



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513

Fax: (317) 232-4711

Web Site: www.in.gov/sboa

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 Airport Authority complied, in all material respects, with the compliance requirements that could have a direct and material effect on its passenger facility charge program for the year ended December 31, 2020.

In our opinion, Katz, Sapper & Miller, LLP, prepared the audit report 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

PASSENGER FACILITY CHARGE COMPLIANCE AUDIT REPORT

For the year ended December 31, 2020

ST. JOSEPH COUNTY AIRPORT AUTHORITY

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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 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

*Independent Auditors' Report on Compliance with Requirements for
Passenger Facility Charge Program; Report on Internal Control
Over Compliance; and Report on Expenditures of Passenger Facility Charges*

Board of Directors
St. Joseph County Airport Authority

Report on Compliance for the Passenger Facility Charge Program

We have audited the compliance of St. Joseph County Airport Authority's (Airport Authority) with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide), its passenger facility charge program for the year ended December 31, 2020.

Management's Responsibility

Management is responsible for compliance with requirements of laws and regulations applicable to the passenger facility charge program.

Auditors' Responsibility

Our responsibility is to express an opinion on the Airport Authority's compliance with the compliance requirements described in the Guide based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the passenger facility charge 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 with requirements for the passenger facility charge program. However, our audit does not provide legal determination of the Airport Authority's compliance.

Opinion on the Passenger Facility Charge Program

In our opinion, the Airport Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its passenger facility charge program for the year ended December 31, 2020.

Report on Internal Control over Compliance

Management the Airport Authority is establishing and effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Airport Authority's internal control over compliance the types of requirements that could have a direct and material effect on the passenger facility charge program to determine the auditing procedures that are appropriate in the for the purpose of expressing our opinion on compliance for the passenger facility charge program and to test and report on internal control over compliance in accordance with the Guide, 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 compliance requirement of the passenger facility charge 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 compliance requirement of the passenger facility charge 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 combination of deficiencies, in internal control over compliance with a type of compliance requirement of the passenger facility charge program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Report on Expenditures of Passenger Facility Charges

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. We issued our report thereon dated September 30, 2021, which contained unmodified opinions on those financial statements. 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 passenger facility charges is presented for purposes of additional analysis as required by the Guide 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 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 passenger facility charges 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
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
 SUPPLEMENTAL FINANCIAL INFORMATION
 NOTES TO SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES
 Year Ended 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.

The schedule contained herein represents the financial transactions of the Passenger Facility Charges (PFC) Collected and Expended required to show compliance with the Federal Aviation Administration's *Passenger Facility Charge Audit Guide for Public Agencies*, and is not combined with the financial transactions of the Airport Authority or any other agency to present the financial position, results of operations, or cash flows of the Airport Authority, in conformity with accounting principles generally accepted in the United States (GAAP).

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

The accounts of the business-type activity are maintained and the Schedule of Expenditures of Passenger Facility Charges are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Passenger Facility Charge Fund revenues result from the collection of fees collected by airlines when a passenger books a flight. Expenditures in this fund are allowable reimbursements to the Aviation Fund for expenditures that were included in the PFC application.

II. Detailed Notes

Passenger Facility Charge

Effective November 1, 1994, a Passenger Facility Charge (PFC) of \$3.00 per ticket was implemented by the approval of the Federal Aviation Administration (FAA) and the Airport Authority, Effective July 1, 2011, the Passenger Facility Charge was increased to \$4.50 per ticket. The revenues are to be used to repay the debt service on the 2011 and 2012 bond issues (prior to the 2019 refunding) the 2019 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.

Verification of Total Earned Amount:

Prior Audited Notes	\$30,215,106
Total Received in 2020	<u>1,084,722</u>
Total Received to Date	<u>\$31,299,828</u>

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

Passenger Facility Charge Program

Internal control over passenger facility charge program:

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

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

SECTION II – Financial Statement Findings

None

SECTION III – Passenger Facility Charge Program Findings and Questioned Costs

None

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