

# Comprehensive Annual Financial Report



*Photo by David Parfies*

## **Greater Rockford Airport Authority Rockford, Illinois**

**For the fiscal year ended  
April 30, 2006**

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## **Greater Rockford Airport Authority**

**Rockford, Illinois**

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# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the  
Greater Rockford Airport Authority  
Rockford, Illinois

For the fiscal year ended  
April 30, 2006

Prepared by:  
Amy M. Ott, CPA  
Deputy Director of Administration and Finance

Jan Benoit  
Manager of Finance



# Table of Contents

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	<u>Pages</u>
<b>Introductory Section</b>	
Letter of Transmittal	I-V
Board of Commissioners	VI
Organizational Chart and Senior Management	VII
Certificate of Achievement for Excellence in Financial Reporting	VIII
<b>Financial Section</b>	
<b>Independent Auditor's Report</b>	1-2
<b>Management Discussion and Analysis</b>	3-10
<b>Financial Statements</b>	
Statements of Net Assets	11-12
Statements of Revenues, Expenses and Changes in Net Assets	13
Statements of Cash Flow	14
Notes to Financial Statements	15-28
Required Supplementary Information	29
Other Supplementary Information	30-33
<b>Statistical Section (Unaudited)</b>	
Schedule of Statistical and Commerce Information	34-35
Schedule of Unrestricted and Restricted Cash, Cash Equivalents and Investments	36
Schedule of Revenue by Sources	37
Schedule of Certain Expenses by Function and Department	38-39
Schedule of Insurance in Force	40
Schedule of Major Tenants	41
Schedule of Debt Obligation Coverage	42
Schedule of Property Tax Levies and Collections	43-44
Schedule of Assessed Value, Levies and Rates	45
Schedule of Principal Property Taxpayers in Winnebago County	46
Schedule of Largest Employers in Greater Rockford Area	47
Schedule of Population within the Authority Area	48

## Table of Contents (Continued)

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	<u>Pages</u>
<b>Compliance Section</b>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	49
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	50-51
Schedule of Expenditures of Federal Awards	52
Notes to Schedule of Expenditures of Federal Awards	53
Schedule of Findings and Questioned Costs	54-56
Summary Schedule of Prior Audit Findings	57
Independent Auditor's Report on Compliance with Requirements Applicable to the Passenger Facility Charge Program and on Internal Control Over Compliance	58-59
Schedule of Passenger Facility Charges	60
Summary of Audit Results	61

## Introductory Section



This section contains the following subsections:

- ◆ Letter of Transmittal
- ◆ Board of Commissioners
- ◆ Organizational Chart and Senior Management
- ◆ Certificate of Achievement for Excellence in Financial Reporting







June 23, 2006

To the Board of Commissioners:

This Comprehensive Annual Financial Report (CAFR) for the Greater Rockford Airport Authority (the Authority) (Chicago/Rockford International Airport) for the fiscal year ended April 30, 2006, is proudly prepared and presented by your Finance Department and represents the Authority staff's commitment to provide accurate, concise and high-quality financial information to its Board of Commissioners and to the public we serve.

The CAFR contains financial statements and statistical information that fully disclose all the material financial operations of the Authority. The financial statements and statistical information contained herein are representations of the Authority's management, which bears the responsibility for the accuracy, completeness, and fairness of this report. To the best of our knowledge, these representations are accurate in all material respects. A narrative overview and analysis of the financial activities of the Authority, that occurred during the fiscal year ended April 30, 2006, is presented in the Management's Discussion and Analysis (MD&A) found at the beginning of the Financial Section.

This year's financial report is prepared in accordance with the guidelines set forth by the Government Finance Officers Association of the United States and Canada (GFOA). The GFOA awards a Certificate of Achievement to all public entities whose annual financial reports are judged to conform to the high standards of public financial reporting, including generally accepted accounting principles promulgated by the Government Accounting Standards Board (GASB). Subsequent to the approval of the Board, this CAFR will be submitted for consideration by the GFOA in meeting the high standards of disclosure and reporting.

In accordance with the GFOA's criteria for awarding a Certificate of Achievement for Excellence in Financial Reporting, this report is comprised of four sections:

1. **Introductory Section**, including this transmittal letter, members of the Board of Commissioners, an Organizational Chart and a reproduction of the Certificate of Achievement;
2. **Financial Section**, including the MD&A of the 2006 financial statements, financial statements with related notes for April 30, 2006 and the year then ended, accompanied by our independent auditor's report;
3. **Statistical Section**, providing financial, economic and industry specific information; and
4. **Compliance Section**, providing the independent auditor's 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*, the independent auditor's report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133, the Schedule of expenditures of federal awards and notes related thereto, the schedule of findings and questioned costs and the summary schedule of prior audit findings and the independent auditor's report on compliance with requirements applicable to the Passenger Facility Charge program and on internal control over compliance, the Schedule of Passenger Facility Charges and the summary of audit results.

## → THE AUTHORITY

The Authority is an independent municipal corporation of the State of Illinois, created by and formed in 1946 shortly after the State of Illinois adopted the Airport Authorities Act of 1945. At the time, the original Board of Commissioners requested and received a grant of 1,500 acres of Federal land located near Rockford, Illinois, for airport use. This land was formerly used as a U.S. Army base, known as Camp Grant, during WWI and WWII. Physical development of the airport began in 1947 with aircraft use in 1949.

The Authority is located within Winnebago County and is empowered to levy a property tax on real properties located within the Authority area, which encompasses an area of approximately 216 square miles and includes all land within Cherry Valley, Harlem, Owen and Rockford Townships with exception of roughly 12 square miles of rural land in Owen Township. Although ten other Townships in Winnebago County are not included within the boundaries of the Authority, nearly 83 percent of Winnebago County's land area and over 79 percent of Winnebago County's 2005 equalized assessed valuation is within the Authority Area.

The Authority is governed by a seven-member Board of Commissioners (Board). One or two commissioners are appointed each year to staggered five-year terms. Currently, the Mayor of the City of Rockford appoints three (3) members, the Winnebago County Board Chairman appoints two (2) members, and the Mayor of the City of Loves Park and the Village President of the Village of Machesney Park appoint one member each. Policy-making and legislative authority rests with the Board that is responsible, among other responsibilities, for passing ordinances, resolutions, adopting the budget, and hiring the Executive Director. The Executive Director is responsible for carrying out the policies, ordinances and resolutions of the Board, for overseeing the day-to-day operations of the Authority, and overseeing hiring practices.

Meetings of the Board are scheduled twice per month on the second and fourth Thursdays at 5:30 pm. Meetings are open to the public.

## → FINANCIAL REPORTING ENTITY

The Authority's financial reporting entity has been defined in accordance with GASB Statement No. 14. The financial statements contained within this CAFR include all departments and operations for which the Authority is financially accountable. Financial accountability is defined in Note 1 to the financial statements. On this basis, no governmental organizations other than the Authority itself are included in the financial reporting entity.

## → ECONOMIC CONDITION

The information presented herein is perhaps best understood when it is considered with a broader perspective of the airline industry as a whole. Although the airport operates primarily as a cargo facility for three (3) major cargo airlines, it is not immune to the influences of terrorist threats, war or the national economy.

The financial condition of the Authority is primarily dependent upon the amount of aircraft utilization at the Greater Rockford Airport. That utilization, in turn, is dependent upon several factors: the amount of cargo that is sorted at the United Parcel Service hub, DHL and BAX Global Facilities; the national economy, which influences buying, and subsequent shipping habits; and, the local economy that influences the willingness of the consumer to purchase air travel.

The Authority continues to grow as a major cargo airport with three major cargo airlines. The most recent FAA cargo reports state RFD is the 22<sup>nd</sup> largest cargo airport in the United States. The annual total of gross landed weight for all cargo aircraft for the year was 1,374,921,520 lbs. this is a .6% decrease from the prior year, 3,000 full-time and 1,000 part-time jobs, and a total economic impact of \$719,890,326. Feeding off the cargo airlines are 60 motor freight carriers serving 37 terminals. Significant improvements and additions were done to the Northwest Cargo Apron which also included UPS building a new 70,000 square foot building and hiring an additional 50 – 100 new employees.

Chicago/Rockford International Airport (RFD) is one of the fastest growing airports in the United States with a 55% increase over prior year number of passengers. Total enplanements for the year were 82,845. Passenger service has seen some significant changes over the last year. Airlines currently serving RFD are United to Denver twice daily; Allegiant Air to Las Vegas and Orlando between 4 and 7 times a week depending in seasonality and Apple Vacations to Cancun on a limited season basis. Prior year airlines Northwest, TMA and Hooters ended service during the year. United began service March 3, 2006 and have seen average 88% load factors. Allegiant began Las Vegas service in November 2005 and Orlando in December 2005 with 85% load factors to date for both destinations.

During fiscal year 2005, a Global Trade Park was established around the Authority property with the partnering of the City of Rockford. This Global Trade Park Zone was established to target development in and around the airport as the airport is vital to the economic vitality of the region. The Authority will continue to work with the City of Rockford to encourage new and growing development in and around the airport.

The Rockford MSA includes Boone, Ogle and Winnebago counties and encompasses an area of 1,560 square miles. Its population is 379,376 and enjoys a work force of 200,693. Total households in the MSA are 146,811 and have 2.51 persons per household. The mean household income is \$54,521.

## ➔ MAJOR INITIATIVES

- Northwest Cargo Apron Expansion
- Jet Bridges (2)
- Fire Station Expansion
- Security Enhancements
- Terminal In-bound Baggage Claim
- Passenger Seating Area Expansion
- Aircraft Rescue Vehicle
- Master Planning Update
- Runway Safety Improvements and Perimeter Roadway Improvements

## ➔ INTERNAL CONTROLS

The Authority's internal control structure is an important and integral part of its entire accounting system. The current structure in place is designed to provide reasonable, but not absolute assurance that: (1) assets are safeguarded against loss from unauthorized use or disposition; (2) transactions are executed in accordance with management's authorization; (3) financial records are reliable for preparing financial statements and maintaining accountability for assets; and (4) there is compliance with applicable laws and regulations. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits that are likely to be derived from them, and that the evaluation of cost and benefits require estimates and judgment by management.

We believe that the Authority's internal control framework adequately safeguards assets and provides reasonable assurance and proper recording of financial transactions. Management also believes that the data in this CAFR, as presented, is accurate in all material respects, that it presents fairly the financial position, results of operations and cash flows of the Authority, and that all disclosures necessary to enable the reader to gain maximum understanding of the Authority's financial affairs have been included herein.

One duty of the Manager of Finance is to perform internal and external auditing functions. In the course of this assignment, the Manager of Finance is authorized to have full, free and unrestricted access to all records relating to the audit.

## → THE BUDGET

Authority management has long recognized the importance of proper and accurate budgeting. Management annually creates a comprehensive line item budget that is adopted by the Board of Commissioners in a public meeting before the beginning of each fiscal year. The budget narratives are detailed projections of the expected financial operation over the next year in accordance with the Authority's long-range finance plan. The budget is created using zero-based budgeting techniques where staff are required to estimate all revenues and expenditures as though each revenue and/or expenditure was being initiated for the first time.

Management's control of the budget is maintained at the department level. It is the responsibility of each department to administer operations in such a manner to ensure that the use of funds is consistent with the goals and programs authorized by the Board of Commissioners.

## → CASH MANAGEMENT

The Authority utilizes a cash management and investment policy intended to achieve maximum financial return while minimizing the risk of loss on all available funds. The Authority currently invests funds in accordance with its Investment Policy adopted by Resolution #98-73 on November 12, 1998. The purpose of this policy is to direct the investment of funds into financial instruments that are foremost legal, safe and provide a maximum rate of return. Funds shall also be liquid and diversified. Authority monies are deposited in checking and money market accounts, repurchase agreements and certificates of deposit. The maximum maturities on these deposits were 365 days and the range of yields on the investments was 1.09 percent to 4.60 percent.

In accordance with GASB criteria, much of the Authority's deposits are either FDIC insured or collateralized by securities held by the pledging financial institutions' trust departments or agents in the Authority's name. The procedure used to secure the Authority's deposits complies with state statutes.

## → RISK MANAGEMENT

It is the practice of the Authority to eliminate or transfer risk whenever possible. Lease agreements contain insurance requirements and hold harmless clauses. Contractors are required to maintain appropriate amounts of insurance and bonding. A more comprehensive Schedule of Insurance may be found on Page 40.

## → PENSION BENEFITS

The Authority participates in the Illinois Municipal Retirement Fund (IMRF), a defined benefit, multiple employer pension plan for all its employees. IMRF maintains all fiduciary responsibility and manages all cash and investments of the pension plan.

## → INDEPENDENT AUDITOR

The Authority's independent accounting firm, McGladrey & Pullen, LLP has rendered an unqualified opinion on the Authority's financial statements as of April 30, 2006 and for the fiscal year then ended. The Auditor's report on the financial statements is included in the financial section of the report.

## → CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Greater Rockford Airport Authority for its comprehensive annual financial report for the fiscal year ended April 30, 2005. The Certificate is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting, a governmental unit must publish an easily readable and efficiently organized, Comprehensive Annual Financial Report (CAFR), whose contents conform to program standards. Such CAFR must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of only one year. The Authority has received a Certificate of Achievement for each of the last eight consecutive years and we believe our current report conforms to the Certificate of Achievement program requirements, and are submitting it to GFOA for their review.

## → DISTINGUISHED BUDGET PRESENTATION AWARD

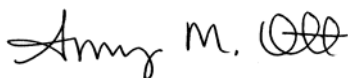
The Government Finance Officers Association awarded the Authority Management the Distinguished Budget Presentation Award for its FYE05 Budget. This was the seventh consecutive year the Authority was presented with this award.

## → ACKNOWLEDGMENTS

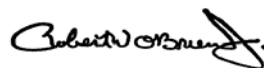
The publication of this CAFR is a reflection of the level of excellence and professionalism the Authority's entire staff has attained. We wish to express our appreciation specifically to all members of the Finance Department, who contributed not only to the preparation of the CAFR, but also to the accomplishments that we are privileged to report.

We would like to thank the Board of Commissioners for their guidance and support provided in the planning and conducting of the financial operations of the Authority. Your direction and counsel have helped to ensure that the Greater Rockford Airport Authority will remain a model of excellence for airports throughout the world.

Respectfully submitted,



Amy M. Ott, CPA  
Deputy Director of Administration  
and Finance



Robert W. O'Brien, Jr., AAE  
Executive Director

## Board of Commissioners



**Chair**  
Michael P. Dunn  
Vice President &  
General Manager  
Dickerson & Nieman  
Realtors  
*Winnebago County*



**Vice Chair**  
Gwyn Gulley  
Attorney  
Wolf & Wolf, Ltd.  
*City of Rockford*



**Treasurer**  
Bradley O. Bennett  
Insurance Agent  
Safeco  
*Village of Machesney  
Park*



**Secretary**  
Eugene H. Allen, CPA  
Director of Internal  
Audit  
Hendrickson  
International  
*Winnebago County*

## Commissioners



Peter Provenzano  
CEO  
SupplyCore Inc.  
*City of Rockford*

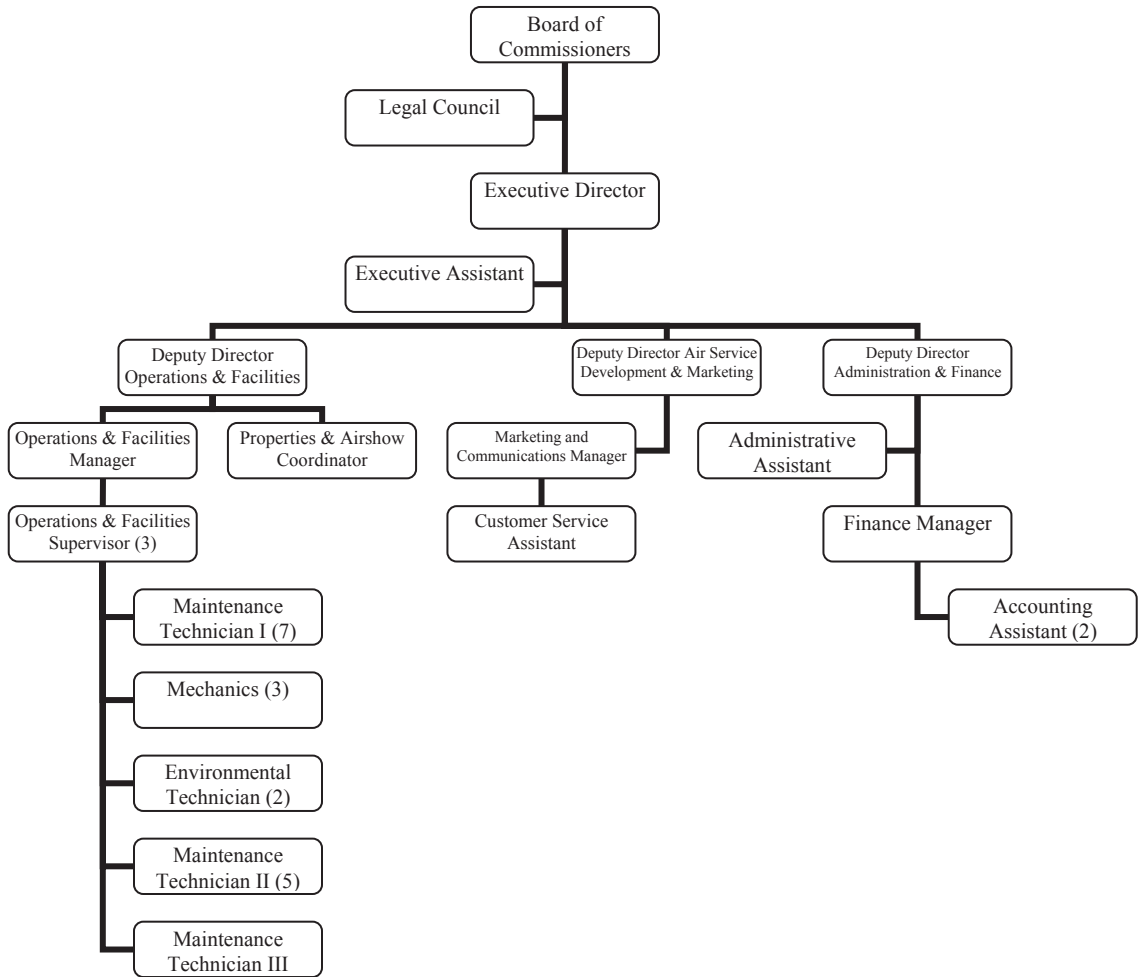


Nicholas Ancona  
Registered Representative  
Principal Financial Group  
*City of Loves Park*



Bharat Puri  
First Rockford Group  
*City of Rockford*

## Organizational Chart and Senior Management



### Senior Management

Robert W. O'Brien, Jr., AAE  
 Amy M. Ott, CPA  
 Derek V. Martin, AAE  
 Franz Olson  
 Janette Benoit  
 Thomas J. Lester

Executive Director  
 Deputy Director of Administration and Finance  
 Deputy Director of Air Service Development and Marketing  
 Deputy Director of Operations and Facilities  
 Manager of Finance  
 Legal Counsel, Hinshaw & Culbertson LLP



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## Greater Rockford Airport Authority, Illinois

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
April 30, 2005

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



*Carla E. Fudge*

President

*Jeffrey R. Egan*

Executive Director

# Financial Section



This section contains the following subsections:

- ◆ Independent Auditor's Report
- ◆ Management's Discussion and Analysis
- ◆ Financial Statements
- ◆ Notes to Financial Statements
- ◆ Required Supplementary Information
- ◆ Other Supplementary Information



## Independent Auditor's Report

To the Board of Commissioners  
Greater Rockford Airport Authority  
Rockford, Illinois

We have audited the accompanying basic financial statements of the Greater Rockford Airport Authority (the Authority) as of and for the years ended April 30, 2006 and 2005 as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of April 30, 2006 and 2005, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2006, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 – 10, and the Schedule of Pension Funding Progress on page 28 in the Financial Section are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the Other Supplementary Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards and Other Supplementary Information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The accompanying Introductory and Statistical Sections as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on it.

The accompanying schedule of passenger facility charges is presented in the Compliance Section for purposes of additional analysis as specified in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*McGladrey & Pullen, LLP*

Rockford, Illinois  
June 29, 2006

## Management's Discussion and Analysis

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The following Management's Discussion and Analysis (MD&A) of the Greater Rockford Airport Authority (Authority) provides an introduction to the financial statements for the fiscal years ended April 30, 2006 and 2005. The information contained in this MD&A should be considered in conjunction with the information contained in the Authority's financial statements.

### ➔ Overview of the Financial Statements

The Authority's financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America promulgated by the Government Accounting Standards Board (GASB). The Authority is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when paid. Capital assets are capitalized and are depreciated (except land and construction in progress) over their estimated useful lives. See the Notes to Financial Statements for a summary of the Authority's significant accounting policies.

Following this MD&A are the basic financial statements of the Authority together with the notes, which are essential to a complete understanding of the data contained therein. The Authority's basic financial statements are designed to provide readers with a broad overview of the Authority's finances.

The *Statement of Net Assets* presents information on all the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of the Authority's financial position.

The *Statement of Revenues, Expenses, and Changes in Net Assets* presents information showing how the Authority's net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods.

The *Statement of Cash Flows* relates to the flows of cash and cash equivalents. Consequently, only transactions that affect the Authority's cash accounts are recorded in this statement. A reconciliation is provided at the bottom of the Statement of Cash Flows to assist in the understanding of the difference between cash flows from operating activities and operating income.

In addition to the basic financial statements and accompanying notes, this report also presents the *Supplemental Schedule of Revenues and Expenses – Actual vs. Budget*.

### ➔ Financial Highlights

**A summary of the Authority's financial highlights for the year 2006 is as follow:**

The Authority's total assets increased \$685,000 over 2005. The majority is the result of an increase in capital assets.

Total liabilities declined \$5.3 million over 2005 due to a reduction in debt.

Operating revenues increased \$944,000 or 21% from 2005. This increase is mainly the result of an increase in airshow revenue and various intergovernmental grants received during the year.

Operating expenses increased \$1.5 million over 2005. This 18.6% increase is due to many factors. The airshow was a large expense that we did not have in the prior year. Additional marketing and advertising related to promoting new passenger service with Northwest Airlines and Allegiant Air and an increase in snow removal material costs are other reasons for this increase.

## Management's Discussion and Analysis

### A summary of the Authority's financial highlights for the year 2005 is as follow:

The Authority's total assets increased \$1.1 million over 2004. The majority is the result of an increase in capital assets.

Total liabilities declined \$5.7 million over 2004 due to a reduction in debt.

Operating revenues increased \$.3 million or 8% from 2004. This increase is mainly the result of an increase in airport fees and most specifically landing fees.

Operating expenses increased \$2.5 million over 2004. This 50% increase is due to the \$2 million revenue guarantee with Hooters Air, which is recorded as an expense in 2005, and the cost of contracting the aircraft rescue and firefighting services with the City of Rockford for \$.65 million a year.

### ➔ Financial Position

The following represents the Authority's financial position for the fiscal years ended April 30:

	FYE06	FYE05	FYE04	% Change	
				2006	2005
<b>Assets</b>					
Current assets - unrestricted	\$ 6,862,915	\$ 6,740,571	\$ 7,009,773	1.8	(3.8)
Current assets - restricted	11,144,971	11,695,651	11,503,199	(4.7)	1.7
Capital assets - net	105,934,450	104,693,720	103,377,002	1.2	1.3
Deferred charges	271,253	398,630	541,161	(32.0)	(26.3)
<b>Total assets</b>	<b>\$ 124,213,589</b>	<b>\$ 123,528,572</b>	<b>\$ 122,431,135</b>	<b>0.6</b>	<b>0.9</b>
<b>Liabilities</b>					
Current liabilities	\$ 5,929,513	\$ 4,063,391	\$ 4,029,457	45.9	0.8
Current liabilities payable from restricted assets	14,813,336	16,440,234	15,881,096	(9.9)	3.5
Long-term liabilities, less current maturities	338,273	5,904,733	12,188,177	(94.3)	(51.6)
<b>Total liabilities</b>	<b>21,081,122</b>	<b>26,408,358</b>	<b>32,098,730</b>	<b>(20.2)</b>	<b>(17.7)</b>
<b>Net assets</b>					
Invested in capital assets, Net of related debt	99,296,247	92,762,987	85,627,825	7.0	8.3
Unrestricted net assets	3,836,220	4,357,227	4,704,580	(12.0)	(7.4)
<b>Total net assets</b>	<b>103,132,467</b>	<b>97,120,214</b>	<b>90,332,405</b>	<b>6.2</b>	<b>7.5</b>
<b>Total liabilities and net assets</b>	<b>\$ 124,213,589</b>	<b>\$ 123,528,572</b>	<b>\$ 122,431,135</b>	<b>0.6</b>	<b>0.9</b>

### An analysis of significant changes in net assets for the year 2006 is as follows:

- ➔ The Authority's assets exceeded liabilities by \$103 million, a \$6.0 million increase over 2005. The largest portion of the Authority's net assets is the investment in capital assets net of related debt of \$99 million. The Authority uses these capital assets to provide services to the airlines, passengers and to service providers and users located on the Airport property. Consequently, these assets are not available for future spending. Although the Authority's investment in capital assets is net of related debt, the resources required to repay this debt annually are paid from operations, since it is unlikely that the capital assets will be liquidated to pay liabilities. The Authority's increase in net assets in 2006 can be attributed primarily to capital contributions and intergovernmental grant revenues totaling approximately \$6.2 million.

## Management's Discussion and Analysis

- Unrestricted net assets total \$3.8 million and are available to meet any of the Authority's ongoing obligations. The Authority anticipates these funds will be needed to pay future capital expenditures and to maintain adequate levels of working capital.

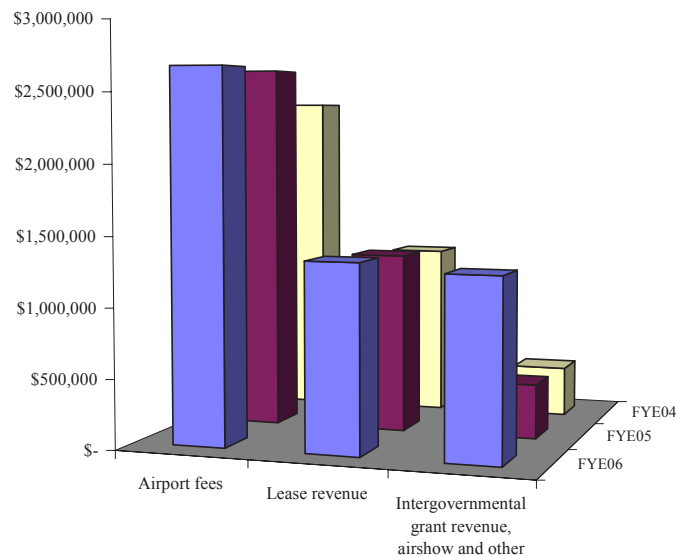
### An analysis of significant changes in net assets for the year 2005 is as follows:

- The Authority's assets exceeded liabilities by \$97 million, a \$6.8 million increase over 2004. The largest portion of the Authority's net assets is the investment in capital assets net of related debt of \$93 million. The Authority uses these capital assets to provide services to the airlines, passengers and to service providers and users located on the Airport property. Consequently, these assets are not available for future spending. Although the Authority's investment in capital assets is net of related debt, the resources required to repay this debt annually are paid from operations, since it is unlikely that the capital assets will be liquidated to pay liabilities. The Authority's increase in net assets in 2005 can be attributed primarily to capital contributions in the amount of approximately \$6.4 million.
- Unrestricted net assets total \$4.4 million and are available to meet any of the Authority's ongoing obligations. The Authority anticipates these funds will be needed to pay future capital expenditures and to maintain adequate levels of working capital.

The Authority's summary of revenues for the fiscal years ended April 30:

	FYE06	FYE05	FYE04	% Change	
				2006	2005
Operating revenues:					
Airport fees	\$ 2,685,962	\$ 2,669,598	\$ 2,416,935	0.6	10.5
Lease revenue	1,339,055	1,301,855	1,255,751	2.9	3.7
Intergovernmental grant revenue, airshow and other revenue	1,282,240	391,701	364,661	227.4	7.4
Total operating revenues	\$ 5,307,257	\$ 4,363,154	\$ 4,037,347	21.6	8.1

**Operating Revenues**





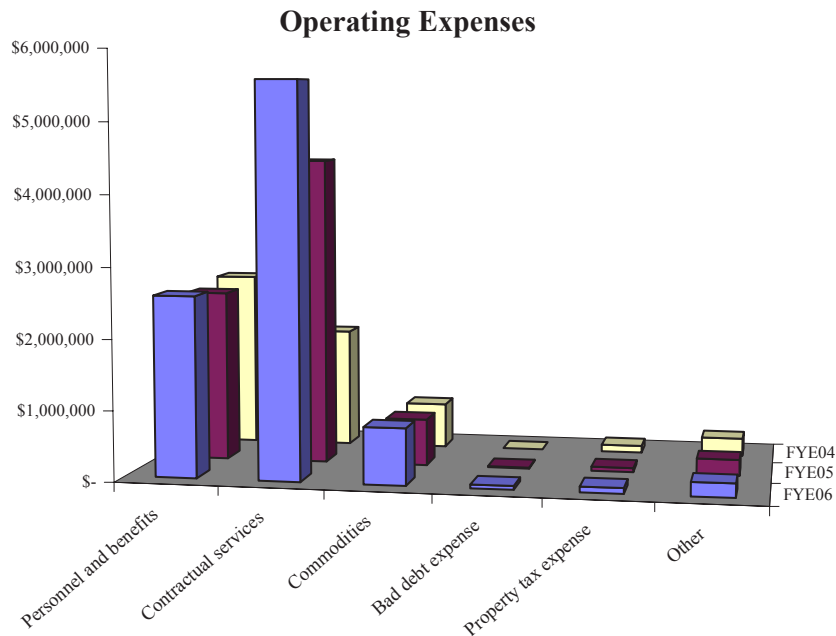
## Management's Discussion and Analysis

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- ➔ Airport fees are variable in nature and include on-airport fuel flowage and landing fees and rent-a-car commissions. These fees are directly attributable to the direct operation of the airport. In 2006, airport fees were static as a result of a decrease in landed weight of .6%; however, cargo weight enplaned and deplaned increased. This is because of more efficient use of aircraft by the cargo operators. Fuel flowage decreases were due to a change in fee structure in the prior year in which fuel flowage fees are only charged for non-revenue producing aircraft. In 2005, the Authority experienced growth in landing fees as a result of a rate change and an increase in landed weight of 8.0 percent.
- ➔ Lease revenue, collected from the tenants for the use of real and improved property, increased 2.9 percent and 3.7 percent in 2006 and 2005, respectively. The increase in 2006 is related to two factors; annual rent increases and the leasing of an airport owned building that was vacant in the prior year. The increase in 2005 is mainly due to annual increases in lease payments.
- ➔ Intergovernmental grant revenues, airshow and other revenues consist of several revenues collected for operating the airport. Annually \$150,000 is collected from United Parcel Service for the daily operation of the Glycol Pond. This amount is collected on a monthly basis and is stipulated by contractual agreement. The amount remains the same from year-to-year. The significant increase in other revenues in 2006 of approximately \$890,000 is the result of the airshow, which generated revenue of \$360,000, and grant revenues of \$480,000. The increase in other revenue of 7.4 percent in 2005 is the result of marketing campaign donations made during the "Year in the Air" celebration.

The following represents the Authority's summary of operating expenses before depreciation by source for the years ended April 30:

	FYE06	FYE05	FYE04	% Change	
				2006	2005
Operating expenses:					
Personnel and benefits	\$ 2,571,514	\$ 2,456,818	\$ 2,552,998	4.7	(3.8)
Contractual services	5,582,762	4,410,660	1,734,859	26.6	154.2
Commodities	802,286	667,020	646,699	20.3	3.1
Bad debt expense	53,607	14,270	2,920	275.7	388.7
Property tax expense	80,045	57,902	100,650	38.2	(42.5)
Other	198,363	227,019	256,670	(12.6)	(11.6)
Total operating expenses	\$ 9,288,577	\$ 7,833,689	\$ 5,294,796	18.6	48.0



- Personnel and benefits increased in 2006 due to increases in health insurance costs, overtime and temporary labor from the airport moving from limited coverage in the evenings and weekends to 24 hours, seven days a week staffing. 2005 personnel services expense decreased by 3.8 percent from the previous year. This was due to a reduction in employees in April 2004. The Authority transferred Aircraft Rescue and Firefighting Services to the City of Rockford Fire Department.
  
- The contractual services increased by 20% in 2006 due to increases in marketing and advertising and related consultants. Every effort was made to promote the new Northwest Airlines service which did end up terminating January 3, 2006. 2005 contractual services increased 154.2 percent from the previous year due mainly to a revenue guarantee given to Hooters Air of \$2.0 million. The increase is also the result of contracting with the City of Rockford Fire Department for aircraft rescue and firefighting services for \$650,000 annually.
  
- Commodities are materials the Authority purchases for maintaining the airport. The increase in commodities of 20.3 percent in 2006 relates to increased raw materials for snow removal as well as large increases in airfield lighting and mechanical costs. There was less snowfall from the prior season but the nature of the snowfall required more chemicals and there was an increase in the chemical costs from last year. Commodities increased 3.1 percent in 2005. The increase is due to an increase in airfield lighting and electrical supplies. There were an unusually large number of lightning strikes on the airfield that caused significant replacements.

## Management's Discussion and Analysis

The following represents the Authority's summary of changes in net assets for the years ending April 30:

	FYE06	FYE05	FYE04	% Change	
				2006	2005
Total operating revenues	\$ 5,307,257	\$ 4,363,154	\$ 4,037,347	21.6	8.1
Total operating expenses	(9,288,577)	(7,833,689)	(5,294,796)	18.6	48.0
Operating loss before depreciation and amortization	(3,981,320)	(3,470,535)	(1,257,449)	14.7	176.0
Depreciation and amortization	5,922,016	5,639,303	5,607,612	5.0	0.6
Operating loss	(9,903,336)	(9,109,838)	(6,865,061)	8.7	32.7
Nonoperating revenues, net of expenses	12,513,400	9,471,206	7,970,198	32.1	18.8
Capital contributions	3,402,189	6,426,441	5,489,787	(47.1)	17.1
Increase in net assets	6,012,253	6,787,809	6,594,924	(11.4)	2.9
Net assets, beginning of year	97,120,214	90,332,405	83,737,481	7.5	7.9
Net assets, end of year	\$ 103,132,467	\$ 97,120,214	\$ 90,332,405	6.2	7.5

- Nonoperating revenue is the net of both nonoperating revenue and expenses, which resulted in a 32.1 percent increase in 2006 and an 18.8 percent increase in 2005. In 2006, the increase was due primarily to an increase in grant revenue to be used for capital in the amount of approximately \$2,890,000, as well as an increase in interest income and replacement taxes and a decrease in interest expense. In 2005, there were some significant revenue and expense items which included an increase in the tax levy for debt service of \$351,000 due to an additional bonding; an increase in corporate replacement taxes of approximately \$50,000; an increase in interest income of approximately \$85,500; and a reduction of \$340,000 in interest expenses as a result of a reduction in the outstanding debt balances.

### → Capital Assets

The investment in capital assets includes land, buildings, building improvements, runways, taxiways, roads, machinery, equipment, vehicles, furniture and fixtures. The Authority's capital assets as of April 30, 2006 totaled \$105.9 million (net of accumulated depreciation). The total increase in the Authority's investment in capital assets before accumulated depreciation for 2006 was 5 percent or \$7.0 million.

Major capital projects in process and expenses incurred during 2006 included the following:

→ Northwest Cargo Apron Expansion	\$ 2,641,829
→ Jet Bridges (2)	952,272
→ Fire Station Expansion	857,436
→ Security Enhancements	471,849
→ Rehab Taxiway F, Runway 1/19 RIA/RSA&Falcon	382,318
→ Airport Master Plan	280,000
→ Terminal In-bound Baggage Claim	248,385
→ Passenger Seating Area Expansion	211,448
→ Aircraft Rescue Vehicle	201,283

Capital asset acquisitions are capitalized at cost and depreciated using the straight-line method. Acquisitions are funded using a variety of financing techniques, including federal and state grants, passenger facility charges, debt issuance and the Authority revenues, sinking funds and reserves. Additional information on the Authority's capital assets can be found in Note 5 of the accompanying notes.

## Management's Discussion and Analysis

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The Authority's capital assets as of April 30, 2005 totaled \$104.7 million (net of accumulated depreciation). The total increase in the Authority's investment in capital assets before accumulated depreciation for 2005 was 5 percent or \$6.8 million.

Major capital projects in process and expenses incurred during 2005 included the following:

→ Expand terminal parking	\$ 1,099,000
→ West Terminal Apron	1,600,000
→ Beltline Road Extension/Relocation	2,654,000
→ Midfield cargo apron	450,000
→ Federal Inspection Services/Security	1,128,000

### → Debt Administration

#### **General Obligation Bonds, Series 1998**

On December 1, 1998, the Authority issued its General Obligation Bonds, Series 1998, in the principal amount of \$4,645,000, in varying maturities up to seven (7) years. These bonds had a coupon rate of 9% and were sold at a premium with varying yields between 3.55% and 4.0%. These bonds were paid off during the year ended April 30, 2005.

*Balance outstanding at April 30, 2006 - \$0, 2005 - \$0, 2004 - \$930,000*

#### **General Obligation Bonds, Series 1999**

On November 15, 1999, the Authority issued its General Obligation Bonds, Series 1999, in the principal amount of \$4,500,000, in varying maturities up to seven (7) years. These bonds had a coupon rate of 9% and were sold at a premium with varying yields between 4.6% and 5.05%. For the first time, the Authority received a stand-alone credit rating; A3, from Moody's Investors Service and A, from Fitch IBCA, Inc. These bonds were paid off during the year ended April 30, 2006.

*Balance outstanding at April 30, 2006 - \$0, 2005 - \$1,125,000, - 2004 - \$1,800,000*

#### **General Obligation Bonds, Series 2000**

On November 1, 2000, the Authority issued its General Obligation Bonds, Series 2000, in the principal amount of \$4,100,000, in varying maturities up to seven (7) years. These bonds had a coupon rate of 9% and were sold at a premium with varying yields between 4.5% and 4.8%. The Authority received a Moody's Investors Service credit rating upgrade to A2.

*Balance outstanding at April 30, 2006 - \$150,000, 2005 - \$2,750,000, 2004 - \$3,650,000*

#### **General Obligation Bonds, Series 2001**

On November 1, 2001, the Authority issued its General Obligation Bonds, Series 2001, in the principal amount of \$4,490,000, in varying maturities up to six (6) years. Due to the reduction in the Line of Credit balance, this series of bonds was sold at par. The yield range was 2.405% to 3.45%. The Authority maintained a Moody's Investors Service credit rating of A2.

*Balance outstanding at April 30, 2006 - \$1,920,000, 2005 - \$2,585,000, 2004 - \$3,915,000*

#### **General Obligation Bonds, Series 2002**

On October 15, 2002, the Authority issued its General Obligation Bonds, Series 2002, in the principal amount of \$5,230,000, in varying maturities up to four (4) years. This issue was sold at a small premium with a yield range between 1.65% and 2.5%. The Authority maintained a Moody's Investors Service credit rating of A2.

*Balance outstanding at April 30, 2006 - \$2,930,000, 2005 - \$3,780,000, 2004 - \$4,730,000*

#### **General Obligation Bonds, Series 2003**

On October 23, 2003, the Authority issued its General Obligations Bonds, Series 2003, in the principal amount of \$1,720,000, in varying maturities up to three (3) years. This issue was sold at a small premium with a yield range between 1.3% and 2.0%. The Authority received a Moody's Investors Service credit rating upgrade to A1.

*Balance outstanding at April 30, 2006 - \$350,000, 2005 - \$1,040,000, 2004 - \$1,720,000*

## Management's Discussion and Analysis

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### **Revenue Bonds, Series 2003**

On March 4, 2003, the Authority issued Revenue Bonds, Series 2003, in the principal amount of \$672,000, in \$96,000 denominations with maturities up to seven (7) years. This issue was sold at a fixed interest rate of 5.2%. The revenue bonds are taxable and secured by a pledge of amounts to be paid to the Authority pursuant to a ground and facility lease between the Authority and BAX Global, Inc. The Authority is not obligated to the payment of the bond in the absence of BAX Global, Inc.

*Balance outstanding at April 30, 2006 - \$384,000, 2005 - \$480,000, 2004 - \$576,000*

### **Line of Credit**

In 2006, the Authority obtained a \$2,300,000 line of credit with a bank. The line of credit is due September 30, 2007 and requires monthly interest only payments at the 30-day LIBOR rate plus .75%.

See Note 7 for further information on long-term debt and the line of credit.

The Authority is subject to debt limitations and those limitations are provided in Note 8. The Authority did not experience any negative changes in its credit rating or limitation during the year.

### **→ Factors Bearing on the Authority's Future**

At the time these financial statements were prepared and audited, the Authority was unaware of any adverse existing circumstances that could significantly affect its financial health in the future.

### **→ Contacting the Authority's Financial Management**

This financial report is designed to provide the Authority's constituents with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Authority's Deputy Director of Administration and Finance, Amy Ott, at the Greater Rockford Airport Authority, 60 Airport Drive, Rockford, Illinois 61109.

# **Financial Statements**

**Greater Rockford Airport Authority**  
**Statements of Net Assets**  
**April 30, 2006 and 2005**

<b>Assets</b>	<i>FYE06</i>	<i>FYE05</i>
<b>Current assets unrestricted</b>		
Cash and cash equivalents	\$ 1,914,903	\$ 858,161
Investments	1,332,295	2,616,781
Accounts receivable (net of allowances for uncollectibles of \$10,434 and \$12,944 in 2006 and 2005, respectively)	634,035	392,442
Taxes receivable (net of allowance for uncollectibles)	2,782,022	2,636,445
Prepaid expenses and other current assets	199,660	236,742
Total current assets unrestricted	6,862,915	6,740,571
<b>Current assets restricted for</b>		
Debt service		
Cash and cash equivalents	80,555	8,634
Taxes receivable (net of allowance for uncollectibles)	5,455,854	6,415,641
Capital projects		
Cash and cash equivalents	1,722,479	1,430,058
Investments	1,046,985	1,114,246
Passenger facility charge receivable	-	49,092
Stormwater retention and landfill closure		
Cash and cash equivalents	1,252,284	1,208,291
Investments	1,586,814	1,469,689
Total current assets - restricted	11,144,971	11,695,651
Total current assets	18,007,886	18,436,222
<b>Non-current assets</b>		
Land	17,448,163	17,448,163
Construction in progress	16,451,811	20,590,339
Capital assets net of accumulated depreciation	72,034,476	66,655,218
Total capital assets, net	105,934,450	104,693,720
Deferred charges (net of accumulated amortization of \$738,111 and \$694,960 in 2006 and 2005, respectively)	271,253	398,630
Total non-current assets	106,205,703	105,092,350
<b>Total assets</b>	<b>\$ 124,213,589</b>	<b>\$ 123,528,572</b>

*See accompanying notes to financial statements.*

<b>Liabilities and Net Assets</b>	<i>FYE06</i>	<i>FYE05</i>
<b>Current liabilities</b>		
Accounts payable	\$ 2,068,811	\$ 1,227,297
Security deposits	29,887	28,809
Accrued payroll	56,119	27,873
Compensated absences	111,220	123,005
Prepaid rent	27,524	19,962
Unearned tax revenue, operating	2,782,022	2,636,445
Line of credit	853,930	-
Total current liabilities	5,929,513	4,063,391
<b>Current liabilities payable from restricted assets</b>		
Interest payable	58,706	189,810
Unearned tax revenue, debt service	5,455,854	6,415,641
Current maturities of long-term liabilities	5,446,000	6,026,000
Landfill closure and postclosure care	2,600,492	2,600,492
Stormwater retention	1,252,284	1,208,291
Total current liabilities payable from restricted assets	14,813,336	16,440,234
Total current liabilities	20,742,849	20,503,625
<b>Long-term liabilities, less current maturities</b>		
General obligation bonds	-	5,350,000
Unamortized premium on bonds	50,273	170,733
Revenue bond	288,000	384,000
Total long-term liabilities, less current maturities	338,273	5,904,733
<b>Total liabilities</b>	21,081,122	26,408,358
<b>Net assets</b>		
Invested in capital assets, net of related debt	99,296,247	92,762,987
Unrestricted net assets	3,836,220	4,357,227
<b>Total net assets</b>	103,132,467	97,120,214
<b>Total liabilities and net assets</b>	\$ 124,213,589	\$ 123,528,572

*See accompanying notes to financial statements.*



**Greater Rockford Airport Authority**  
**Statements of Revenues, Expenses and Changes in Net Assets**  
**Years Ended April 30, 2006 and 2005**

	<i>FYE06</i>	<i>FYE05</i>
<b>Operating revenues</b>		
Airport fees	\$ 2,685,962	\$ 2,669,598
Lease revenue	1,339,055	1,301,855
Intergovernmental grant revenue, airshow and other revenue	1,282,240	391,701
Total operating revenues	<u>5,307,257</u>	<u>4,363,154</u>
<b>Operating expenses</b>		
Personnel and benefits	2,571,514	2,456,818
Contractual services	5,582,762	4,410,660
Commodities	802,286	667,020
Bad debt expense	53,607	14,270
Property tax expense	80,045	57,902
Other	198,363	227,019
Total operating expenses	<u>9,288,577</u>	<u>7,833,689</u>
<b>Operating loss before depreciation and amortization</b>	(3,981,320)	(3,470,535)
Less: Depreciation and amortization	5,922,016	5,639,303
<b>Operating loss</b>	<u>(9,903,336)</u>	<u>(9,109,838)</u>
<b>Nonoperating revenues (expenses)</b>		
Taxes - property and corporate	9,654,318	9,216,668
Intergovernmental grant revenue - capital	2,889,646	-
Annexation agreement	135,548	125,239
Interest income	334,787	179,239
Other income	7,979	475,727
Interest expense	(370,053)	(517,094)
Other expense	(138,825)	(8,573)
Total nonoperating revenues (expenses)	<u>12,513,400</u>	<u>9,471,206</u>
<b>Income before capital contributions</b>	2,610,064	361,368
Capital contributions	3,402,189	6,426,441
<b>Change in net assets</b>	6,012,253	6,787,809
<b>Net assets, beginning of year</b>	<u>97,120,214</u>	<u>90,332,405</u>
<b>Net assets, end of year</b>	<u>\$ 103,132,467</u>	<u>\$ 97,120,214</u>

*See accompanying notes to financial statements.*

**Greater Rockford Airport Authority**  
**Statements of Cash Flows**  
**Years Ended April 30, 2006 and 2005**

	FYE06	FYE05
<b>Cash flows from operating activities</b>		
Cash received from providing services	\$ 5,028,676	\$ 5,327,757
Cash paid to employees, including benefits	(2,555,053)	(2,438,646)
Cash paid to suppliers	(5,923,685)	(5,500,252)
<b>Net cash used in operating activities</b>	<b>(3,450,062)</b>	<b>(2,611,141)</b>
<b>Cash flows from investing activities</b>		
Interest received	378,780	190,615
Purchases of investments	(3,966,094)	(5,200,716)
Proceeds from maturities of investments	5,200,716	4,864,711
<b>Net cash provided by (used in) investing activities</b>	<b>1,613,402</b>	<b>(145,390)</b>
<b>Cash flows from noncapital financing activities</b>		
Cash receipts from property taxes, operating	2,659,987	2,550,633
Cash receipts from corporate replacement taxes	521,409	404,089
Cash receipts from annexation agreement	135,548	125,239
<b>Net cash provided by noncapital financing activities</b>	<b>3,316,944</b>	<b>3,079,961</b>
<b>Cash flows from capital and related financing activities</b>		
Cash receipts from property taxes, debt service	6,472,922	6,261,946
Cash receipts from federal grants for capital assets	2,938,738	-
Payments for capital acquisitions	(3,685,366)	(448,612)
Principal payments on general obligation bonds	(5,930,000)	(5,465,000)
Principal payments on revenue bond	(96,000)	(96,000)
Net proceeds from line of credit	853,930	-
Interest paid	(569,431)	(862,116)
<b>Net cash used in capital and related financing activities</b>	<b>(15,207)</b>	<b>(609,782)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,465,077</b>	<b>(286,352)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>3,505,144</b>	<b>3,791,496</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 4,970,221</b>	<b>\$ 3,505,144</b>
<b>Reconciliation of cash and cash equivalents to statements of net assets:</b>		
Unrestricted	\$ 1,914,903	\$ 858,161
Restricted for debt service	80,555	8,634
Restricted for capital projects	1,722,479	1,430,058
Restricted for trust fund	1,252,284	1,208,291
	<b>\$ 4,970,221</b>	<b>\$ 3,505,144</b>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>		
Operating loss	\$ (9,903,336)	\$ (9,109,838)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	5,846,825	5,496,772
Amortization	75,191	142,531
Other income	7,979	475,727
Other expense	(138,825)	(8,573)
Increase (decrease) from changes in:		
Accounts receivable	(241,593)	497,687
Prepaid expenses and other current assets	37,082	(41,709)
Security deposits	1,078	4,572
Prepaid rent	7,562	887
Accrued payroll and compensated absences	16,461	18,172
Accounts payable	841,514	(87,369)
<b>Net cash used in operating activities</b>	<b>\$ (3,450,062)</b>	<b>\$ (2,611,141)</b>
<b>Schedule of noncash capital and related financing activities:</b>		
Contributions of capital assets	\$ 3,451,281	\$ 6,364,878

*See accompanying notes to financial statements.*

# Greater Rockford Airport Authority

## Notes to Financial Statements

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The accounting methods and procedures adopted by the Greater Rockford Airport Authority conform to accounting principles generally accepted in the United States of America as applied to governmental entities. The following notes are an integral part of the Authority's financial statements.

### **Note 1 – Organization and Reporting Entity**

The Authority is a municipal corporation and body politic of the State of Illinois, organized in 1946 pursuant to the provisions of the Airport Authorities Act (Act) of 1945 to acquire, develop and manage the Chicago/Rockford International Airport. As a municipal corporation, the Authority is independent and not an agency of the State of Illinois or any other local government unit.

The Authority is governed by a seven-member Board of Commissioners. The members are appointed as follows:

- The Mayor of the City of Rockford, 3 members;
- Winnebago County Board Chairman, 2 members;
- The Mayor of the City of Loves Park, 1 member; and
- The Village President of Machesney Park, 1 member.

The Authority members serve five-year terms, except that any person appointed to fill a vacancy will be appointed to serve the unexpired term. Members of the Board of Commissioners are eligible for reappointment. The Board selects an Executive Director to staff the respective departments and oversee the day-to-day operations.

The Authority is authorized to levy ad valorem taxes on all real property located within Winnebago County and is not subject to federal, state or local income taxes or sales taxes.

### **Note 2 – Summary of Significant Accounting Policies**

#### **Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. All transactions are accounted for in a single enterprise fund.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Government Entities that Use Proprietary Fund Accounting*, the Authority follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

#### **Budgetary Data**

The Authority prepares its budget partially on a cash basis. This basis is a departure from accounting principles generally accepted in the United States of America in that capital expenditures, including capital outlays and improvements, debt service and grant service, are entirely recognized in the year purchased or paid. Therefore, depreciation is not budgeted. All other revenues and expenses are budgeted on an accrual basis.

The budget process begins each October. The Deputy Director of Finance & Administration prepares a preliminary budget for review and approval by respective department heads. Upon favorable review by department heads, the Executive Director submits the budget for review, approval and adoption by the Board. The budget can be amended by the Board subsequent to its adoption.

# Greater Rockford Airport Authority

## Notes to Financial Statements

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### **Note 2 – Summary of Significant Accounting Policies (Continued)**

There were budget amendments in the fiscal year ended April 30, 2006 for expenses related to the addition of more passenger airline service. There were budget amendments in the fiscal year ended April 30, 2005 for expenses related to the addition of passenger airline service with more than one carrier.

#### **Operating Revenues and Expenses**

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority's operations. The principal operating revenues of the Authority are airport fees (primarily landing fees and fuel flowage fees) and lease revenue. The Authority also recognizes certain other revenues as operating revenues, including stormwater retention fees, fuel permits, quarry fees, airshow revenue and grant revenue for operating activities, etc. Operating expenses for the Authority include personnel and benefit costs, contractual services costs, commodities and others. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### **Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Authority considers all highly liquid investments (including short-term investments) with maturities of three months or less when purchased to be cash equivalents.

#### **Investments**

Investments are stated at fair value. Fair value is determined primarily on the basis of quoted market prices. Interest income is recorded as earned.

#### **Accounts Receivable**

Accounts receivable includes amounts due from Authority tenants as well as amounts due from the federal and state governments for grants. The amount shown is reduced by an estimated reserve for uncollectible accounts.

#### **Taxes Receivable**

Taxes receivable include taxes levied in the current fiscal year that will be paid in the following fiscal year. The balance, net of a one percent allowance for uncollectible amounts, is fully deferred at year-end because the tax levy will be used to fund expenses of the following year.

#### **Restricted Assets**

Restricted assets include all deposits and receivables legally restricted for specified purposes. Restricted assets are segregated, by purpose, as follows:

*Debt service* – These assets are used to fund current maturities on General Obligation Bonds and on the revenue bond to Alpine Bank.

*Capital projects* – These assets are used to fund budgeted capital items with the exception of debt service.

*Stormwater retention and landfill closure* – These assets are restricted for the repair, maintenance and monitoring of the stormwater retention pond and for the estimated landfill closure costs.

*Passenger facility charge receivable* – This receivable is restricted for capital improvements at the Authority as required by the Federal Aviation Administration.

When expenses are incurred for which both restricted and unrestricted resources are available, it is the Authority's policy to first apply restricted resources.

# Greater Rockford Airport Authority

## Notes to Financial Statements

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### Note 2 – Summary of Significant Accounting Policies (Continued)

#### Capital Assets

All individual items with a cost in excess of \$2,000 that provide more than one year of economic benefit are capitalized. Depreciation is calculated by the straight-line method using the assets' useful life that is classified as follows:

	<u>Years</u>
Buildings	20
Infrastructure	20
Equipment, office equipment & vehicles	3 – 10

Routine maintenance and repairs are expensed as incurred. Significant betterment and improvements are capitalized and depreciated over their estimated useful lives. Interest incurred during the construction phase of capital assets is reflected in the capitalized value of the assets constructed, net of interest earned on the invested proceeds over the same period.

#### Deferred Charges and Unamortized Premium on Bonds

All costs associated with the issuance of bonds and other long-term debt are capitalized. Amortization is calculated by the straight-line half-year ("bonds outstanding") method over the term of the debt. Bond premiums are amortized in the same manner. This method does not differ significantly from the bonds outstanding method.

#### Compensated Absences

The Authority accrues vacation and sick pay benefits as earned by its employees.

#### Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Net Assets

The Authority classified its net assets in two categories as follows:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds and other debt that are attributable to the acquisition, construction or improvement of those assets.

*Unrestricted net assets* consist of all other net assets that do not meet the criteria above.

# Greater Rockford Airport Authority

## Notes to Financial Statements

### Note 3 – Cash, Cash Equivalents and Investments

During the fiscal year ended April 30, 2006, the Authority adopted the provisions of GASB Statement No. 40, “Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3.”

Cash, cash equivalents and investments of the Authority at April 30 consist of the following:

	2006		2005	
	Carrying Value	Bank Balance	Carrying Value	Bank Balance
<b>Cash and cash equivalents</b>				
Cash on hand	\$ 450	\$ -	\$ 450	\$ -
Deposits and money market accounts	1,631,352	1,937,934	2,260,161	2,491,607
Repurchase agreement	13,108	13,108	56,273	56,273
Certificates of deposit	1,279,538	1,279,538	1,188,260	1,188,260
Mutual funds:				
Treasury management investment fund	1,644,000	1,644,000	-	-
Federated treasury obligations fund	401,773	401,773	-	-
<b>Total cash and cash equivalents</b>	<b>4,970,221</b>	<b>\$ 5,276,353</b>	<b>3,505,144</b>	<b>\$ 3,736,140</b>
<b>Investments</b>				
Certificates of deposit	3,966,094		5,200,716	
<b>Total investments</b>	<b>3,966,094</b>		<b>5,200,716</b>	
<b>Total cash, cash equivalents and investments</b>	<b>\$ 8,936,315</b>		<b>\$ 8,705,860</b>	

#### 2006

*Custodial Credit Risk – Deposits:* Custodial credit risk is the risk that in the event of bank failure, the Authority’s deposits may not be returned to it. The Authority has a policy regarding custodial credit risk which requires that funds on deposit in excess of FDIC or FSLIC limits be secured by either securities guaranteed by the full faith and credit of the United States of America or obligations of the United States of America or its agencies. The Authority’s policy also requires that the amount of collateral provided shall not be less than 110 percent of the fair market value of the funds secured. Pledged collateral shall be held by the Authority or in safekeeping, evidenced by a safekeeping agreement. Collateral in safekeeping must be held by a third party or by an escrow agent of the pledging institution. As of April 30, 2006, \$1,469,468 of the Authority’s bank balance of \$7,183,566 was uninsured and uncollateralized.

*Interest Rate Risk: - Investments:* As of April 30, 2006, the Authority had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Days)
Repurchase agreements	\$ 13,108	1
Mutual funds:		
Treasury management investment fund	1,644,000	19
Federal treasury obligations fund	401,773	14
	<u>\$ 2,058,881</u>	
Portfolio weighted average maturity		18

The Authority’s Investment Policy limits the maturities of investments as a means of managing its exposure to fair value losses arising from increasing interest rates to a maximum maturity of 24 months.

# Greater Rockford Airport Authority

## Notes to Financial Statements

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### Note 3 – Cash, Cash Equivalents and Investments (Continued)

#### Credit Risk

The State of Illinois and the Authority's approved Investment Policy allows the Authority to deposit monies in specified types of instruments. These instruments include the following:

- Securities issued or guaranteed by the United States of America,
- Interest bearing accounts of banks and savings and loans insured up to \$100,000 by the Federal Depository Insurance Corporation,
- Short-term obligations (less than 180 days) of U.S. corporations with assets over \$500 million rated in the highest classification by at least two rating agencies,
- Insured accounts of an Illinois credit union chartered under United States or Illinois law,
- Mutual funds,
- Money market mutual funds with portfolios of securities issued or guaranteed by the United States or agreements to repurchase these same types of obligations, and
- Illinois Funds.

As of April 30, 2006, the Authority's investment in the Federal Treasury Obligation Fund was rated AAAm by Standard & Poor's and Aaa by Moody's Investors Service. As of April 30, 2006, the Authority's investment in the Treasury Management Investment Fund was rated A1+/P1 by Standard & Poor's.

*Custodial Credit Risk – Investments:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's investment policy addresses custodial credit risk, as applicable, as detailed under *Custodial Credit Risk – Deposits*.

*Concentration of Credit Risk – Investments:* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Authority's investment policy allows for no more than 40 percent of the total investment portfolio, exclusive of U.S. Treasury securities held in safekeeping to be held at one financial institution.

#### 2005

As of April 30, 2005, the insured and collateralized status of the bank balances of deposits by category of risk were as follows:

Bank balances covered by Federal depository insurance or by collateral held by the Authority or its agent in the Authority's name	\$ 6,589,993
Bank balances collateralized by securities held by the pledging financial institution's agent in the Authority's name	250,000
Bank balances uninsured or collateralized by securities held by the pledging financial institution's agent, but not in the Authority's name	2,040,590
	<u>\$ 8,880,583</u>

As of April 30, 2005, the Authority's repurchase agreement in the amount of \$56,273 was considered a category 1 investment.

# Greater Rockford Airport Authority

## Notes to Financial Statements

### Note 4 – Property Taxes

Property taxes are recognized as a receivable at the time they are levied. The taxes receivable at April 30, 2006 represent the 2005 tax levy, for which the Authority was required to file its tax levy with the Winnebago County Clerk by the last Tuesday of December. These taxes were assessed and attached as an enforceable lien on the real property as of the preceding January 1. Tax bills are normally mailed by May 1, and are due in two equal installments in June and September. These taxes are collected by the County Collector, who in turn remits to the Authority its respective share. An allowance for uncollectible amounts has been provided on the outstanding receivable amount and is based upon past collection experience of approximately 99%.

Property taxes levied in the current year are measurable but not available to finance current operations and, therefore, are recorded as unearned property tax revenue. Property tax revenues are recognized in the year following the levy.

### Replacement Tax Allotments

On January 1, 1979, the Corporate Personal Property Tax was abolished and on August 11, 1979, a new tax called the Personal Property Replacement Tax (Replacement Tax) was created. The State law mandates that the Replacement Tax is to be first applied toward payment of the proportionate amount of debt service previously paid from personal property tax levies. Next, the revenues are to be applied to payment of the proportionate share of pension or retirement obligations until satisfied; any remaining monies are to be distributed to other funds, which were previously supported by personal property taxes. The Authority recognizes revenue from the Replacement Tax when it becomes measurable and available in accordance with accounting principles generally accepted in the United States of America.

### Note 5 – Capital Assets

Changes in capital assets are summarized as follows for the year ended April 30, 2006:

	<i>April 30, 2005</i>	<i>Additions</i>	<i>Transfers/ Adjustments</i>	<i>Disposals</i>	<i>April 30, 2006</i>
Capital assets not being depreciated:					
Land	\$ 17,448,163	\$ -	\$ -	\$ -	\$ 17,448,163
Construction in progress - Grants	19,562,182	3,449,067	(7,739,383)	-	15,271,866
Construction in progress - GRAA	1,028,157	3,368,482	(3,216,694)	-	1,179,945
Total capital assets not being depreciated	38,038,502	6,817,549	(10,956,077)	-	33,899,974
Capital assets being depreciated:					
Buildings	14,734,295	26,523	184,925	-	14,945,743
Vehicles	472,948	20,669	-	(23,878)	469,739
Equipment	6,215,377	218,275	84,624	-	6,518,276
Infrastructure	92,768,753	-	10,659,176	-	103,427,929
Office equipment	156,554	4,539	27,352	(10,704)	177,741
Total capital assets being depreciated	114,347,927	270,006	10,956,077	(34,582)	125,539,428
Less accumulated depreciation					
Buildings	10,053,916	723,043	-	-	10,776,959
Vehicles	437,554	13,535	-	(23,767)	427,322
Equipment	5,267,248	259,866	-	-	5,527,114
Infrastructure	31,829,654	4,835,143	-	(111)	36,664,686
Office equipment	104,337	15,238	-	(10,704)	108,871
Total accumulated depreciation	47,692,709	5,846,825	-	(34,582)	53,504,952
Total capital assets being depreciated, net	66,655,218	(5,576,819)	10,956,077	-	72,034,476
Total capital assets, net	\$ 104,693,720	\$ 1,240,730	\$ -	\$ -	\$ 105,934,450



# Greater Rockford Airport Authority

## Notes to Financial Statements

### Note 5 – Capital Assets (Continued)

Changes in capital assets are summarized as follows for the year ended April 30, 2005:

	<i>April 30, 2004</i>	<i>Additions</i>	<i>Transfers/ Adjustments</i>	<i>Disposals</i>	<i>April 30, 2005</i>
Capital assets not being depreciated:					
Land	\$ 17,448,163	\$ -	\$ -	\$ -	\$ 17,448,163
Construction in progress - Grants	22,035,268	5,314,681	(7,787,767)	-	19,562,182
Construction in progress - GRAA	95,024	1,423,176	(490,043)	-	1,028,157
Total capital assets not being depreciated	39,578,455	6,737,857	(8,277,810)	-	38,038,502
Capital assets being depreciated:					
Buildings	14,600,298	2,945	131,052	-	14,734,295
Vehicles	438,928	34,020	-	-	472,948
Equipment	5,888,442	15,235	311,700	-	6,215,377
Infrastructure	85,555,861	9,262	7,836,650	(633,020)	92,768,753
Office equipment	205,012	14,171	(1,592)	(61,037)	156,554
Total capital assets being depreciated	106,688,541	75,633	8,277,810	(694,057)	114,347,927
Less accumulated depreciation					
Buildings	9,342,285	711,631	-	-	10,053,916
Vehicles	409,582	27,972	-	-	437,554
Equipment	4,917,984	349,264	-	-	5,267,248
Infrastructure	28,067,524	4,395,150	-	(633,020)	31,829,654
Office equipment	152,619	12,755	-	(61,037)	104,337
Total accumulated depreciation	42,889,994	5,496,772	-	(694,057)	47,692,709
Total capital assets being depreciated, net	63,798,547	(5,421,139)	8,277,810	-	66,655,218
Total capital assets, net	\$ 103,377,002	\$ 1,316,718	\$ -	\$ -	\$ 104,693,720

### Note 6 – Deferred Charges

Changes in deferred charges are summarized as follows for the year ended April 30, 2006:

	<i>April 30, 2005</i>	<i>Additions/ Deletions</i>	<i>Transfers In</i>	<i>April 30, 2006</i>
Deferred charges, cost	\$ 1,093,590	\$ (84,226)	\$ -	\$ 1,009,364
Accumulated amortization	(694,960)	(43,151)		(738,111)
Deferred charges, net	\$ 398,630	\$ (127,377)	\$ -	\$ 271,253

Changes in deferred charges are summarized as follows for the year ended April 30, 2005:

	<i>April 30, 2004</i>	<i>Additions/ Deletions</i>	<i>Transfers In</i>	<i>April 30, 2005</i>
Deferred charges, cost	\$ 1,093,590	\$ -	\$ -	\$ 1,093,590
Accumulated amortization	(552,429)	(142,531)	-	(694,960)
Deferred charges, net	\$ 541,161	\$ (142,531)	\$ -	\$ 398,630

# Greater Rockford Airport Authority

## Notes to Financial Statements

### Note 7 – Long-Term Debt and Line of Credit

Changes in long-term debt and the line of credit are summarized as follows for the year ended April 30, 2006:

	<i>April 30, 2005</i>	<i>Additions</i>	<i>Reductions</i>	<i>April 30, 2006</i>	<i>Amount Due in One Year</i>
Line of credit	\$ -	\$ 853,930	\$ -	\$ 853,930	\$ 853,930
General obligation bonds	\$ 11,280,000	\$ -	\$ 5,930,000	\$ 5,350,000	\$ 5,350,000
Unamortized bond premium	170,733	-	120,460	50,273	-
Revenue bond	480,000	-	96,000	384,000	96,000
	\$ 11,930,733	\$ -	\$ 6,146,460	\$ 5,784,273	\$ 5,446,000

Changes in long-term debt are summarized as follows for the year ended April 30, 2005:

	<i>April 30, 2004</i>	<i>Additions</i>	<i>Reductions</i>	<i>April 30, 2005</i>	<i>Amount Due in One Year</i>
General obligation bonds	\$ 16,745,000	\$ -	\$ 5,465,000	\$ 11,280,000	\$ 5,930,000
Unamortized bond premium	428,177	-	257,444	170,733	-
Revenue bond	576,000	-	96,000	480,000	96,000
	\$ 17,749,177	\$ -	\$ 5,818,444	\$ 11,930,733	\$ 6,026,000

### General Obligation Bonds

The Authority has outstanding general obligation bonds at April 30, 2006 as follows:

<i>Series, coupon range</i>	<i>Original Issuance</i>	<i>Bond Rating</i>	<i>Yield Range</i>	<i>Final Maturity</i>	<i>Balance</i>
2000 9.00%	\$ 4,100,000	A2	4.50% - 4.80%	January 1, 2007	\$ 150,000
2001 3.125 - 3.250%	4,490,000	A2	2.405% - 3.45%	January 1, 2007	1,920,000
2002 2.50%	5,230,000	A2	1.65% - 2.50%	January 1, 2007	2,930,000
2003 1.30%-2.00%	1,720,000	A1	1.30% - 2.00%	January 1, 2007	350,000
Total					\$ 5,350,000

# Greater Rockford Airport Authority

## Notes to Financial Statements

### Note 7 – Long-Term Debt and Line of Credit (Continued)

Bond interest is due semiannually while the bonds' principal is due serially in varying annual maturities as follows:

<i>Year</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
FYE07	\$ 5,350,000	\$ 156,150	\$ 5,506,150
Less current maturities	5,350,000	156,150	5,506,150
Long-term portion of the obligations	\$ -	\$ -	\$ -

### Revenue Bond

The Authority has one outstanding revenue bond as follows:

<i>Series</i>	<i>Original Issuance</i>	<i>Bond Rating</i>	<i>Yield</i>	<i>Final Maturity</i>	<i>Balance</i>
Revenue 2003	\$ 672,000	NR	5.20%	January 1, 2010	\$ 384,000

Revenue bond interest is due semiannually while the bonds' principal is due serially in annual maturities as follows:

FYE07	\$ 96,000	\$ 19,968	\$ 115,968
FYE08	96,000	14,976	110,976
FYE09	96,000	9,984	105,984
FYE10	96,000	4,992	100,992
Total revenue bond payments	384,000	49,920	433,920
Less current maturities	96,000	19,968	115,968
Long-term portion of the obligations	\$ 288,000	\$ 29,952	\$ 317,952

The 2003 revenue bonds are payable from the Authority's lease revenues.

### Line of Credit

In 2006, the Authority obtained a line of credit with a bank, which is primarily to fund capital expenditures. The line of credit allows for maximum borrowings up to \$2,300,000. Interest is payable monthly at the 30-day LIBOR rate (5.0245% at April 30, 2006) plus .75%. The line of credit is unsecured and matures on September 30, 2007. The Authority has classified the line of credit balance of \$853,930 at April 30, 2006 as a current liability on the statement of net assets as it is the Authority's intention to retire the liability in fiscal year 2007.

# Greater Rockford Airport Authority

## Notes to Financial Statements

### Note 8 – Legal Debt Margin

Pursuant to the Airport Authorities Act, the Authority is given the right to issue tax secured bonds without the approval of voters within its boundaries for construction and development of an airport, provided that:

1. The total of the bonds previously issued or to be issued does not exceed three-quarters percent (0.75%) of the total assessed valuation of all taxable properties within the Authority's boundaries, and
2. The plans and specifications are submitted to the State of Illinois Department of Transportation, Division of Aeronautics for approval.

The Authority may issue additional bonds; however, voter approval is required. The total amount of the bonds may not exceed two and three tenths percent (2.3%) of the total assessed valuation. The 2.3% debt limit is calculated as of the time of issuance of the bonds and includes all Authority indebtedness. The Authority is also subject to a 2.875% debt limitation with respect to all outstanding indebtedness. This limit is calculated as of the date of issuance of any debt, except tax anticipation notes, tax anticipation warrants and revenue bonds.

The legal debt margins as of April 30, 2006 are summarized as follows:

	<i>Without</i>	<i>With</i>	<i>Total</i>
	<i>Voter Approval</i>	<i>Voter Approval</i>	<i>Debt Limitation</i>
Assessed valuation at April 30, 2006	\$ 3,155,960,782	\$ 3,155,960,782	\$ 3,155,960,782
Debt limit percentages	0.75 %	2.3 %	2.875 %
	23,669,706	72,587,098	90,733,872
Outstanding general obligation debt	5,350,000	5,350,000	5,350,000
Outstanding revenue bond debt	-	384,000	384,000
Total	5,350,000	5,734,000	5,734,000
FYE06 Legal debt margins	\$ 18,319,706	\$ 66,853,098	\$ 84,999,872

### Note 9 – Pension Plan

The Authority's defined benefit pension plan, Illinois Municipal Retirement Fund (IMRF), provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. IMRF is an agent multiple employer pension plan that acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly.

IMRF issues a financial report that includes financial statements and required supplementary information. That report may be obtained at [www.imrf.org/pubs/pubs\\_homepage.htm](http://www.imrf.org/pubs/pubs_homepage.htm) or by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois, 60523.

# Greater Rockford Airport Authority

## Notes to Financial Statements

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### Note 9 – Pension Plan (Continued)

#### Funding Policy:

Employees participating in IMRF are required to contribute 4.50% of their annual covered salary. The member rate is established by state statute. The Authority is required to contribute at an actuarially determined rate. The employer rate for the calendar years 2006, 2005 and 2004 was 6.59%, 7.49% and 12.60% of covered payroll, respectively. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees.

#### Annual Pension Cost:

For the years ended April 30, 2006 and 2005, the Authority's **annual pension cost** of \$130,715 and \$178,900, respectively, was equal to the Authority's required and actual contributions. The required contributions were determined as part of the December 31, 2005, 2004 and 2003 actuarial valuations using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.00% attributable to inflation, (c) 0.40% to 11.60% per year depending on age and service attributable to seniority/merit and (d) postretirement benefit increases of 3.00% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15.00% corridor. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis (overfunded liability amortized on open basis). The remaining amortization period at December 31, 2005 was 27 years.

Information related to the Authority's annual pension cost is on a fiscal year basis. The actuarial and trend information is on a calendar year basis, as that is the year used by IMRF.

#### Trend Information:

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
12/31/2005	\$ 120,935	100%	\$ -
12/31/2004	212,376	100%	-
12/31/2003	149,753	100%	-
12/31/2002	77,226	100%	-

# Greater Rockford Airport Authority

## Notes to Financial Statements

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### Note 10 – Property Leased to Others

The Authority is a lessor of land, buildings and office space both on and off airport property. Many of these leases provide for a periodic review and redetermination of the rental amounts.

Minimum future rentals on noncancellable operating leases to be received in each of the next five years and thereafter are as follows:

<i>Minimum lease revenue</i>	
FYE07	\$ 1,004,921
FYE08	750,273
FYE09	665,049
FYE10	645,878
FYE11	605,003
Thereafter	3,324,360
Total	\$ 6,995,484

### Note 11 – Commitments and Contingencies

#### Landfill Closure Costs

The Authority operated two (2) landfill sites and both are considered physically closed. Although Landfill #1 has been issued a Certification of Closure by the Illinois Environmental Protection Agency (Illinois EPA) in 2003, the final regulatory closure process for Landfill #2 has not yet begun, pending further permit closure authorization from the Illinois EPA. State and Federal laws and regulations require the placement of a final cover and for the Authority to perform certain maintenance and monitoring functions at the sites for a minimum of fifteen (15) years thereafter. Although closure and post closure care costs will not be paid until the final closure process begins, the Authority has accrued the estimated cost of these future activities. As of April 30, 2006 and 2005, the Authority reported a landfill closure and post closure care liability of \$2,600,492 based upon engineering estimates and regulatory requirements at that date. However, actual costs may be higher due to inflation, changes in technology, changes in regulations, or further interpretations and directives from regulatory agencies. The Authority received IEPA approval for closure of the landfill in the beginning of calendar year 2006. Closure is planned to be completed by October 2006.

The Authority has created a trust to finance closure and post closure care costs. At April 30, 2006, an investment of \$1,586,814 is held for this purpose and is reported on the balance sheet as a restricted asset. Future annual contributions to this trust will be funded by excess funds, if any, after the year-end.

#### Storm Water Treatment Plan

In accordance with the requirements of the Illinois EPA, the Authority has developed a Storm Water Treatment Plan (Plan). To complete the Plan, the Authority has projected the estimated capital costs to be approximately \$1,500,000. UPS made monthly payments through July 1999 to fund the obligation. In accordance with the agreement with UPS, interest earned on unspent funds is to be used for the capital needs related to the Storm Water Treatment Plan or returned to UPS. Unspent funding and the related earnings totaling \$1,252,284 and \$1,208,291 are recorded as a restricted asset and a current liability at April 30, 2006 and 2005, respectively. UPS currently pays \$12,500 per month for the current operations of the treatment facility.

# Greater Rockford Airport Authority

## Notes to Financial Statements

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### **Note 11 – Commitments and Contingencies (Continued)**

#### **Federal and State Assisted Programs**

The Authority participates in a number of programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Authority may be required to reimburse the grantor government. As of April 30, 2006, significant amounts of grant expenditures have not been audited but the Authority believes that disallowed expenditures, if any, based on subsequent audits, will not have a material effect on the overall financial position of the Authority. The Authority reports cash proceeds from the federal and state governments which are restricted to capital asset purchases as intergovernmental grant revenues – capital. Contributions of capital assets received from the federal or state governments are considered capital contributions.

#### **Post Retirement Benefits**

The Authority maintains group health, dental and life insurance programs for all employees. Retired employees, at the discretion of the Authority's Board, are included under this program. The Authority's contributions are financed on a pay as you go basis. During the year ended April 30, 2006 and 2005, the Authority paid \$110,281 and \$101,227, respectively, in benefits for seventeen (17) employees and fourteen (14) of their dependents.

#### **Risk Financing**

The Authority purchases commercial insurance coverage for the various risks the Authority may encounter in its operations. Such risks of loss relate to torts; theft of, damage to and destruction of assets; errors and omissions; and worker's compensation. The Authority has had no settlements in the past four years exceeding the insurance coverage purchased.

#### **Aircraft Rescue and Firefighting Services Contract**

During February 2004, the Airport entered into an agreement with the City of Rockford for the City to provide the Airport Aircraft Rescue and Firefighting Services. The contract is for a one-year period after the date of initial training. The contract automatically renews on a year-to-year basis unless written notification of an intent to cancel is provided prior to October 31 of each year. The agreement calls for twelve equal monthly installments of \$64,417 with a 3.5% increase over the previous year for all future years of the contract until the agreement is terminated by either party.

#### **Revenue Guarantee**

The Airport has provided a revenue guarantee agreement to Northwest Airlines which began passenger service from the Greater Rockford Airport Authority in May 2005. At April 30, 2006, the Authority has recorded the maximum remaining liability relating to this guarantee of approximately \$1,550,000. In addition, the Airport has provided a revenue guarantee agreement with United Airlines through March 2007. The guarantee requires that the Authority guarantee a minimum revenue of \$7,000 per flight prior to any fuel adjustments. At April 30, 2006, the Authority has estimated the fair value of the guarantee agreement to be approximately \$192,000. The total guarantee potential under this agreement is \$2,500,000.

### **Note 12 – Pending Legislation**

The Governmental Accounting Standards Board (GASB) has issued the following statements:

The GASB has issued Statement No. 44, *Economic Condition Reporting: The Statistical Section*. This statement revises the statistical section that accompanies a state or local government's basic financial statements to include more complete government-wide financial information. This statement also requires governments to augment their statistical schedules with notes regarding sources, methodologies, assumptions and narrative explanations of unfamiliar concepts, atypical trends and anomalous data. The provisions of this statement will be effective for the Authority for the period ending April 30, 2007.

# Greater Rockford Airport Authority

## Notes to Financial Statements

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### **Note 12 – Pending Legislation (Continued)**

The GASB has issued Statement Number 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Other postemployment benefits (OPEB) include postemployment healthcare, as well as other forms of postemployment benefits when provided separately from a pension plan. This Statement establishes standards for the measurement, recognition, and display of OPEB expense and related liabilities (assets), note disclosures, and if applicable, required supplementary information in the financial reports. This Statement is effective for the Authority for the period ending April 30, 2009.

The GASB has issued Statement No. 46, *Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34*. This statement clarifies that a legally enforceable enabling legislation is one that a party external to a government can compel a government to honor. This statement also establishes accounting and financial reporting requirements if new enabling legislation replaces existing enabling legislation or if legal enforceability is reevaluated. Finally, this statement requires governments to disclose the portion of net assets that is restricted by enabling legislation. The requirements of this statement will be effective for the Authority for the period ending April 30, 2007.

The GASB has issued Statement No. 47, *Accounting for Termination Benefits*. This statement establishes accounting and financial reporting standards for both voluntary and involuntary termination benefits. The provisions of this statement will be effective for the Authority for the period ending April 30, 2007.

The Authority has not yet determined what effect, if any, these statements will have on the financial statements.





## **Required Supplementary Information**



**Greater Rockford Airport Authority**  
**Schedule of Pension Funding Progress**  
**April 30, 2006**

<i>Actuarial</i> <i>Valuation</i> <i>Date</i>	<i>Actuarial</i> <i>Value of</i> <i>Assets</i> <i>(a)</i>	<i>Actuarial Accrued</i> <i>Liability (AAL)</i> <i>Entry Age</i> <i>(b)</i>	<i>Over</i> <i>Funded AAL</i> <i>(a-b)</i>	<i>Funded</i> <i>Ratio</i> <i>(a/b)</i>	<i>Covered</i> <i>Payroll</i> <i>(c)</i>	<i>Over</i> <i>Funded as a</i> <i>Percentage of</i> <i>Covered Payroll</i> <i>((a-b)/c)</i>
12/31/2005	\$ 5,096,267	\$ 4,638,443	\$ 457,824	109.87	\$ 1,614,620	28.38
12/31/2004	4,684,289	4,155,918	528,371	112.83	1,685,526	31.35
12/31/2003	4,913,252	4,530,729	382,523	108.44	1,797,756	21.28
12/31/2002	4,466,972	4,365,232	101,740	102.33	1,804,351	5.65

On a market value basis, the actuarial value of assets as of December 31, 2005 is \$5,178,323. On market basis, the funded ratio would be 111.64%.

**Digest of Changes**

The actuarial assumptions used to determine the actuarial accrued liability for 2005 were changed due to the 2002-2004 experience study. The principal changes were:

- The 1994 Group Annuity Mortality implemented.
- For Regular members, fewer normal and more early retirements are expected to occur.

The actuarial assumptions used for the 2003 and 2004 actuarial accrued liability were changed due to the 1999-2001 experience study. The principal changes were:

- Fewer members are expected to take refunds early in their career.
- For regular members, fewer normal retirements are expected to occur.



## **Other Supplementary Information**



**Greater Rockford Airport Authority**  
Supplemental Schedule of Revenues and Expenses, Actual (Budgetary Basis) vs. Budget  
Year Ended April 30, 2006

	<i>Actual</i>	<i>* Budget</i>	<i>Variance Over (Under)</i>
<b>Operating revenues</b>			
Airport fees	\$ 2,685,962	\$ 2,801,307	\$ (115,345)
Lease revenue	1,339,055	1,353,877	(14,822)
Other	1,282,240	1,094,598	187,642
<b>Total operating revenues</b>	<b>5,307,257</b>	<b>5,249,782</b>	<b>57,475</b>
<b>Operating expenses</b>			
Personnel and benefits	2,571,514	2,790,004	218,490
Contractual services	5,582,762	5,919,685	336,923
Commodities	802,286	837,400	35,114
Bad debt expense	53,607	-	(53,607)
Property tax expense	80,045	76,956	(3,089)
Other	198,363	306,100	107,737
<b>Total operating expenses</b>	<b>9,288,577</b>	<b>9,930,145</b>	<b>641,568</b>
<b>Operating loss</b>	<b>(3,981,320)</b>	<b>(4,680,363)</b>	<b>699,043</b>
<b>Nonoperating revenues (expenses)</b>			
Taxes - property and corporate	9,654,318	9,456,287	198,031
Annexation agreement	135,548	125,000	10,548
Interest income	334,787	100,000	234,787
Other income	7,979	5,000	2,979
Interest expense	(370,053)	(441,327)	71,274
Other expense	(138,825)	(250,000)	111,175
<b>Total nonoperating revenues (expenses)</b>	<b>9,623,754</b>	<b>8,994,960</b>	<b>628,794</b>
<b>Net income - budgetary basis, before capital expenditures, grants, debt service and other</b>	<b>5,642,434</b>	<b>4,314,597</b>	<b>1,327,837</b>
<b>Capital expenditures, grants, debt service and other</b>			
Other financing sources - passenger facility charges	192,865	346,585	(153,720)
Capital expenditures - improvements	(1,669,995)	(3,409,000)	1,739,005
Capital expenditures - outlay	(55,053)	(285,000)	229,947
Capital expenditures - grant service	(418,716)	(382,500)	(36,216)
Line of credit proceeds	853,930	2,300,000	(1,446,070)
Debt service - principal	(6,026,000)	(6,026,000)	-
Grant service reimbursements	1,192,335	1,063,248	129,087
<b>Total (loss)</b>	<b>(5,930,634)</b>	<b>(6,392,667)</b>	<b>462,033</b>
<b>Net income (loss) - budgetary basis</b>	<b>\$ (288,200)</b>	<b>\$ (2,078,070)</b>	<b>\$ 1,789,870</b>

\* As originally passed by resolution with amendments to the budget.



**Greater Rockford Airport Authority**  
 Schedule of Deferred Charges  
 April 30, 2006

		<i>Cost To Date</i>
FYE01	UPS Organizational Costs	\$ 552,790
FYE02	Bond fees, 2001 GO Bond issue	92,560
FYE02	Project #2286, GIS ALP Ph. 1	195,071
FYE03	Bond fees, 2002 GO Bond issue	68,076
FYE03	Project #2684, Engineering costs not eligible for federal reimbursement	35,200
FYE03	Project #2286, GIS ALP Phase #1	4,929
FYE04	W. Jackson Bldg; evaluation & engineering	2,555
FYE04	Bond Fees, 2003 GO Bond issue	58,183
		1,009,364
Accumulated amortization		738,111
Total deferred charges		\$ 271,253

**Greater Rockford Airport Authority**  
**Schedule of Construction in Progress**  
**April 30, 2006**

<i>Grant/Project</i>	<i>Grant/Project Description</i>	<i>Cost To Date</i>
2795	ALP (GIS), Ph 2	\$ 41,712
2820	Rehab N. term auto parking & expand W. term auto parking	706,550
3127	Relocate Beltline Rd Ph 1	4,105,640
3127	Snow removal equipment building	1,944,444
3242	SRE building site work & east quadrant parking lot	384,607
3307	Expand west terminal parking lot, Ph 2	547,119
3341	Expand terminal parking lot incl. Alt#1	432,162
3399	West terminal apron, Ph 2; SRE building, Ph 2; Parcel AH-2	1,574,472
3410	Security enhancements, Ph 2	471,848
3487	Rehab taxiway F, runway 1/19 RIAT/RSA & relocate Falcon Rd	382,318
3504	Construct Federal Inspection Services facility	878,653
3504	Acquire & install two jetbridges	952,272
3507	Construct NW quadrant air cargo apron & entrance road	1,712,633
3513	Expand ARFF building	857,436
3566	Airport Master Plan	280,000
	<b>Total Grant Projects</b>	<b>15,271,866</b>
Local	NW apron site work - contract 1	929,196
Local	Baggage claim system installation	248,385
Local	Voice system enhancements	2,364
	<b>Total GRAA Projects</b>	<b>1,179,945</b>
	<b>Total Grant &amp; Local Projects</b>	<b>\$ 16,451,811</b>

**Greater Rockford Airport Authority**  
Schedule of Federal, State and United Parcel Service, Inc. Contributions  
As of April 30, 2006

<i>Contributions</i>							
<i>Grant #</i>	<i>Federal</i>	<i>State</i>	<i>UPS</i>	<i>GRAA</i>	<i>Paid To Date</i>	<i>Total Contract</i>	<i>Status</i>
Prior to 2001	\$ 65,932,624	\$ 12,872,152	\$ 449,061	\$ 35,198,589	114,452,426	\$ 115,347,672	Closed
01-2794	2,824,319	155,351	-	160,829	3,140,499	3,244,000	Closed
01-2795	-	16,712	-	25,000	41,712	50,000	Open
01-2796	350,699	19,483	-	19,484	389,666	389,666	Closed
01-2797	4,947,246	272,058	-	272,057	5,491,361	5,581,253	Closed
01-2808	-	246,195	-	246,194	492,389	501,049	Closed
Inlet Sumps/NW apron	-	-	11,050	-	11,050	-	Closed
C2 & A4 Gate Boxes	-	-	5,641	-	5,641	-	Closed
Glycol Pond Repairs	-	-	22,333	-	22,333	-	Closed
Sluice Gates	-	-	91,537	-	91,537	-	Closed
Glycol Concrete Pad Repairs	-	-	34,870	-	34,870	-	Closed
02-3039	-	98,392	-	24,598	122,990	158,500	Closed
02-3090	20,770	-	-	-	20,770	25,000	Closed
Inlet repairs	-	-	83,220	-	83,220	-	Closed
Block heater system	-	-	32,774	-	32,774	-	Closed
24" plug valve	-	-	48,883	-	48,883	-	Closed
03-3040	-	1,845,035	-	182,282	2,027,317	2,027,317	Closed
03-3127	3,636,481	1,898,405	-	515,198	6,050,084	6,203,020	Open
03-3242	-	332,606	-	52,001	384,607	485,300	Open
04-2820	-	612,342	-	94,208	706,550	950,000	Open
04-3307	-	474,289	-	72,830	547,119	728,300	Open
04-3341	-	383,462	-	48,700	432,162	482,000	Open
04-3399	2,208,450	14,610	-	96,594	2,319,654	2,324,684	Open
04-3410	448,256	-	-	23,592	471,848	482,560	Open
DOB Tester	-	-	3,209	-	3,209	-	Closed
Trench Drain Repairs	-	-	9,262	-	9,262	-	Closed
05-3487	199,100	159,820	-	22,898	381,818	4,096,743	Closed
05-3504	1,690,261	140,304	-	-	1,830,565	1,852,632	Closed
05-3507	1,354,735	110,756	-	165,200	1,630,691	1,648,400	Closed
05-3513	671,105	41,475	-	-	712,580	951,352	Open
05-3513	191,219	10,064	-	-	201,283	201,283	Open
05-3566	-	140,000	-	140,000	280,000	280,000	Open
IDCEO Grant	-	20,696	-	-	20,696	281,000	Open
<b>Totals</b>	<b>\$ 84,475,265</b>	<b>\$ 19,864,206</b>	<b>\$ 791,840</b>	<b>\$ 37,360,254</b>	<b>\$ 142,491,566</b>	<b>\$ 148,291,731</b>	

## **Statistical Section (Unaudited)**



The Statistical Section presents data (when available) for revenue, expenses, property taxes, debt obligations coverage, demographic statistics, schedule of insurance in force, schedule of enplanements and cargo.

The Statistical Section differs from the Financial Section as it covers more than one year and presents information other than accounting data.

**Greater Rockford Airport Authority**  
 Schedule of Statistical and Commerce Information  
 Years Ended April 30, 2000 Through 2006

	<i>FYE06</i>	<i>FYE05</i>
<b>Statement of net assets</b>		
Current assets, unrestricted	\$ 6,862,915	\$ 6,740,571
Restricted assets	11,144,971	11,695,651
Capital assets, net	105,934,450	104,693,720
Total assets	124,213,589	123,528,572
Long-term liabilities, less current maturities	338,273	5,904,733
Total liabilities	21,081,122	26,408,358
Net assets	103,132,467	97,120,214
<b>Statement of revenues, expenses and changes in net assets</b>		
Operating revenues	\$ 5,307,257	\$ 4,363,154
Operating expenses, excluding depreciation and amortization	9,288,577	7,833,689
Operating (loss) before depreciation and amortization	(3,981,320)	(3,470,535)
Taxes - property and corporate	9,654,318	9,216,668
<b>Cash flow statement</b>		
Cash used in operating activities	\$ (3,450,062)	\$ (2,611,141)
Contributions of capital assets	3,451,281	6,364,878
Capital acquisitions	(3,685,366)	(448,612)
Depreciation and amortization	5,922,016	5,639,303
<b>Airport data</b>		
Passenger enplanements		
Scheduled	41,283	-
Charter	41,562	53,459
Total passenger enplanements	82,845	53,459
Cargo aircraft landing weight (lbs.)	1,374,921,520	1,383,856,242
Cargo (lbs.)		
Enplaned	230,838,129	213,888,065
Deplaned	194,522,315	186,951,177
Total cargo	425,360,444	400,839,242
Fuel flowage (gallons)	20,592,954	20,690,853

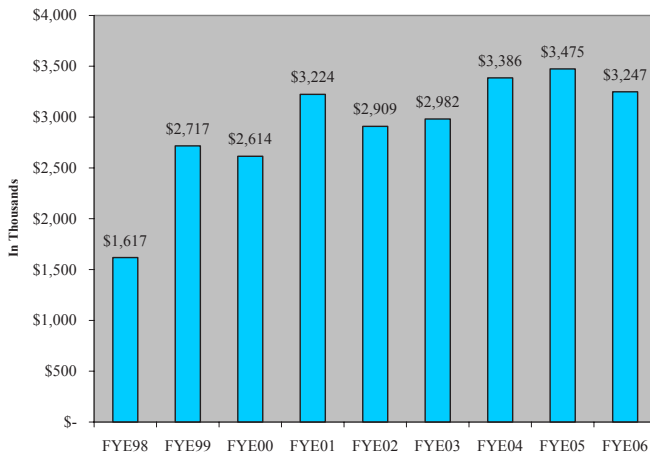
<i>FYE04</i>	<i>FYE03</i>	<i>FYE02</i>	<i>FYE01</i>	<i>FYE00</i>
\$ 7,009,773	\$ 5,899,047	\$ 5,743,119	\$ 6,010,292	\$ 5,345,902
11,503,199	11,199,581	9,681,278	8,793,745	8,894,950
103,377,002	101,950,556	98,779,082	100,029,143	100,706,898
122,431,135	119,687,657	114,900,650	115,380,919	115,166,783
12,188,177	17,991,653	22,715,922	27,497,965	31,642,629
32,098,730	35,950,175	39,817,084	43,821,418	47,528,087
90,332,405	83,737,481	75,083,566	71,559,501	67,638,696
\$ 4,363,154	\$ 3,763,116	\$ 3,659,126	\$ 3,750,021	\$ 3,631,145
7,833,689	4,094,000	4,031,926	4,758,965	4,786,133
(3,470,535)	(330,884)	(372,800)	(998,944)	(1,154,988)
9,216,668	8,387,573	8,242,768	8,323,179	8,203,023
\$ (941,249)	\$ (385,000)	\$ (954,778)	\$ (1,124,590)	\$ (1,083,560)
5,334,066	7,159,692	3,527,489	4,243,118	3,635,116
(1,551,098)	(8,599,685)	(4,258,752)	(5,255,811)	(5,385,495)
5,607,612	5,559,913	5,450,284	5,689,086	4,361,338
-	-	1,557	3,267	3,559
32,978	1,437	1,399	19,855	27,697
32,978	1,437	2,956	23,122	31,256
1,271,605,264	1,242,390,680	1,329,380,807	1,339,424,950	1,261,886,800
190,301,776	191,702,805	209,026,094	230,531,808	236,470,023
160,735,368	161,321,411	179,066,741	197,271,457	203,194,754
351,037,144	353,024,216	388,092,835	427,803,265	439,664,777
15,606,174	15,952,468	18,646,052	19,736,585	19,020,648

**Greater Rockford Airport Authority**  
**Schedule of Unrestricted and Restricted Cash, Cash Equivalents and Investments**  
**As of April 30, 1998 Through 2006**

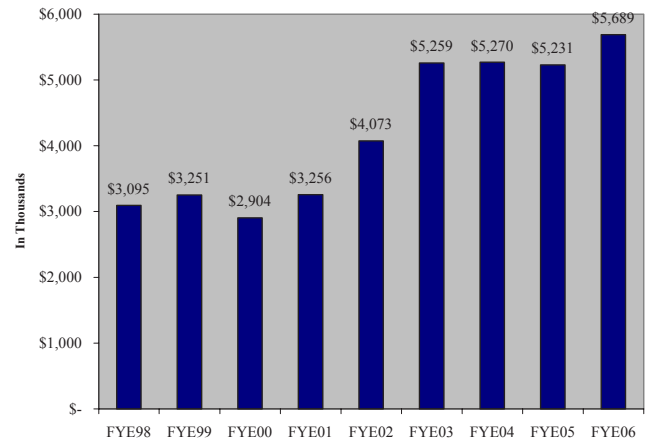
Year	Unrestricted		Restricted				
	Cash & Cash Equivalents	Investments	Capital Projects	Landfill Closure	Capital Reserve	Debt Service	Stormwater
FYE98	\$ 117,284	\$ 1,500,000	\$ 1,162,009	\$ 521,000	\$ -	NA	\$ 1,411,531
FYE99	317,244	2,400,000	1,623,075	235,000	53,249	NA	1,339,444
FYE00	213,605	2,400,000	843,464	546,864	108,368	NA	1,405,050
FYE01	723,965	2,500,000	187,266	881,592	215,738	\$ 507,310	1,464,291
FYE02	309,395	2,600,000	1,056,522	998,417	305,834	331,754	1,380,835
FYE03	382,360	2,600,000	1,908,177	1,295,750	610,268	80,663	1,364,033
FYE04	785,838	2,600,000	1,782,202	1,385,914	878,797	14,070	1,209,386
FYE05	858,161	2,616,781	1,430,058	1,469,689	1,114,246	8,634	1,208,291
FYE06	1,914,903	1,332,295	1,722,479	1,586,814	1,046,985	80,555	1,252,284

NA = Information not available

Unrestricted Cash, Cash Equivalents and Investments

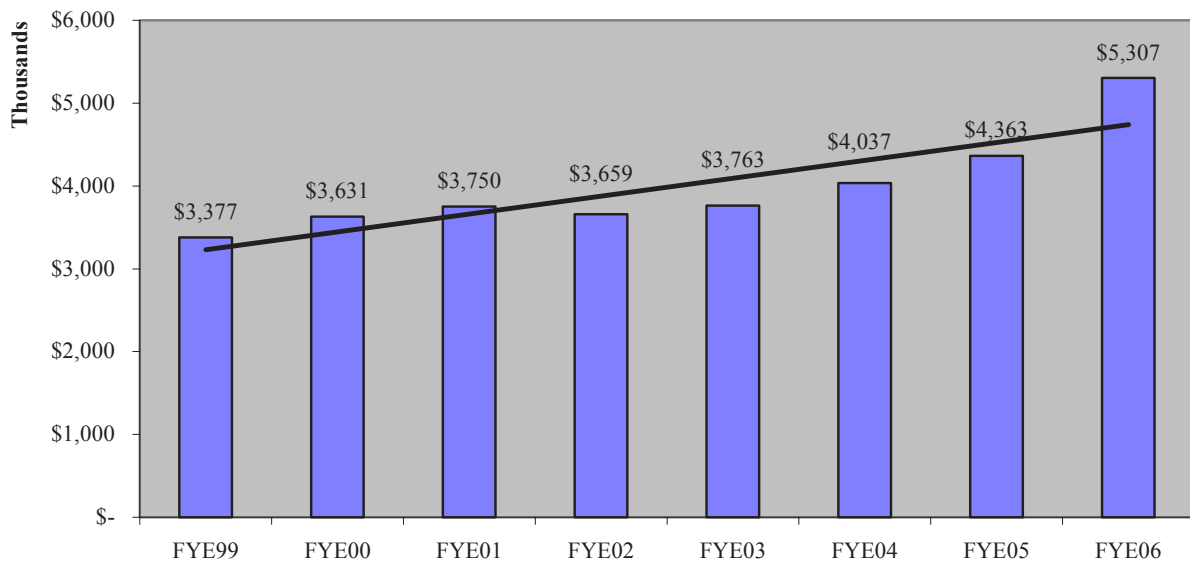


Restricted Cash, Cash Equivalents and Investments



**Greater Rockford Airport Authority**  
**Schedule of Revenue by Sources**  
**Years Ended April 30, 1999 Through 2006**

	Airport Fees				Lease Revenue						Total Operating Income
	Airside		Landside		On Airport			Off Airport			
	Fuel Flowage Fees	Landing Fees	Parking Fees	Rental Car Commissions	Building	Land	Terminal	Building	Land	Other	
FYE99	\$ 561,233	\$ 1,362,621	\$ 127,553	\$ 223,564	\$ 184,644	\$ 212,352	\$ 116,908	\$ 60,282	\$ 228,605	\$ 299,234	\$ 3,376,996
FYE00	692,290	1,366,736	128,653	210,117	204,946	221,056	117,750	77,522	280,227	331,848	3,631,145
FYE01	819,566	1,394,021	110,613	176,669	216,321	234,487	122,538	60,150	269,350	346,306	3,750,021
FYE02	827,650	1,404,969	9,451	137,397	255,335	243,387	114,804	89,967	252,736	323,430	3,659,126
FYE03	829,928	1,326,471	966	137,405	350,979	298,122	116,086	103,594	256,898	342,667	3,763,116
FYE04	882,759	1,415,100	310	118,766	440,069	295,629	120,852	107,510	291,691	364,661	4,037,347
FYE05	597,471	1,942,629	-	129,498	481,540	296,300	113,387	116,462	294,166	391,701	4,363,154
FYE06	61,289	2,424,015	-	200,658	516,103	315,068	83,224	126,294	298,366	1,282,240	5,307,257



Note: Information is presented for as many years as are available.



**Greater Rockford Airport Authority**  
**Schedule of Certain Expenses by Function and Department**  
**Years Ended April 30, 2000 Through 2006**

<b>Finance &amp; Administration</b>	<i>FYE06</i>	<i>%</i>	<i>FYE05</i>	<i>%</i>	<i>FYE04</i>	<i>%</i>
Personnel wages & benefits	\$ 940,903	41.8	\$ 894,152	58.5	\$ 938,882	55.2
Contractual services	1,230,423	54.7	590,476	38.6	700,757	41.2
Commodities	74,965	3.3	41,343	2.7	48,710	2.9
Other	2,076	0.1	3,780	0.2	11,880	0.7
<b>Total</b>	<b>\$ 2,248,367</b>		<b>\$ 1,529,751</b>		<b>\$ 1,700,229</b>	

**Operations & Facilities**

Personnel wages & benefits	\$ 1,423,004	40.8	\$ 1,237,265	50.8	\$ 1,053,996	46.8
Contractual services	1,164,938	33.4	400,428	16.4	400,262	17.8
Commodities	702,922	20.2	574,182	23.6	551,914	24.5
Other	196,287	5.6	223,239	9.2	244,790	10.9
<b>Total</b>	<b>\$ 3,487,151</b>		<b>\$ 2,435,114</b>		<b>\$ 2,250,962</b>	

**Operations**

Personnel wages & benefits	\$ -	0.0	\$ 200,209	22.4	\$ 434,149	93.8
Contractual services	-	0.0	662,128	74.1	14,911	3.2
Commodities	-	0.0	30,632	3.4	13,789	3.0
<b>Total</b>	<b>\$ -</b>		<b>\$ 892,969</b>		<b>\$ 462,849</b>	

**Air Service Development**

Personnel wages & benefits	\$ 207,607	6.1	\$ 125,192	4.3	\$ 125,971	16.2
Contractual services	3,187,401	93.2	2,757,628	95.0	618,930	79.6
Commodities	24,399	0.7	20,863	0.7	32,285	4.2
<b>Total</b>	<b>\$ 3,419,407</b>		<b>\$ 2,903,683</b>		<b>\$ 777,186</b>	

**All Departments**

Personnel wages & benefits	\$ 2,571,514	28.1	\$ 2,456,818	31.7	\$ 2,552,998	49.2
Contractual services	5,582,762	61.0	4,410,660	56.8	1,734,860	33.4
Commodities	802,286	8.7	667,020	8.6	646,698	12.5
Other	198,363	2.2	227,019	2.9	256,670	4.9
<b>Total</b>	<b>\$ 9,154,925</b>		<b>\$ 7,761,517</b>		<b>\$ 5,191,226</b>	

Note: Information is presented for as many years as are available.

<i>FYE03</i>	<i>%</i>	<i>FYE02</i>	<i>%</i>	<i>FYE01</i>	<i>%</i>	<i>FYE00</i>	<i>%</i>
\$ 877,958	56.3	\$ 809,289	57.9	\$ 779,729	57.7	\$ 770,022	58.6
589,266	37.8	522,462	37.4	509,389	37.7	475,156	36.2
44,692	2.9	33,921	2.4	34,680	2.6	42,082	3.2
47,798	3.1	31,695	2.3	28,235	2.1	26,301	2.0
\$ 1,559,714		\$ 1,397,367		\$ 1,352,033		\$ 1,313,561	
\$ 942,869	50.7	\$ 933,861	47.7	\$ 978,731	40.6	\$ 956,961	39.5
274,365	14.8	278,581	14.2	308,533	12.8	404,263	16.7
403,820	21.7	525,815	26.9	813,746	33.8	712,709	29.4
238,555	12.8	219,778	11.2	306,731	12.7	350,769	14.5
\$ 1,859,609		\$ 1,958,035		\$ 2,407,741		\$ 2,424,702	
\$ 575,283	96.1	\$ 636,248	94.0	\$ 961,187	97.2	\$ 983,738	93.9
10,949	1.8	28,648	4.2	21,026	2.1	36,993	3.5
12,390	2.1	11,628	1.7	6,978	0.7	27,139	2.6
\$ 598,622		\$ 676,524		\$ 989,191		\$ 1,047,870	
\$ 62,892	82.7	\$ -		\$ -		\$ -	
7,996	10.5	-		-		-	
5,167	6.8	-		-		-	
\$ 76,055		\$ -		\$ -		\$ -	
\$ 2,459,002	60.1	\$ 2,379,398	59.0	\$ 2,719,647	57.3	\$ 2,710,721	56.6
882,576	21.6	829,691	20.6	838,948	17.7	916,412	19.1
466,069	11.4	571,364	14.2	855,404	18.0	781,930	16.3
286,353	7.0	251,473	6.2	334,966	7.1	377,070	7.9
\$ 4,094,000		\$ 4,031,926		\$ 4,748,965		\$ 4,786,133	

**Greater Rockford Airport Authority**  
**Schedule of Insurance in Force**  
**Years Ended April 30, 2002 through 2006**

<i>Agent/Insurer</i>	<i>Description of Coverage</i>	<i>Amount of Coverage</i>	<i>FYE06 Premium</i>	<i>FYE05 Premium</i>	<i>FYE04 Premium</i>	<i>FYE03 Premium</i>	<i>FYE02 Premium</i>
Near North Insurance Agency <i>AIG Aviation, Inc.</i>	Airport Premise General Liability	\$100,000,000 \$5,000 deductible	\$ 65,100	\$ 62,160	\$ 47,065	\$ 41,298	\$ 45,000
Williams-Manny, Inc. <i>Gen'l Star Indemnity</i>	Public Officials, Public Officials excess & Employee Liability	\$2,000,000 per occurrence and aggregate for each year	57,542	90,483	49,499	46,000	24,147
Williams-Manny, Inc. <i>St. Paul Co./Travelers</i>	Commercial Property	\$19,371,232 \$5,000 deductible per occurrence	76,615	85,554	75,465	60,898	24,633
Williams-Manny, Inc. <i>St. Paul Co./Travelers</i>	Workers Compensation	Statutory	108,939	106,885	143,998	127,271	43,764
Williams-Manny, Inc. <i>St. Paul Co./Travelers</i>	Commercial Auto	\$1,000,000 per occurrence \$1,000 deductible	21,871	21,776	20,101	24,513	22,432
Williams-Manny, Inc. <i>St. Paul Co./Travelers</i>	Employee Dishonesty	\$50,000 \$500 deductible	1,408	100	100	106	64
Williams-Manny, Inc. <i>St. Paul Co./Travelers</i>	Boiler & Machinery	\$5,000,000 \$5,000 deductible	2,150	2,180	1,658	1,398	1,458
Coyle-Varland Ins. Agency	Surety Bond	\$5,000 per commissioner	123	123	123	123	123
<b>Total Annual Premiums Paid</b>			<b>\$ 333,748</b>	<b>\$ 369,261</b>	<b>\$ 338,009</b>	<b>\$ 301,607</b>	<b>\$ 161,621</b>

**Greater Rockford Airport Authority**  
**Schedule of Major Tenants**  
**Years Ended April 30, 2006 and 2005**

	<i>FYE06</i> <i>Amount Paid*</i>	<i>FYE06% of Operating</i> <i>Revenue</i>	<i>FYE05</i> <i>Amount Paid*</i>	<i>FYE05% of Operating</i> <i>Revenue</i>
United Parcel Service	\$ 2,209,200	41.6%	\$ 2,257,171	51.7%
Air Transport Int'l (BAX Global)	361,721	6.8%	307,350	7.0%
Emery Air Charter	275,974	5.2%	271,203	6.2%
ABX Air, Inc	140,704	2.7%	122,463	2.8%
Rockford Sand & Gravel	90,000	1.7%	97,783	2.2%
Rubloff Aviation, LLC	77,428	1.5%	70,607	1.6%
Rock Road	65,784	1.2%	57,561	1.3%
Pride Aircraft	64,411	1.2%	66,631	1.5%
Crawford, Murphy & Tilly	44,137	0.8%	43,047	1.0%
Courtesy Aircraft	38,014	0.7%	48,294	1.1%
<b>Total</b>	<b>\$ 3,367,373</b>	<b>63.4%</b>	<b>\$ 3,342,110</b>	<b>76.4%</b>

\*Includes amounts paid for rent, landing fees, fuel flowage fees and other miscellaneous charges to tenants.

**Greater Rockford Airport Authority**  
**Schedule of Debt Obligation Coverage**  
**Years Ended April 30, 1997 Through 2006**

	<i>Gross Revenue (1)</i>	<i>Operating Expenses (before depreciation and landfill)</i>	<i>Revenue Available for Obligation Payment</i>	<i>General Obligation Bond Requirement</i>			<i>Coverage</i>
				<i>Principal</i>	<i>Interest</i>	<i>Total</i>	
FYE97	\$ 10,679,594	\$ 4,682,843	\$ 5,996,751	\$ 3,170,000	\$ 1,455,866	\$ 4,625,866	1.30
FYE98	11,573,657	4,703,367	6,870,290	3,655,000	1,336,135	4,991,135	1.38
FYE99	11,941,009	4,907,720	7,033,289	3,915,000	1,543,709	5,458,709	1.29
FYE00	12,281,802	4,783,133	7,498,669	3,865,000	1,652,833	5,517,833	1.36
FYE01	12,650,230	4,748,965	7,901,265	3,955,000	1,695,855	5,650,855	1.40
FYE02	12,248,795	4,031,926	8,216,869	4,270,000	1,439,353	5,709,353	1.44
FYE03	12,434,537	4,094,000	8,340,537	4,800,000	1,203,052	6,003,052	1.39
FYE04	13,336,005	5,294,796	8,144,779	5,465,000	832,163	6,297,163	1.29
FYE05	14,360,027	7,833,689	6,526,338	5,930,000	544,471	6,474,471	1.01
FYE06	18,329,535	9,288,577	9,040,958	5,350,000	156,150	5,506,150	1.64

(1) Gross revenue includes both operating and nonoperating revenue.



**Greater Rockford Airport Authority**  
**Schedule of Property Tax Levies and Collections**  
**Years Ended April 30, 1997 Through 2006**

	<i>Tax Levy Year</i>			
	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
Assessed valuations (in thousands):	\$ 3,155,961	\$ 2,964,364	\$ 2,911,791	\$ 2,754,388
Rate per \$100 of assessed valuation:				
General - corporate	0.0750	0.0750	0.0739	0.0742
General - other	0.0150	0.0228	0.0242	0.0148
Bond retirement and interest	0.1765	0.2212	0.2185	0.2186
<b>Total</b>	<b>0.2665</b>	<b>0.3190</b>	<b>0.3166</b>	<b>0.3076</b>
<i>Tax Levy:</i>				
General purposes	2,810,123	2,663,076	2,564,417	2,451,405
Bond retirement and interest	5,510,964	6,480,445	6,295,788	6,021,091
<b>Total tax levy</b>	<b>8,321,087</b>	<b>9,143,521</b>	<b>8,860,205</b>	<b>8,472,496</b>
<i>Collections: (See Notes (1) and (2))</i>				
General purposes	-	2,659,987	2,549,793	2,447,314
Bond retirement and interest	-	6,472,922	6,259,881	6,011,038
<b>Total collected</b>	<b>\$ -</b>	<b>\$ 9,132,909</b>	<b>\$ 8,809,674</b>	<b>\$ 8,458,352</b>
<i>Percent of tax levy extension collected</i>	-	99.9%	99.4%	99.8%

Notes: (1) Current collections as shown above represent those collections made by Winnebago County on the current levy and all delinquent property taxes collected that are distributed to the Authority. Delinquent property taxes collected by the County Treasurer are distributed to the taxing units by use of the current tax rate and cannot be applied to specific years.

(2) The 2006 levy will be collected in the fiscal year ending April 30, 2007.

*Tax Levy Year*

	2002	2001	2000	1999	1998	1997
\$	2,643,547	\$ 2,515,587	\$ 2,463,730	\$ 2,436,224	\$ 2,352,414	\$ 2,227,612
	0.0736	0.0750	0.0750	0.0750	0.0750	0.0750
	0.0170	0.0176	0.0220	0.0231	0.0250	0.0261
	0.2164	0.2250	0.2254	0.2241	0.2248	0.2213
	0.3070	0.3176	0.3224	0.3222	0.3248	0.3224
	2,395,054	2,329,433	2,374,764	2,389,936	2,352,431	2,271,302
	5,720,637	5,660,070	5,518,265	5,459,579	5,288,263	4,971,702
	8,115,691	7,989,503	7,893,029	7,849,515	7,640,694	7,243,004
	2,379,440	2,302,754	2,362,702	2,358,560	2,338,548	2,252,115
	5,683,178	5,598,610	5,490,198	5,397,518	5,234,860	4,859,196
\$	8,062,618	\$ 7,901,364	\$ 7,852,900	\$ 7,756,078	\$ 7,573,408	\$ 7,111,311
	99.3%	98.9%	99.5%	98.8%	99.1%	98.2%



**Greater Rockford Airport Authority**  
 Schedule of Assessed Value, Levies and Rates  
 Years Ended April 30, 1997 Through 2006

<i>Levy Year</i>	<i>Assessed Valuations (in thousands)</i>	<i>Tax Levy</i>			<i>Tax Rates</i>		<i>GRAA % County</i>
		<i>Operating</i>	<i>Debt</i>	<i>Total</i>	<i>GRAA</i>	<i>County</i>	
1997	\$ 2,227,612	\$2,271,302	\$4,971,702	\$7,243,004	0.3224	11.5354	2.79%
1998	2,352,414	2,352,431	5,288,263	7,640,694	0.3248	11.6163	2.80%
1999	2,436,224	2,389,936	5,459,579	7,849,515	0.3222	11.4912	2.80%
2000	2,463,730	2,374,764	5,518,265	7,893,029	0.3224	10.4030	3.10%
2001	2,515,587	2,329,433	5,660,070	7,989,503	0.3176	10.7265	2.96%
2002	2,643,547	2,395,054	5,720,637	8,115,691	0.3070	10.7670	2.85%
2003	2,754,388	2,451,405	6,021,091	8,472,496	0.3076	10.6787	2.88%
2004	2,911,791	2,564,417	6,295,788	8,860,205	0.3166	10.7670	2.94%
2005	2,964,364	2,663,076	6,480,445	9,143,521	0.3190	10.8681	2.94%
2006	3,155,961	2,810,123	5,510,964	8,321,087	0.2665	10.7768	2.47%

**Greater Rockford Airport Authority**  
 Schedule of Principal Property Taxpayers in Winnebago County  
 Year Ended April 30, 2006

<i>Taxpayer</i>	<i>Type of Business</i>	<i>2005 Assessed Valuation</i>	<i>Percentage of Total Assessed Valuation</i>
CBL/Cherryvale LLC	Shopping Mall	\$ 13,914,227	0.35 %
Hamilton Sundstrand Corp.	Hydraulic and Aerospace	7,048,920	0.18
Rock River Valley Industrial Park	Real Estate Holdings	6,247,853	0.16
Two Star Property Co., Inc.	Retail/Real Estate Holdings	5,615,537	0.14
United Parcel Service, Inc.	Parcel Delivery Services	5,579,278	0.14
Fairhaven Christian Home	Nursing Home	5,464,134	0.14
Menard Inc.	Retail	4,895,231	0.12
Simon Property	Retail/Real Estate Holdings	4,799,277	0.12
Commonwealth Edison	Utility	4,566,208	0.11
Swedish American Hospital	Hospital	4,471,322	0.11
		\$ 62,601,987	1.57 %

Total Assessed Valuation - Winnebago County - \$3,999,758,166

Source: Winnebago County Clerk

**Greater Rockford Airport Authority**  
 Schedule of Largest Employers in the Greater Rockford Area  
 Year Ended April 30, 2006

<i>Employer</i>	<i>Product/Service</i>	<i>Approximate Employment</i>
Rockford Public Schools	Education	4,135
DaimlerChrysler Corporation	Automobiles	3,500
Rockford Health System	Health Care	3,018
Hamilton Sundstrand Corporation	Aerospace Components	3,000
SwedishAmerican Health System	Health Care	2,625
OSF St. Anthony Medical Center	Health Care	1,950
*United Parcel Service	Parcel Sorting Hub	1,700
County of Winnebago	Government Office	1,600
Woodward Governor Co.	Aerospace, governors, equipment	1,071
Wal-Mart Stores	Retail	970
Top 10 Employers		23,569

Source: Rockford Area Economic Development Council

\*Employment includes high proportion of part-time employees. No breakdown of full-time versus part-time was available, so employer was added at total employment figure.

**Greater Rockford Airport Authority**  
Schedule of Population within the Authority Area  
Year Ended April 30, 2006

<i>City/Village</i>	<i>Population</i>
Rockford	150,115
Machesney Park	20,759
Loves Park	20,044
Cherry Valley	2,191
Roscoe	6,200
New Millford	541
Unincorporated Areas	54,712
Total	254,562



## Compliance Section



This section contains the following subsections.

- ◆ Independent Auditor's Reports
- ◆ Schedule of Expenditures of Federal Awards
- ◆ Notes to Schedule of Expenditures of Federal Awards
- ◆ Schedule of Findings and Questioned Costs
- ◆ Summary Schedule of Prior Audit Findings
- ◆ Schedule of Passenger Facility Charges
- ◆ Summary of Audit Results



# McGladrey & Pullen

Certified Public Accountants

## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the Board of Commissioners  
Greater Rockford Airport Authority  
Rockford, Illinois

We have audited the basic financial statements of the Greater Rockford Airport Authority ("Authority") as of and for the year ended April 30, 2006, and have issued our report thereon dated June 29, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

### Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Commissioners, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*McGladrey & Pullen, LLP*

Rockford, Illinois  
June 29, 2006



# McGladrey & Pullen

Certified Public Accountants

## **Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

To the Board of Commissioners  
Greater Rockford Airport Authority  
Rockford, Illinois

### Compliance

We have audited the compliance of the Greater Rockford Airport Authority (the "Authority"), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended April 30, 2006. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended April 30, 2006.

### Internal Control Over Compliance

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

We noted a matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Authority's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as reportable condition 06-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

This report is intended solely for the information and use of the Board of Commissioners, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*McGladrey & Pullen, LLP*

Rockford, Illinois  
June 29, 2006

**GREATER ROCKFORD AIRPORT AUTHORITY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended April 30, 2006**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Small Business Administration Passed through Rockford Area Convention and Visitors Bureau Rockford Manufacturing Marketing Initiative	**	N/A	\$ 307,270
<b>Total U.S. Small Business Administration</b>			<b>307,270</b>
U.S. Department of Transportation Small Community Air Service Development Program	20.930	N/A	198,973
Passed through the Illinois Department of Transportation Airport Improvement Program	20.106	N/A	2,889,646
<b>Total U.S. Department of Transportation</b>			<b>3,088,619</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 3,395,889</b>

\*\*See Note 2 to the Schedule of Expenditures of Federal Awards.

N/A - Not applicable or not available.

See Notes to Schedule of Expenditures of Federal Awards.

## **Greater Rockford Airport Authority**

### **Notes to Schedule of Expenditures of Federal Awards**

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#### **Note 1. Significant Accounting Policy**

The schedule of expenditures of federal awards presents the amount of federal awards expended by the Greater Rockford Airport Authority (the Authority) as required by OMB Circular A-133.

Basis of accounting: The schedule has been prepared using the accrual basis of accounting which is the same basis used in preparing the financial statements of the Authority.

#### **Note 2. Rockford Manufacturing Marketing Initiative Grant**

During the year ended April 30, 2006, the Rockford Area Convention and Visitors Bureau (RACVB) was awarded the Rockford Manufacturing Marketing Initiative Grant (the Grant) from the U.S. Small Business Administration (SBA) pursuant to public law No. 108-447 Division B, Title VI, Section 619. RACVB has passed through certain proceeds from the Grant to the Authority to develop and implement an integrated and collaborative community-wide marketing initiative to enhance the climate for growth in manufacturing jobs and businesses. No CFDA number has been assigned to this Grant by the SBA.

# Greater Rockford Airport Authority

## Schedule of Findings and Questioned Costs Year Ended April 30, 2006

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### I. SUMMARY OF AUDITOR'S RESULTS

#### *Financial Statements*

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Reportable condition(s) identified that are not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

#### *Federal Awards*

Internal control over major programs:		
Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Reportable condition(s) identified that are not considered to be material weakness(es)?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None Reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

(Continued)

# Greater Rockford Airport Authority

## Schedule of Findings and Questioned Costs Year Ended April 30, 2006

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Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
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** 20.106	Rockford Manufacturing Marketing Initiative Airport Improvement Program
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Dollar threshold used to distinguish between type A and B programs \$300,000

Auditee qualified as low-risk auditee?  Yes  No

\*\* See Note 2 to Schedule of Expenditures of Federal Awards on page 53.

### II. FINANCIAL STATEMENT FINDINGS

For the year ended April 30, 2006, there were no reportable conditions, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements or abuse related to the financial statements noted for which *Government Auditing Standards* requires reporting.

### III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

The following reportable condition pertains to all programs detailed in the schedule of expenditures of federal awards on page 52.

#### Reportable Condition 06-1: Debarred Vendors

The Greater Rockford Airport Authority (the "Authority") does not have a policy requiring verification that vendors are not debarred from participating in federal programs.

During our audit, we selected a sample of vendors paid with federal funds to determine if any amounts were paid to vendors that are on the list of debarred vendors listing on the Excluded Parties List System (EPLS). Although we found no instances where payments were made to debarred vendors, we did note that the Authority does not have a policy or procedure in place to ensure vendors are not debarred, prior to adding the vendor to the Authority's accounts payable system which generates the vendor checks.

In order to comply with the requirements of the Office of Management and Budget (OMB) compliance supplements for the various grants, no federal funds may be paid to vendors that are listed on the debarred vendors listing on the Excluded Parties List System (EPLS).

Lack of a policy or procedure requiring verification of a vendor's status (not debarred) prior to adding the vendor to the Authority's system, could result in a payment to a debarred vendor. The Authority would have a "questioned cost" and could be held responsible for reimbursing the amount back to the grantor.

We recommend management implement a policy that requires finance personnel to review the listing on the EPLS prior to entering new vendors into the system. Formal documentation should be maintained of the review performed. Notice should be communicated to all grant departments of any debarred vendors that are noted in the search.

# Greater Rockford Airport Authority

## Schedule of Findings and Questioned Costs Year Ended April 30, 2006

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### *Management's Response:*

The Authority is aware that no federal funds may be paid to vendors that are listed in the debarred vendors listing on the Excluded Parties List System. In fact we require all contractors paid with federal funds to certify to the following on each contract they enter into with the Authority.

#### **CERTIFICATION REGARDING DEBARMENT, SUSPENSION, INELIGIBILITY AND VOLUNTARY EXCLUSION**

The bidder/offeror certifies, by submission of this proposal or acceptance of this contract, that neither it nor its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction by any Federal department or agency. It further agrees by submitting this proposal that it will include this clause without modification in all lower tier transactions, solicitations, proposals, contracts, and subcontracts. Where the bidder/offeror/contractor or any lower tier participant is unable to certify to this statement, it shall attach an explanation to this solicitation/proposal.

To further improve this process the Authority will implement the following procedures:

- For all existing contractors and vendors under current contracts to be paid with federal funds the Finance Department staff will review the Excluded Parties List System to ensure none are included.
- For all new contractors and vendors to be paid with federal funds the Finance Department staff will review the Excluded Parties List System prior to adding the new vendor to the payables system.
- Periodically staff will check current contractors and vendors paid with federal funds against the Excluded Parties List System to ensure compliance.

## **Greater Rockford Airport Authority**

### **Summary Schedule of Prior Audit Findings Year Ended April 30, 2006**

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An audit in accordance with OMB Circular A-133 was not required in the prior year. As a result, there are no prior year audit findings.



# McGladrey & Pullen

Certified Public Accountants

## **Independent Auditor’s Report on Compliance with Requirements Applicable to the Passenger Facility Charge Program and on Internal Control Over Compliance**

To the Board of Commissioners  
Greater Rockford Airport Authority  
Rockford, Illinois

### Compliance

We have audited the compliance of the Greater Rockford Airport Authority (“Authority”) with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide), for its passenger facility charge program for the year ended April 30, 2006. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of the Authority’s management. Our responsibility is to express an opinion on the Authority’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Authority’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority’s compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the year ended April 30, 2006.

### Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations applicable to the passenger facility charge program. In planning and performing our audit, we considered the Authority’s internal control over compliance with requirements that could have a direct and material effect on the passenger facility charge program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with the Guide.

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

This report is intended solely for the information and use of the Board of Commissioners, management, and the Federal Aviation Administration of the U.S. Department of Transportation and is not intended to be and should not be used by anyone other than these specified parties.

*McGladrey & Pullen, LLP*

Rockford, Illinois  
June 29, 2006

**Greater Rockford Airport Authority**  
**Schedule of Passenger Facility Charges (PFC)**  
**Year Ended April 30, 2006**

<i>Quarter Ended</i>	<i>PFC Charges Received</i>	<i>Interest Earned</i>	<i>Total Received</i>	<i>Expenditures On Approved Projects</i>	<i>Excess of Expenditures On Approved Projects Over PFC Charges Received</i>
Beginning Balance	\$ 1,496,930	\$ 117,350	\$ 1,614,280	\$ 7,476,945	\$ 5,862,665
07/01/05	73,596	-	73,596	-	-
10/01/05	66,533	-	66,533	-	-
01/01/06	34,021	-	34,021	-	-
04/01/06	63,089	-	63,089	-	-
Total 2006	237,239	-	237,239	-	-
Total Program to Date	\$ 1,734,169	\$ 117,350	\$ 1,851,519	\$ 7,476,945	\$ 5,862,665

**Greater Rockford Airport Authority**  
Summary of Audit Results  
Year Ended April 30, 2006

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A. SUMMARY OF AUDIT RESULTS

1. No material weaknesses were identified during the audit of the passenger facility charge program.
2. The auditor's report on compliance for the passenger facility charge program expresses an unqualified opinion.
3. There were no audit findings related to the passenger facility charge program.

B. FINDINGS AND QUESTIONED COSTS

1. None

