$ 890,000	\$ 228,968
2022	930,000	192,968
2023	970,000	155,368
2024	1,010,000	116,168
2025	1,050,000	75,368
2026-2028	<u>2,770,000</u>	<u>33,136</u>
Totals	<u>\$ 7,620,000</u>	<u>\$ 801,976</u>

2. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reduction</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
General obligation bonds	\$ 8,435,000	\$ -	\$ 815,000	\$ 7,620,000	\$ 890,000
Compensated absences	406,807	-	22,376	384,431	230,897
Net pension liability	2,029,309	-	62,730	1,966,579	-
Total OPEB liability	<u>150,236</u>	<u>24,044</u>	<u>-</u>	<u>174,280</u>	<u>-</u>
Total non-current liabilities	<u>\$11,021,352</u>	<u>\$ 24,044</u>	<u>\$ 900,106</u>	<u>\$10,145,290</u>	<u>\$1,120,897</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, 2020, the following employees were covered by the benefit terms:

Active employees	45
Inactive employees entitled to but not yet receiving benefits	-
Inactive employees entitled to and receiving benefits	-
	<u>45</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, 2020, the Airport contributed \$0 to the plan.

Total OPEB Liability

The Airport Authority's total OPEB liability was measured as of December 31, 2020, and the total OPEB liability determined by an actuarial valuation of that date. The plan balance was \$174,280 as of December 31, 2020, 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, 2020 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	4.5 to 7.5%

Mortality rates were based on General Healthy Employees and Retirees: SOA Pub-2010 General Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2019. An actuarial experience study has not been recently conducted.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.12%, 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 3.26%. 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, 2020:

<u>Total OPEB liability</u>	<u>2020</u>
Service cost	\$ 11,158
Interest	5,261
Changes of benefit terms	-
Differences between expected and actual experience	(4,335)
Changes of assumptions	11,960
Benefit payments	-
Net change in total OPEB liability	<u>24,044</u>
Total OPEB liability - beginning	<u>150,236</u>
Total OPEB liability - ending	<u>\$ 174,280</u>

The following assumption changes were included in the actuarial valuation for the year ended December 31, 2020:

- Updated the discount rate assumption based on the yield for 20-year-tax-exempt general obligation municipal bonds as of December 31, 2020 (measurement date). The discount rate is 2.12% as of December 31, 2020 and 3.26% as of January 1, 2020. This change resulted in an increase in liabilities.
- Health care trend rates have been reset to an initial rate of 7.5% decreasing by 0.5% annually to an ultimate rate of 4.5%. This change caused a decrease in liabilities for the Airport Authority.

ST. JOSEPH COUNTY AIRPORT AUTHORITY
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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% lower (1.12%) or 1% higher (3.12%) than the current discount rate:

	1.12% <u>1% Decrease</u>	2.12% <u>Current Rate</u>	3.12% <u>1% Increase</u>
Total OPEB Liability	\$ <u>185,027</u>	\$ <u>174,280</u>	\$ <u>163,767</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% lower (6.5% decreasing to 4.5%) or 1% higher (8.5% decreasing to 5.5%) than the current healthcare cost trend rates:

	6.50% <u>1% Decrease</u>	7.50% <u>Current Rate</u>	8.50% <u>1% Increase</u>
Total OPEB Liability	\$ <u>155,475</u>	\$ <u>174,280</u>	\$ <u>196,300</u>

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

For the year ended December 31, 2020, the Airport Authority recognized OPEB expense of \$4,877. At December 31, 2020, the Airport Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 27,661	\$ (97,024)
Change of assumptions	14,895	(7,947)
Totals	<u>\$ 42,556</u>	<u>\$ (104,971)</u>

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

Fiscal Year Ending December 31,	Balance
2021	\$ (11,542)
2022	(11,542)
2023	(11,542)
2024	(11,542)
2025	(11,542)
Thereafter	(4,705)
	\$ (62,415)

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). PERF Hybrid is part of the PERF and consists of two components: the Public Employees' Defined Benefit Account (PERF DB), the monthly employer-funded defined benefit component, and the Public Employees' Hybrid Members Defined Contribution Account (PERF DC). The pension system issues a publicly available financial report that can be obtained at <http://www.inprs.in.gov>.

Public Employees' Defined Benefit Account

PERF DB is a cost-sharing, multiple employer defined benefit fund providing retirement, disability, and survivor benefits to full-time employees of the State not covered by another plan and those political subdivisions (counties, cities, townships, and other governmental units) that elect to participate in the retirement fund. Administration of the fund is generally in accordance with IC 5-10.2, IC 5-10.3, IC 5-10.5, 35 IAC 1.2, and other Indiana pension law.

Eligibility for Pension Benefit Payment

Full Retirement Benefit: A member is entitled to a full retirement benefit at 1) at age 65 with at least 10 years of creditable service (eight years for certain elected officials), 2) at age 60 with at least 15 years of creditable service, 3) at age 55 if age and creditable service total at least 85, 4) at age 55 with 20 years of creditable service and active as an elected official in the PERF-covered position, or 5) at age 70 with 20 years of creditable service and still active in the PERF-covered position.

Early Retirement Benefit: A member is entitled to an early retirement benefit at age 50 and a minimum of 15 years of creditable service. The benefit is 44% of full benefits at age 50, increasing 5% per year up to 89% at age 59.

Disability Benefit: An active member qualifying for Social Security disability with five years of creditable service may receive an unreduced retirement benefit for the duration of disability.

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Survivor Benefit: If a member dies after June 30, 2018, a spouse or dependent beneficiary of a member with a minimum of 10 years of creditable service receives a benefit as if the member retired the later of age 50 or the age the day before the member's death. If a member dies while receiving a benefit, a beneficiary receives the benefit associated with the member's selected form of payment.

Contribution Rates

Contributions are determined by the INPRS Board based on an actuarial valuation. Employers contribute 11.2% of covered payroll. No member contributions are required. Contributions to the PERF plan from the Airport were \$484,872 for the calendar year ended December 31, 2020.

Benefit Formula and Postretirement Benefit Adjustment

The lifetime annual benefit equals years of creditable service multiplied by the average highest five-year annual salary multiplied by 1.1% (minimum of \$180 per month). Postretirement benefit increases are granted on an ad hoc basis pursuant to IC 5-10.2-12.4 and administered by the INPRS Board.

Public Employees' Defined Contribution Account

PERF DC is a multiple-employer defined contribution fund providing retirement benefits to full-time employees of the State not covered by another plan and those political subdivisions (counties, cities, townships, and other governmental units) that elect to participate in the retirement fund. Administration of the account is generally in accordance with IC 5-10.2, IC 5-10.3, 35 IAC 1.2, and other Indiana pension law.

Contribution Rates

Member contributions under PERF DC are set by statute and the INPRS Board at 3% of covered payroll. The employer may choose to make these contributions on behalf of the member. The Agency made no contributions to PERF DC for the year ended December 31, 2020. Under certain limitations, voluntary post-tax member contributions up to 10% of compensation can be made solely by the member.

Benefit Terms

Members (or their beneficiaries) are entitled to the sum total of contributions plus earnings 30 days after separation from employment (retirement, termination, disability, or death) or upon providing proof of the member's qualification for Social Security disability benefits. The amount may be paid in a lump sum, partial lump sum, direct rollover to another eligible retirement plan, or a monthly annuity. PERF DC members are 100% vested in their account balance.

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.

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

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

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, 2020, the Airport Authority reported a liability of \$1,966,579 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 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, 2020, the Airport Authority's proportion was 0.06511%, which was an increase of 0.00371% from its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the Airport Authority recognized pension expense of \$(186,339). At December 31, 2020, the Airport Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 34,842	\$ 26,404
Net difference between projected and actual investment earnings on pension plan investments	168,307	-
Change of assumptions	-	409,753
Changes in proportion and difference between employer contributions and proportionate share contributions	131,352	13,172
Authority contributions subsequent to the measurement date	<u>238,537</u>	<u>-</u>
Totals	<u>\$ 573,038</u>	<u>\$ 449,329</u>

ST. JOSEPH COUNTY AIRPORT AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2020

\$238,537 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, 2020. 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>
2021	\$ (154,123)
2022	(28,156)
2023	(4,041)
2024	<u>71,492</u>
Total	<u>\$ (114,828)</u>

Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Asset valuation date:	June 30, 2020
Liability valuation date and method:	June 30, 2019 - Member census data as of June 30, 2019 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2019 and June 30, 2020. Standard actuarial roll forward techniques were then used to project the liability computed as of June 30, 2019 to the June 30, 2020 measurement date.
Actuarial cost method:	Entry age normal - level percent of payroll
Experience study date:	Computed February 2020 and reflects the experience period from June 30, 2014 to June 30, 2019
Investment rate of return:	6.75%
COLA:	In lieu of a 1% COLA occurring beginning on January 1, 2021, the COLA was replaced by a 13th check for 2019 and 2020. The COLA assumption thereafter would be 0.4% beginning on January 1, 2022, changing to 0.5% beginning on January 1, 2034, and ultimately 0.6% beginning on January 1, 2039.
Future salary increases, including inflation:	2.75% - 8.75%
Inflation:	2.25%

ST. JOSEPH COUNTY AIRPORT AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2020

Mortality - Healthy	Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019, using the General Employee table with a 3 year set forward for males and 1 year set forward for females.
Mortality – Disabled	Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019, using the General Disabled table with a 140% load.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the four years ended June 30, 2019. The Study was performed in February 2020. There were no significant assumption changes for the measurement period ending June 30, 2020.

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%	4.4%
Private Equity	14.0%	7.6%
Fixed income - Ex inflation	20.0%	1.9%
Fixed income - inflation linked	7.0%	0.5%
Commodities	8.0%	1.6%
Real estate	7.0%	5.8%
Absolute return	10.0%	2.9%
Risk parity	12.0%	5.5%

ST. JOSEPH COUNTY AIRPORT AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2020

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% lower (5.75%) or 1% (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>3,206,192</u>	\$ <u>1,966,579</u>	\$ <u>928,302</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 and Actuarial Valuations. These reports can be found at:

https://www.in.gov/inprs/files/INPRSConsolidatedCAFR_FY20.pdf

www.in.gov/inprs/actuarialvaluation.htm

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 2019 refunding bond issue, and for any other purposes allowed by the FAA and the Airport Authority Board. During 2020 the Airport Authority received \$1,084,722 from 39 separate airlines. The Airport Authority is authorized to receive a maximum of \$40,172,802. As of December 31, 2020, the Airport Authority has received a total of \$31,299,828.

ST. JOSEPH COUNTY AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

E. 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, 2020 are as follows:

2021	\$ 1,201,677
2022	525,792
2023	464,431
2024	457,387
2025	327,401
Thereafter	<u>806,063</u>
	<u>\$ 3,782,751</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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Proportion of the net pension liability	0.06511%	0.06140%	0.05988%	0.06049%	0.06415%	0.05773%	0.06523%	0.06471%	N/A	N/A
Proportionate share of the net pension liability	\$ 1,966,579	\$ 2,029,309	\$ 2,034,151	\$ 2,698,788	\$ 2,911,412	\$ 2,351,286	\$ 1,714,202	\$ 2,216,369	N/A	N/A
Covered payroll	\$ 3,515,251	\$ 3,198,761	\$ 3,055,430	\$ 3,001,187	\$ 3,074,236	\$ 2,765,233	\$ 3,184,649	\$ 3,106,966	N/A	N/A
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	55.9%	63.4%	66.6%	89.9%	94.7%	85.0%	53.8%	71.3%	N/A	N/A
Plan fiduciary net position as a percentage of total pension liability	81.4%	80.1%	78.9%	78.9%	75.3%	77.3%	84.3%	78.8%	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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contributions	\$ 393,708	\$ 358,261	\$ 342,208	\$ 336,133	\$ 344,314	\$ 309,706	\$ 322,365	\$ 337,399	N/A	N/A
Contributions in relation to the contractually required contribution	<u>(484,872)</u>	<u>(467,963)</u>	<u>(450,250)</u>	<u>(403,895)</u>	<u>(441,714)</u>	<u>(422,505)</u>	<u>(322,365)</u>	<u>(337,399)</u>	N/A	N/A
Contribution deficiency (excess)	<u>\$ (91,164)</u>	<u>\$ (109,702)</u>	<u>\$ (108,042)</u>	<u>\$ (67,762)</u>	<u>\$ (97,400)</u>	<u>\$ (112,799)</u>	<u>\$ -</u>	<u>\$ -</u>	N/A	N/A
Covered payroll	\$ 3,515,251	\$ 3,198,761	\$ 3,055,430	\$ 3,001,187	\$ 3,074,236	\$ 2,765,233	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	13.79%	14.63%	14.74%	13.46%	14.37%	15.28%	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**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability				
Service cost	\$ 11,158	\$ 6,089	\$ 6,760	\$ 13,576
Interest	5,261	4,317	3,767	8,887
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(4,335)	35,563	(6,794)	(147,658)
Changes of assumptions	11,960	5,311	(3,833)	(8,984)
Benefit payments	-	-	-	-
Net change in total OPEB liability	<u>24,044</u>	<u>51,280</u>	<u>(100)</u>	<u>(134,179)</u>
Total OPEB liability - beginning	<u>150,236</u>	<u>98,956</u>	<u>99,056</u>	<u>233,235</u>
Total OPEB liability - ending	<u>\$ 174,280</u>	<u>\$ 150,236</u>	<u>\$ 98,956</u>	<u>\$ 99,056</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0%	0%	0%	0%
Covered payroll	\$ 3,355,861	\$ 3,204,601	\$ 2,957,193	\$ 2,892,120
Total OPEB liability as a percentage of covered payroll	5.2%	4.7%	3.3%	3.4%

Note: Fiscal year 2017 was the 1st year of implementation, therefore only four years are shown.

ST. JOSEPH COUNTY AIRPORT AUTHORITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended December 31, 2020

Public Employees' Retirement Fund

A. Plan Amendments

There were no plan amendments during the fiscal year.

B. Assumption Changes

There were no significant 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:

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 current full valuation uses a discount rate of 3.26% as of January 1, 2020 and 2.12% as of December 31, 2020. This change has caused an increase in liabilities.

Health care trend rates have been reset to an initial rate of 7.5% decreasing by 0.5% annually to an ultimate rate of 4.5%. This change caused a decrease in liabilities for the Airport Authority.

**ST. JOSEPH COUNTY AIRPORT AUTHORITY
SUPPLEMENTAL FINANCIAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2020**

	Budgeted Amounts - Original & Final	Actual Budgetary Basis Amounts	Variance With Final Budget
Revenues:			
Airfield	\$ 900,984	\$ 873,729	\$ (27,255)
Terminal - aviation	2,018,761	1,946,192	(72,569)
Terminal - non-aviation	227,450	134,478	(92,972)
Concessions	1,748,369	968,737	(779,632)
Parking	3,476,109	1,439,708	(2,036,401)
Fixed based operations	505,068	526,460	21,392
Building and land rent	655,220	458,747	(196,473)
Other	20,204	13,000	(7,204)
Total revenues	<u>9,552,165</u>	<u>6,361,051</u>	<u>(3,191,114)</u>
Expenses:			
Personal services	6,013,566	4,957,652	1,055,914
Supplies	1,251,850	844,484	407,366
Other services and charges	5,841,273	3,999,895	1,841,378
Total operating expenses	<u>13,106,689</u>	<u>9,802,031</u>	<u>3,304,658</u>
Debt service:			
Other services and charges	<u>1,146,013</u>	<u>1,069,038</u>	<u>76,975</u>
Total expenses	<u>14,252,702</u>	<u>10,871,069</u>	<u>3,381,633</u>
Other financing sources (uses):			
Property taxes	2,750,000	3,312,674	562,674
Other tax distributions	462,959	792,325	329,366
Interest income	402,233	124,024	(278,209)
Federal and state grants	7,028,522	6,965,319	(63,203)
Capital outlay	(6,264,577)	(5,244,671)	1,019,906
Total other financing sources (uses)	<u>4,379,137</u>	<u>5,949,671</u>	<u>1,570,534</u>
Deficiency of revenues and other financing sources under expenses and other financing uses	<u>\$ (321,400)</u>	<u>\$ 1,439,653</u>	<u>\$ 1,761,053</u>

**ST. JOSEPH COUNTY AIRPORT AUTHORITY
SUPPLEMENTAL FINANCIAL INFORMATION
BUDGET/GAAP RECONCILIATION
Year Ended December 31, 2020**

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:

Excess of revenues and other financing sources under expenses and other financing uses (budgetary basis)	\$	1,439,653
Adjustments:		
Capital expenses		5,244,671
Depreciation		(3,550,613)
Debt payments		815,000
Capital contributions		2,065,660
Passenger facility charge revenue		895,478
Other non-operating revenue		282,487
Property management activity (net revenue)		321,545
Change in operating revenues receivable and unearned revenues		(111,849)
Change in intergovernmental receivable		423,598
Change in taxes receivable		5,399
Change in wages and benefits payable		12,591
Changes in payables and prepaid items		134,500
Net pension adjustment		(186,339)
Net OPEB adjustment		<u>4,877</u>
Change in net position (GAAP basis)	\$	<u>7,796,658</u>

**ST. JOSEPH COUNTY AIRPORT AUTHORITY
SUPPLEMENTAL FINANCIAL INFORMATION
SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES
Year Ended December 31, 2020**

Cash balance, January 1	\$ 2,109,824
Receipts:	
Passenger facility charge collections	1,084,722
Interest	<u>17,533</u>
Total receipts	<u>1,102,255</u>
Disbursements:	
Transfer to bond and interest fund	<u>448,633</u>
Total disbursements	<u>448,633</u>
Cash balance, December 31	<u>\$ 2,763,446</u>

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating revenues:										
Airport service revenues:										
Airfield	\$ 761,880	\$ 965,160	\$ 849,954	\$ 758,121	\$ 765,204	\$ 716,108	\$ 669,881	\$ 665,933	\$ 605,636	\$ 606,890
Terminal - aviation	1,946,192	1,946,664	1,828,902	1,679,980	1,597,758	1,525,343	1,466,228	1,276,000	1,277,222	1,250,254
Terminal - nonaviation	134,478	229,213	245,934	189,186	142,353	115,954	128,179	105,434	108,390	128,043
Concessions	968,737	1,714,885	1,596,856	1,398,926	1,436,479	1,390,394	1,288,817	1,211,590	1,097,687	1,093,471
Parking	1,439,708	3,403,679	2,974,465	2,552,315	2,680,569	2,551,298	2,435,889	2,463,750	2,198,722	2,191,557
Fixed based operations	526,460	550,164	578,701	532,958	502,448	425,101	386,809	381,546	358,468	347,090
Building and land rent	458,747	637,982	577,613	624,331	477,983	311,083	409,037	308,721	247,731	134,509
Airport service revenues - total	<u>6,236,202</u>	<u>9,447,747</u>	<u>8,652,425</u>	<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>
Other	13,000	13,000	13,000	13,000	13,000	3,000	4,000	3,000	12,367	12,625
Total operating revenues	<u>6,249,202</u>	<u>9,460,747</u>	<u>8,665,425</u>	<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>
Nonoperating revenues:										
Property taxes	3,318,073	2,585,031	4,034,389	1,998,868	2,527,146	2,256,861	2,208,451	2,242,282	2,320,303	1,765,272
Other tax distributions	792,325	688,716	731,724	548,973	710,580	509,765	493,925	461,683	446,283	535,170
Interest and investment revenue	124,024	441,422	309,992	144,914	19,554	9,963	12,203	15,634	18,986	16,139
Property management revenue	321,545	594,422	535,868	449,526	526,419	281,952	242,757	244,898	227,126	257,154
Federal operating grant	7,388,917	112,850	108,596	105,396	112,226	12,098	238,490	692,138	101,303	144,568
Gain on disposal of assets	-	-	-	-	-	-	56,402	-	-	-
Other revenue	282,487	66,752	68,410	115,035	49,614	310,005	84,670	50,545	32,921	41,072
Total nonoperating revenues	<u>12,227,371</u>	<u>4,489,193</u>	<u>5,788,979</u>	<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>
Total revenue	<u>\$ 18,476,573</u>	<u>\$ 13,949,940</u>	<u>\$ 14,454,404</u>	<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>

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating expenses:										
Personal services	\$ 5,126,523	\$ 5,164,751	\$ 5,115,392	\$ 4,614,911	\$ 4,777,184	\$ 4,929,934	\$ 4,554,567	\$ 4,983,555	\$ 5,050,210	\$ 4,871,475
Supplies	709,984	947,963	809,018	722,503	665,317	736,469	702,877	756,976	623,858	642,682
Other services and charges	3,999,895	5,212,816	4,798,204	3,555,030	2,660,041	3,290,097	2,243,370	3,189,233	2,454,909	2,880,312
Depreciation	3,550,613	3,393,684	3,618,554	3,284,883	3,405,519	3,208,875	3,198,452	3,398,840	3,347,686	3,611,684
Total operating expenses	<u>13,387,015</u>	<u>14,719,214</u>	<u>14,341,168</u>	<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>
Nonoperating expenses:										
Interest expense	253,538	192,019	408,203	435,222	465,836	467,639	487,856	503,345	631,215	607,514
Property management expense	-	-	-	-	-	150,541	199,801	186,036	192,996	200,666
Loss on disposal of capital assets	-	-	-	-	-	1,055,552	69,948	-	152,751	-
Bond issuance costs	500	742,154	-	-	-	-	-	-	158,849	-
Amortization expense	-	3,167	17,728	18,578	17,728	79,399	575	-	1,277	9,083
Total nonoperating expenses	<u>254,038</u>	<u>937,340</u>	<u>425,931</u>	<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>
Total expenses	<u>13,641,053</u>	<u>15,656,554</u>	<u>14,767,099</u>	<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>
Income before contributions	<u>4,835,520</u>	<u>(1,706,614)</u>	<u>(312,695)</u>	<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>
Capital contributions	2,065,660	2,932,458	1,962,241	1,202,597	6,939,705	4,499,206	1,752,133	35,157	3,274,595	3,909,443
Passenger facility charge revenue	895,478	1,759,925	1,609,047	1,248,795	1,395,957	1,291,355	1,287,426	1,341,898	1,227,862	1,007,280
Capital assets donated to County government	-	-	-	-	-	-	(1,552,241)	(5,004,377)	-	-
Total contributions	<u>2,961,138</u>	<u>4,692,383</u>	<u>3,571,288</u>	<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>
Change in net position	<u>7,796,658</u>	<u>2,985,769</u>	<u>3,258,593</u>	<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>
Total net position - beginning	95,913,719	92,927,950	89,669,357	87,646,012	79,740,641	79,036,257	78,713,318	85,235,471	84,872,582	84,255,461
Total net position - adjustments	-	-	-	1,091,551	1	(1,586,596)	167,329	-	(578,962)	-
Total net position - ending	<u>\$ 103,710,377</u>	<u>\$ 95,913,719</u>	<u>\$ 92,927,950</u>	<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>

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

Year	Real Property Assessed Value	Personal Property Assessed Value	Total Direct Tax Rate	Total Assessed Value
2020	\$ 7,992,990,080	\$ 1,393,311,965	0.0437	\$ 9,386,302,045
2019	7,961,425,433	1,018,338,759	0.0343	8,979,764,192
2018	8,689,277,219	1,425,772,924	0.0555	10,115,050,143
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

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**

Year	Airport General	Airport Cumulative Building	Airport Debt Service	Total Assessed Value
2020	\$ 0.0304	\$ 0.0133	\$ -	\$ 0.0437
2019	0.0312	0.0031	-	0.0343
2018	0.0356	0.0031	0.0168	0.0555
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

Source: St. Joseph County Auditor

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

Year	Certified Levy (1)	Collections During the Year	
		Amount	Percentage of Levy
2020	\$ 4,101,814	\$ 3,318,073	80.89%
2019	3,030,967	2,585,031	85.29%
2018	4,705,713	4,034,389	85.73%
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 Program, on Internal Control
over Compliance and on the Schedule of Expenditures of Federal Awards
as 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, 2020. 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 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.

Opinion on Each Major Federal Program

In our opinion, the Airport Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2020-001. 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, we considered the Airport Authority's internal control over compliance with the types of 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.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2020-001, that we consider 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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Airport Authority, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Airport Authority's basic financial statements. Our report thereon dated September 30, 2021, which contained an unmodified opinion on those financial statements, appears on pages 6 through 8. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
September 30, 2021

ST. JOSEPH COUNTY AIRPORT AUTHORITY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2020**

	<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>
U.S. DEPARTMENT OF TRANSPORTATION					
COVID-19 - Airport Improvement Program	20.106	03-18-0079-054-2020	\$ 7,284,942	\$ -	\$ 7,284,942
Airport Improvement Program	20.106	03-18-0079-053-2019	2,870,269	-	613,510
		03-18-0079-055-2020	14,504,795	-	1,358,088
		03-18-0079-056-2020	1,352,592	-	59,072
				-	<u>9,315,612</u>
U.S. DEPARTMENT OF HOMELAND SECURITY					
Law Enforcement Officer Reimbursement Agreement Program	97.090	HSTS02-16-H-SLR911	117,120	<u>-</u>	<u>103,974</u>
				<u>\$ -</u>	<u>\$ 9,419,586</u>

ST. JOSEPH COUNTY AIRPORT AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2020

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, 2020. 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 accrual basis of accounting as used in the preparation of the basic financial statements. Such expenditures are recognized following the cost principles in Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. The accounting method used to report expenditures of federal awards is different than the method used in prior periods, which was on a cash basis.

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
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 December 31, 2020

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: Unmodified

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

ST. JOSEPH COUNTY AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2020

SECTION II – Financial Statement Findings

None

SECTION III – Federal Award Findings and Questioned Costs

U.S Department of Transportation

**2020-001 Significant Deficiency in Internal Control over Compliance and Noncompliance –
Equipment and Real Property Management**

Criteria: 2 CFR 200.313(d)(2) requires the Airport Authority to perform a physical inventory of capital assets acquired in whole or in part under a federal award at least once every two years.

Condition and Context: We noted during our testing of equipment and real property management a physical inventory of capital assets had not occurred since 2010.

Cause and Effect: Management of the Airport Authority had not established a proper system of internal control over compliance. The failure to establish controls has resulted in noncompliance with the requirement noted above. It is important for the Airport Authority to perform regular and timely physical inventories of capital assets acquired in whole or in part under a federal award to ensure capital assets are being properly managed.

Recommendation: We recommend that the Airport Authority's management establish controls to ensure that a physical inventory of capital assets takes place at least once every two years.

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



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2020**

Financial Statement Findings

Finding 2019-001 and 2018-001 (Repeat Finding)

Condition and Context: There was a deficiency in the internal control system of the Airport Authority related to financial transactions and reporting. There was no evidence of a timely review of revenues entered into the accounting software system to ensure that they were recorded to the correct revenue account or fund.

Current Status: Completed – A system generated revenue posting journal is printed by the staff accountant, reviewed, and initialed by the VP of Finance to ensure revenues are reviewed timely for accuracy.

Federal Award Findings and Question Costs

Finding 2019-002 and 2018-003 (Repeat Finding)

Condition and Context: An effective internal control system was not in place at the Airport Authority in order to ensure compliance with the requirements related to the grant agreement and the Special Tests and Provisions - Revenue Diversion compliance requirement. There was no evidence of a timely review of revenues entered into the accounting software system.

The lack of controls was a systemic issue throughout the audit period.

Recommendation: The predecessor auditor recommended that the Airport Authority's management establish a system of internal controls, including segregation of duties, related to the grant agreement and the Special Tests and Provisions - Revenue Diversion compliance requirement.

Current Status: Completed – A system generated revenue posting journal is printed by the staff accountant, reviewed, and initialed by the VP of Finance to ensure revenues are reviewed timely for accuracy.

Regards,

A handwritten signature in blue ink, appearing to read 'A. Kobb'.

Aaron Kobb
Vice President of Finance



**CORRECTIVE ACTION PLAN
Year Ended December 31, 2020**

U.S Department of Transportation

St. Joseph County Airport Authority (the Airport Authority) respectively submits the following corrective action plan for the year ended December 31, 2020.

Name and address of independent public accounting firm:

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

Audit period: Year ended December 31, 2020

The findings from the schedule of findings and questioned costs (the Schedule) for the year ended December 31, 2020, are discussed below. The findings are numbered consistently with the numbers assigned in the Schedule.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U.S Department of Transportation

Airport Improvement Program - CFDA #20.106

**2020-001 Significant Deficiency in Internal Control over Compliance and Noncompliance –
Equipment and Real Property Management**

Recommendation: The auditors recommend that the Airport Authority’s management establish controls to ensure that a physical inventory of capital assets takes place at least once every two years.

Planned Corrective Action: We agree with the recommendation and plan to have the corrective action implemented by December 31, 2021.

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

Regards,

A handwritten signature in blue ink, appearing to read 'Aaron Kobb', is written over a light blue horizontal line.

Aaron Kobb, Vice President of Finance
St. Joseph County Airport Authority

ST. JOSEPH COUNTY AIRPORT AUTHORITY
OTHER REPORTS
December 31, 2020

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/>.