

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007



ST. JOSEPH COUNTY AIRPORT AUTHORITY

A COMPONENT UNIT OF ST. JOSEPH COUNTY, INDIANA

**ST. JOSEPH COUNTY AIRPORT AUTHORITY
A COMPONENT UNIT OF ST. JOSEPH COUNTY, INDIANA
SOUTH BEND, INDIANA**

**COMPREHENSIVE ANNUAL FINANCIAL
REPORT FOR THE FISCAL
YEAR ENDED DECEMBER 31, 2007**

INTRODUCTORY SECTION

**ST. JOSEPH COUNTY AIRPORT AUTHORITY
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007**

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ST. JOSEPH COUNTY AIRPORT AUTHORITY



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June 2, 2008

To the Members of the Board

The Comprehensive Annual Financial Report of the St. Joseph County Airport Authority for the fiscal year ended December 31, 2007 is submitted herewith. This report was prepared by the Director of Administration and Finance (Financial Officer), the Accounting Manager, and the administrative staff of the St. Joseph County Airport Authority in conjunction with the Auditor's Office of St. Joseph County, Indiana, and the Indiana State Board of Accounts.

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

The guidelines recommended by the Government Finance Officers Association of the United States and Canada have been followed in the preparation of this report. The GFOA awards Certificates of Achievement to those governments whose annual financial reports are judged to conform substantially with the high standards of public financial reporting, including generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board. It is our belief that the accompanying 2007 Comprehensive Annual Financial Report meets program standards, and it will be submitted to the Government Finance Officers Association for their review. GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of a Management Discussion and Analysis (MD&A). One should read this letter of transmittal in conjunction with the MD&A that is located immediately following the report of the independent auditor in the Financial Section of this report.

THE REPORTING ENTITY

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

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

PROFILE OF SOUTH BEND REGIONAL AIRPORT

South Bend Regional Airport is located in North Central Indiana, approximately 4 miles west of South Bend and two miles south of the Michigan border.

The airport was owned and operated by St. Joseph County from 1938 until January 1, 1974, when the St. Joseph County Council created the St. Joseph County Airport Authority District. The name of the airport was also changed on January 1, 1974, from the St. Joseph County Airport to the Michiana Regional Airport to reflect its new regional character (Michigan and Indiana).

In 1993, Michiana Regional Airport was renamed Michiana Regional Transportation Center by the Airport Authority Board. The impetus for the change was the relocation of South Shore rail service to the airport. Finally, in 1999, the facility became South Bend Regional Airport to more clearly identify its location for national and international travelers. South Bend Regional is the only small airport in the United States featuring air, interstate rail, and interstate bus services at one multi-modal terminal location.

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

South Bend Regional Airport has the typical airport tenant mixture, such as rental cars, restaurant, parking operator (Republic Parking System), etc. Hertz, Avis, National, and Enterprise rental car agencies all occupy Terminal Building space along with Air Host, Inc., a subsidiary of Hospitality Flight Services, Inc., which operates the restaurant, the gift shop, and the lounge, as well as all coin-operated concessions in the Terminal Building. Budget Car Rental operates an off-airport concession. A full complement of ground transportation is available (including 9 cab companies; and the Transpo City Bus Line). The Airport also serves as the only intercity bus terminal for the South Bend area housing Central Greyhound, Indiana Highways, and ABC Coach Lines.

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

Other airport businesses include: Wells Fargo Money Machine, Sugar - N - Spice Candy Store, Smarte Carte (baggage carts), Performance Plus (custodial service), Transportation Security Administration (screenpoint security), Interspace Airport Advertising, E.C. Delivery, and Rush Delivery.

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

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

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

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

Two Thousand and Seven, which marked the thirty-fourth operational year of the St. Joseph County Airport Authority, was a productive and challenging year, and one which has seen the continued utilization of the Multi-Modal terminal complex, continued physical growth of the Airport, and continued efforts to improve air service for the South Bend area.

It is estimated that the airport provides an economic impact to the community of in excess of \$370,000,000.00 per year. Based upon expected future increases in passenger traffic, and capital development, this impact should continue to grow for the foreseeable future.

ECONOMIC OUTLOOK – SOUTH BEND REGIONAL AIRPORT- ST. JOSEPH COUNTY

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

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

The financial outlook of the county is dependant upon a strong and diversified business base.

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

In recent years, while there is still significant manufacturing activity by national companies such as the AM General Hummer facility and the Honeywell Corporation, the County has seen a shift to a much more diversified economy which now also features a large number of service-related businesses including a regional health care industry, a thriving educational services sector, and significant employment in the accounting and financial services industry. The composition of the County's 6,300 businesses and workforce of over 134,000 people closely matches that of the U.S. economy overall, thus providing a stable local economic environment.

The County is home to the University of Notre Dame, one of the nation's leading private universities, and several other private colleges: Bethel College, Holy Cross College and St. Mary's College. Indiana University also has a campus in South Bend with a Purdue University extension.

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

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

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

The County features an excellent transportation infrastructure. Interstate 80-90 transects the County and provides significant traffic between the corridor of Chicago to Detroit and Chicago to Cleveland and beyond.

St. Joseph County is also on the cutting of edge of technology. An important recent development in this area was the establishment by Project Future, the local economic development agency, and the St. Joseph County Chamber of Commerce, of the St. Joseph Valley Metronet. The Metronet is a vendor- neutral dark fiber network, providing state of the art telecommunications infrastructure in the County.

MAJOR AIRPORT INITIATIVES

Planned Projects

In 2007, the Airport Authority continued its land acquisition program which began in 1974. It is primarily aimed at the eventual relocation of Lincoln Way West, which will allow for the southerly extension of Runway 36 and the acquisition of up to 140 acres of land to accommodate future aviation-related development. The total cost of the projects will be approximately \$30 million with the majority of the funding coming from Passenger Facility Charge (P.F.C.) revenues and the remainder coming from Airport Improvement Program (AIP) Funds . The AIP program features 95 percent contribution administered by the Federal Aviation Administration, 2.5 percent contributed by the State of Indiana, and 2.5 percent contributed by the Airport Authority.

Airport Facility and Service Improvements

Property improvements in 2007 were in keeping with the Airport Authority's policy of maintaining an attractive appearance for the public of all Airport land. These improvements included the removal of structures from parcels previously purchased and the removal of trees, brush and trash.

Two Thousand Seven (2007) saw major improvements to the airfield that were accomplished to increase the functionality of the airport, the safety of the airport, and to get ready for increased usage as the air transportation industry continues to recover from the devastating impact of the events of September 11, 2001. Emphasis was placed on new service development to the east coast and to Indianapolis, the state capital. Allegiant Air continued to prosper with non-stop service to Las Vegas. Sanford/Orlando, and St. Petersburg/Clearwater, Florida.

In 2007, the airport presented its Third Annual Stakeholder of the Year Award to acknowledge the contribution of Interspace Airport Advertising to the mission of South Bend Regional. Interspace invested over \$90,000.00 in improvements to the terminal advertising displays and also created a panoramic community showcase.

Other 2007 activities included continued improvement to the airport's website with a host of new features. A major focus was placed in the improvement of taxi service to the public. To that end, the airport in conjunction with the Convention and Visitor's Bureau of St. Joseph County, held customer service training sessions for cab drivers. A "mystery" rider program was also conducted to reward taxi operators for good service.

Special Accomplishments

The Safety Department celebrated its twenty seventh year of service as a public safety department. South Bend Regional is fortunate to have a triple-trained department which continues to provide aircraft and building rescue and fire fighting support, emergency medical services and law enforcement activities.

In 2007, the Safety Department continued to use its state-of-the-art fire training facility. The Indiana Department of Environmental Management approved the facility which is being used by the Safety Department for their own training and also for local and national airport-sponsored fire schools.

The Airport's Maintenance Department has long been known for its proficiency in snow and ice removal and continued that tradition in 2007.

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

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

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

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

Public Involvement

During 2007, over 3,000 students toured the Airport terminal and Safety/ Maintenance Buildings as part of the Airport Authority's effort to expose the people of Michiana to its facilities and operations.

The Authority was involved in several high school Career Fairs and other community events. Representatives from the airlines, control tower, and Authority were part of programs which provided real world knowledge to high school students regarding employment opportunities in the community.

South Bend Regional Airport is the first truly multi-modal terminal in the United States offering air, interstate rail, and interstate bus service at one location. All airport information and schedules are on the airport's web site at www.sbnair.com.

MISSION STATEMENT

Our Mission is to maximize the safety, service, efficiency and effectiveness of the South Bend Regional Airport for the traveling public, and to promote the airport's value to the community.

Employees and Volunteers

The following employees and volunteers worked together in 2007 to further improve the image and efficiency of the South Bend Regional Airport:

Norma E. Brown
K. Todd Burget
Richard Buzalski
Brian L. Cassidy
Chris D. Celichowski
Joshua M. Chapo
Michael A. Clymer
Ray E. Davidson
Gary A. Davis
Sandra K. Davis
Brian W. Ewalt
Richard K. Fields
Francis M. Flanagan
Elizabeth A. Freiburger
Mitzi A. Garner
Ty H. Garton
Leonard J. Genchoff
Michael J. Gerndt
Donald E. Gilbert
Terence A. Goralski
Karen A. Gorbitz
James M. Gordon, Jr.
Charles W. Gray
Michael A. Guljas
Scott E. Hancz
Robert E. Herron, Jr.
Richard C. High
Chad Hooten
Scott A. Ingole
Hal K. James
Clifford A. Jenkins
Robert E. Jernigan
David A. Joachim
Steven Johnson
Shirley K. Kajzer
Aaron A. Keller
Daniel J. Kierna
Kerianne Kirby
David Lachniet
Daniel J. Kopczyński
Michael J. Markiewicz
Kevin A. Matuszak

Bruce MacLachlan
Corey M. McAlvey
Brian A. McMillen
Donald F. Miller
Christopher Monjeau
Michael A. Muzzey
Ronald A. Nye
Michael J. Ornat
Kyle T. Phillips
Kevin M. Plonka
Reginald M. Sanders
John C. Schalliol
Tammi L. Schreier
Raymond M. Snider
Travis R. Stamper
James J. Stankiewicz
Carl S. Stopczynski
Kevin J. Szucsits
James M. Temple
Carol A. Whitteberry
Matthew L. Willis
Lauren M. Winger
Joseph F. Zaworski

Part-Time Employees:

Justina A. Bass
Jacob Fawley
Jessica Gorbitz
Andrew McIntyre
Ashley Muelman
Heather Piechocki
Kellem Shireman
Ryan Stankiewicz

Volunteers:

Robert Distler
William MacWhorter
Rosemarie Owsianowski

FINANCIAL INFORMATION

Internal Control Structure and Budgetary Controls

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

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

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

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

Employee Retirement System

All full-time Airport Authority employees are eligible to participate in the Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system which provides retirement benefits to plan members and beneficiaries. State statutes (IC-5-10.2 and 5-10.3) give the Airport Authority the authority to contribute to the plan and govern most requirements of the system.

Details of the Employee Retirement System are included in the notes to the Financial Statements Section of this report.

Cash Management

Cash temporarily idle during the year is invested by the Airport Authority in Certificates of Deposit and in interest-bearing checking and savings accounts. All investments are in compliance with the statutes of the State of Indiana governing public funds. It is the policy of the Airport Authority to invest funds with local, federally insured banks that have a principal office within St. Joseph County and have been approved by the St. Joseph County Airport Authority's Board.

Risk Management

The Airport Authority maintains a policy of eliminating or transferring risk whenever possible. Lease agreements contain insurance requirements and hold harmless clauses. Tenants and contractors are required to maintain specified limits of insurance and to provide certificates of insurance covering their operations to the Authority.

A schedule of insurance in force at December 31, 2007 can be found in the Statistical Section of this report.

Audit Function

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

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement For Excellence in Financial Reporting to the St. Joseph County Airport Authority for its comprehensive annual financial report (C.A.F.R.) for the fiscal year ended December 31, 2006. This was the eighteenth consecutive year that the government has achieved this prestigious award.

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

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

Acknowledgments

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

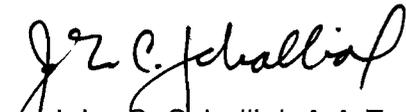
We would also like to thank and acknowledge, Marilyn Rudolph, Office Supervisor of the Indianapolis office of the State Board of Accounts, and Douglas Wiese, Area Supervisor, and auditors John Pajakowski and John Rucano of the Indiana State Board of Accounts for their very significant input and encouragement and also Pete Speer of Municipal Finance Consulting Services and Yvonne Milligan with the City of Mishawaka who assisted in the accumulation of statistical information for this CAFR.

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

The cover design was provided by Michael Murphy Design Studios.

Finally, the Airport Authority Administrative Services Staff deserves our sincere appreciation for their assistance, especially Executive Assistant, Shirley Kajzer, who spent many hours processing the majority of this report, to Purchasing/ Accounting Specialist, Mitzi Garner, who laid out the report for printing, to Karen Gorbitz, Accounting Assistant for her research work and preparing much of the data for the statistical section, and to Justina Bass, Office Assistant for her help in obtaining data, and to Sandra Davis, Accounting Manager Emeritus, whose accurate and thorough accounting records form the basis for this report. Other administrative staff team members are: Frank Flanagan, H.R. Manager; Kerianne Kirby, Properties Manager; and Carol Whitteberry, Community Relations Coordinator.

Respectfully submitted,


John C. Schalliol, A.A.E.
Executive Director

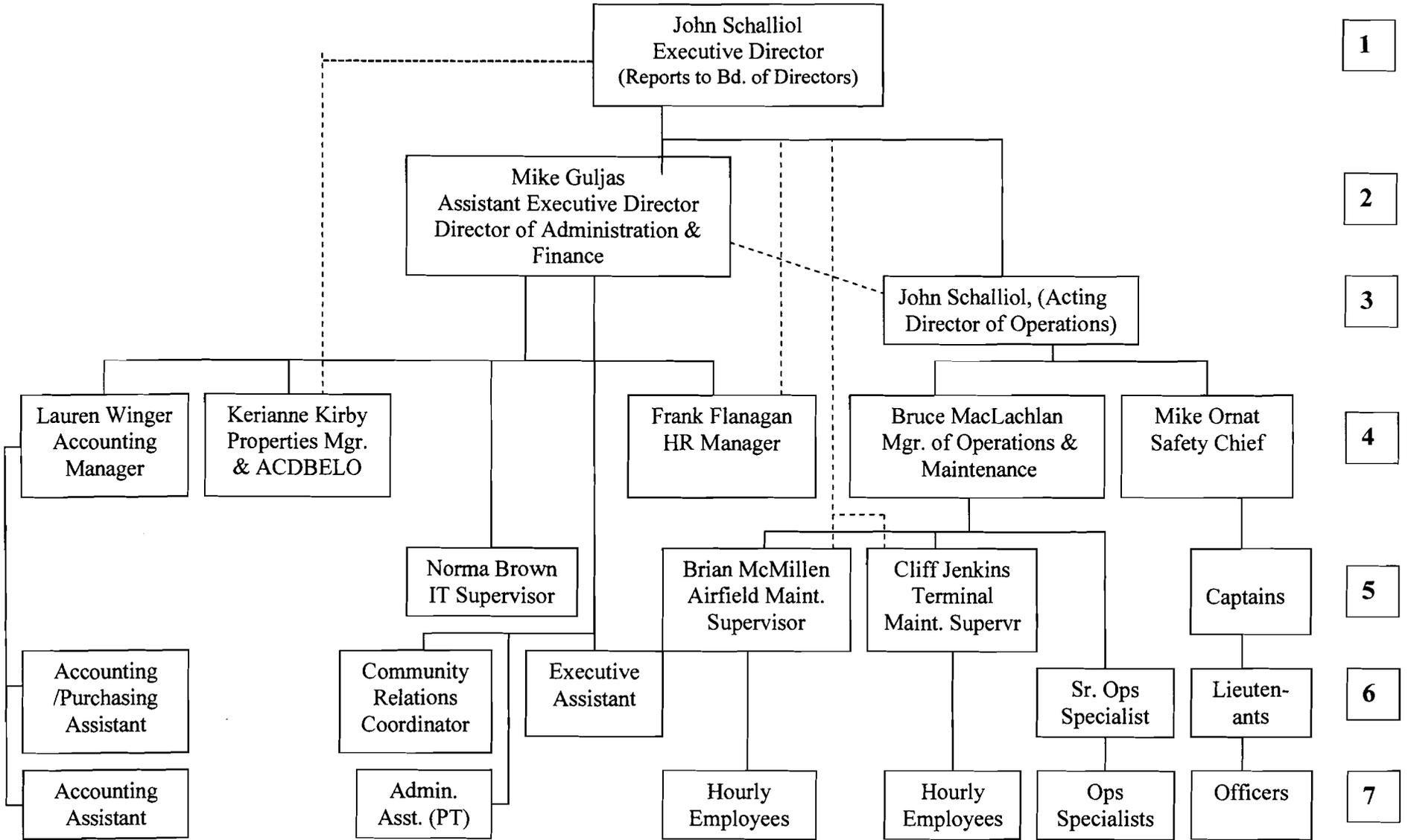

Michael A. Guljas, A.A.E.
Director of Administration
and Finance


Lauren Winger
Accounting Manager

ST. JOSEPH COUNTY AIRPORT AUTHORITY ORGANIZATION CHART

Organizational Authority Level

APX



**ST. JOSEPH COUNTY AIRPORT AUTHORITY
SOUTH BEND REGIONAL AIRPORT**

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Year Appointed</u>	<u>Current Term Expires</u>
Treasurer	Mr. Thomas S. Botkin	2006	12-31-10
President of The Airport Authority District	Mr. James K. Hughes	1983	12-31-09
Vice President	Mr. David R. Sage	1991	12-31-08
Secretary	Mr. James V. Wyllie	1995	12-31-11
Executive Director	Mr. John C. Schalliol, A.A.E.		

Certificate of Achievement for Excellence in Financial Reporting

Presented to

St. Joseph County
Airport Authority, Indiana

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2006

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.



Oliver S. Cox

President

Jeffrey R. Emery

Executive Director

FINANCIAL SECTION

FINANCIAL SECTION



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

We have audited the accompanying financial statements of the St. Joseph County Airport Authority (Airport Authority), as of and for the year ended December 31, 2007. These financial statements are the responsibility of the Airport Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport Authority as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and Schedule of Funding Progress, as listed in the Table of Contents, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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.

In accordance with Government Auditing Standards, we have also issued our report dated June 2, 2008, on our consideration of the Airport Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements that collectively comprise the St. Joseph County Airport Authority's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements.

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

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the St. Joseph County Airport Authority's basic financial statements. The introductory section, statistical tables, the Budgetary Comparison Schedules, Budget/GAAP Reconciliation and the Schedule of Expenditures of Passenger Facility Charges are presented for purposes of additional analysis and are not required parts of the basic financial statements. The Schedule of Expenditures of Passenger Facility Charges, the Budgetary Comparison Schedules, and the Budget/GAAP Reconciliation, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

June 2, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management Discussion and Analysis (MD&A) of the South Bend Regional Airport provides an introduction to the major activities affecting the operations of the airport and an introduction and overview to the financial performance and statements of the St. Joseph County Airport Authority (Authority) for the fiscal year ended December 31, 2007. The information contained in this MD&A should be considered in conjunction with the information contained in the Letter of Transmittal included in the Introduction Section and various historic summaries of activities and financial performance included in the Statistical and Compliance Sections of this report.

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

AIRPORT ACTIVITIES & HIGHLIGHTS

As of December 31, 2007, the South Bend Regional Airport provided non-stop air passenger service to ten hubs in the United States (Chicago O'Hare, Las Vegas, Cleveland, Detroit, Cincinnati, Atlanta, Sanford/Orlando, Tampa Bay, Indianapolis and Minneapolis). Five major passenger carriers (Allegiant, Continental, Delta, Northwest, and United) and a regional carrier (Cape Air), are all represented either by the carrier itself or through a regional partner. In some cases, more than one company contracted with the national carrier for this purpose. Pinnacle Airlines also based an aircraft maintenance facility in South Bend.

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

In 2007, many small airports nationwide were still recovering from the effects of the September 11, 2001 disaster and a struggling airline industry. South Bend Regional made progress in this area. Two Thousand Seven total enplanements and deplanements reflected an increase of 6.82 percent versus 2006.

As part of a continuing effort to improve air service, in September of 2004, the South Bend and Evansville, Indiana airports received a \$1,000,000.00 matching grant from the U.S. Department of Transportation under the Small Community Air Service Development Program.

The purpose of the grant was to assist the airports in developing intrastate air service with the primary focus on flights to Indianapolis. In January of 2005, Chicago Express, operating as

American Trans Air (ATA), initiated service to Indianapolis. While the service was well received by the community, it was subsequently terminated in March 2005 due to the filing of bankruptcy by ATA. During 2006 and 2007, the airports continued to negotiate with several carriers who were interested in providing the service. Finally in November 2007, the intrastate service was reinstated by regional carrier Cape Air.

In November of 2006, Allegiant Air inaugurated non-stop service to the Tampa Bay area. This followed the successful initiation of non-stop service in 2005 to Las Vegas and Sanford/Orlando Florida by the carrier.

Although total aircraft flight operations were down in 2007, the airlines operated higher passenger loads per flight. Also due to increased interest in the University of Notre Dame's football program, most carriers operated at full capacity on home game weekends.

As the new year approached, the airport was anticipating a continued turnaround in passenger traffic and continued its proactive policy of working with existing and potential carriers to explore additional hub opportunities in both the east and southwest.

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

The South Shore rail passenger service experienced an increase of 3.97 percent in 2007. Low rail fares, high gasoline prices for auto travel and the convenience of service to downtown Chicago were seen as the major reasons for the upturn in this service.

Also, the interstate bus passenger count decreased by 5.11 percent over 2006 levels.

Another important component of business at the Airport includes airfreight. United Parcel Service, Federal Express, and DHL all base aircraft at the facility. In 2005, DHL completed construction of a sorting hub on the airport, joining UPS and Federal Express who have comparable facilities on site. Total cargo tonnage decreased from 2006 to 2007 by .32 percent.

Finally, a review of our facilities would not be complete without a mention of our general aviation facilities. Fifty-five privately or corporate-owned aircraft were based in South Bend in 2007 along with a full service fixed base operator (F.B.O.) (Atlantic Aviation). General Aviation activities represented the majority of operations at the Airport. The availability of a first-class General Aviation Facility is a key factor in drawing new business to a community.

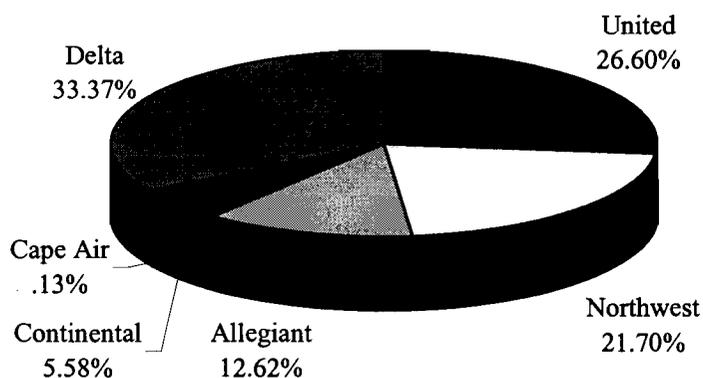
COMPARATIVE INFORMATION ON TRANSPORTATION SERVICES AT THE SOUTH BEND REGIONAL AIRPORT 2007 VERSUS 2006 FOLLOWS:

	<u>2007</u>	<u>2006</u>	<u>Variance</u>
<u>Total Airline Passengers</u>	779,356	729,619	6.82%
<u>Weekday Arrivals and Departures</u>	55	57	- 3.50
<u>Weekday Total Available Seats</u>	2,806	2,725	2.97
<u>Total Cargo (Lbs.)</u>	41,084,742	41,218,010	- 0.32%

	<u>2007</u>	<u>2006</u>	<u>Variance</u>
<u>Aircraft Operations (Take Off and Landing)</u>			
Air Carriers	20,050	20,704	- 3.16%
Freight	2,868	2,940	- 2.45
General Aviation	<u>25,405</u>	<u>33,218</u>	-23.52
Total Operations	48,323	56,862	-15.02
<u>Total Landed Weight</u>	611,561,582	597,729,055	2.31
<u>Bus Passengers</u>	63,038	66,430	-5.11
<u>Train Passengers</u>	292,391	281,225	3.97
<u>Total Air, Bus, Rail Passengers</u>	1,134,785	1,077,274	5.34%

South Bend is fortunate to have so many air transportation choices. As the comparative information demonstrates, no one carrier dominates our market. At some smaller airports which feature fewer carriers, the loss of one provider can be significant. In 2007, South Bend ranked in the top 20 percent of small airports based upon the number of cities served with non-stop flights.

AIRLINE MARKET SHARE
(Based on Enplanements)



Airline Market Share Comparison

	<u>2007</u>	<u>2006</u>
Allegiant	12.62%	10.51%
Cape Air	0.13%	0.00%
Continental	5.58%	4.90%
Delta	33.37%	33.60%
Northwest	21.70%	25.89%
United	26.60%	25.10%
	<u>100.00%</u>	<u>100.00%</u>

FINANCIAL HIGHLIGHTS

NET ASSETS

Total assets increased in 2007 by \$1.7 million or 1.68 percent over 2006. The increase resulted from a \$4.3 million increase in capital assets that was offset by a \$2.6 million decrease in total current assets.

Unrestricted cash and cash equivalents increased by 42.44 percent. The main component of this change was the transfer of \$1.9 million from restricted cash in the Construction Fund to the Aviation Fund for capital-related expenses in 2005 and 2006.

Total liabilities decreased by \$1.2 million or 7.04 percent due primarily to a decrease in General Obligation Bonds payable.

Net assets increased by \$2.9 million or 3.50 percent.

	<u>2007</u>	<u>2006</u>
<u>NET ASSETS</u>		
<u>ASSETS</u>		
Current and other assets	\$16,039,588	\$ 18,683,504
Capital assets	<u>86,925,887</u>	<u>82,583,656</u>
Total assets	<u>102,965,475</u>	<u>101,267,160</u>
<u>LIABILITIES</u>		
Long-term liabilities outstanding	14,095,262	15,357,495
Other liabilities	<u>2,179,955</u>	<u>2,149,660</u>
Total liabilities	<u>16,275,217</u>	<u>17,507,155</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	76,431,514	74,590,274
Restricted	3,988,252	4,001,528
Unrestricted	<u>6,270,462</u>	<u>5,168,203</u>
Total Net Assets	<u>\$86,690,228</u>	<u>\$83,760,005</u>

REVENUE

Total revenue increased by 2.69 percent compared to 2006 levels.

Airport Service revenue increased by 6.00 percent and consisted of Airfield, Terminal, Concessions, Parking, Fixed Base Operator, and Building and Land Rental Revenues.

The Airfield Category, which was composed primarily of landing fees of \$.90 per thousand pounds of aircraft landed weight, decreased by 1.7 percent.

Terminal rental revenue received from the airlines decreased by 11.82 percent in 2007.

Non-aviation terminal rental increased by 9.43 percent due primarily to an increase in rates.

Concession revenue increased by 7.12 percent and parking revenue increased by 3.53 percent. The Airport Authority negotiated a new agreement with its parking concessionaire in 2003 which increased its percentage share of gross receipts significantly since late 2004.

Fixed Base Operator revenue, a component of General Aviation activity, increased 117.09 percent primarily as a result of a repayment of a rent abatement for one of the hanger buildings it leases. Other building and land rental on the airfield increased by 53.79 percent. The Authority purchased several buildings from which it had been receiving ground rental. The buildings were subsequently rented to the Fixed Base Operator or were included in the property management portfolio.

Other revenues for 2007 decreased by 85.35 percent. In 2006 this consisted primarily of a refund received from the Federal Aviation Administration for work the Authority had contracted to it.

The combination of Property and Other Taxes decreased by 9.09 percent.

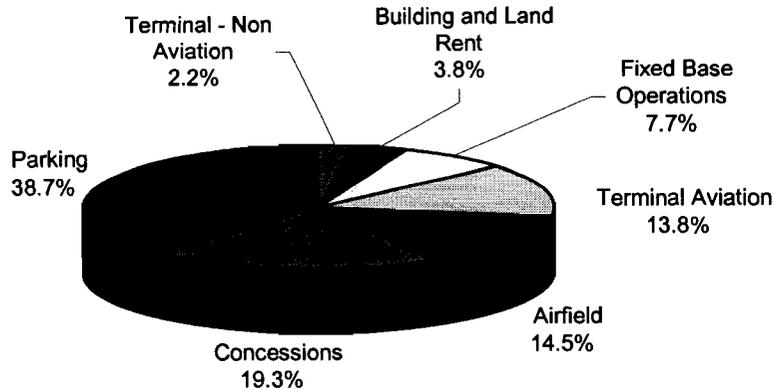
Passenger Facility Charge Revenues increased in 2007 by 2.18 percent, as an offshoot of higher passenger traffic.

No Operating Grant revenue was received in 2007. In 2006 the Airport received a matching grant payment from the U.S. Department of Transportation in support of the Indianapolis Air Service initiative.

Interest income increased by 74.54 percent.

Beginning in 2004, property management revenue and expenses were recognized for rental payments for buildings owned by the Airport Authority which are managed by an outside party.

Operating Revenue



EXPENSES AND INCOME

Total Expenses increased in 2007 by 16.64 percent compared to 2006.

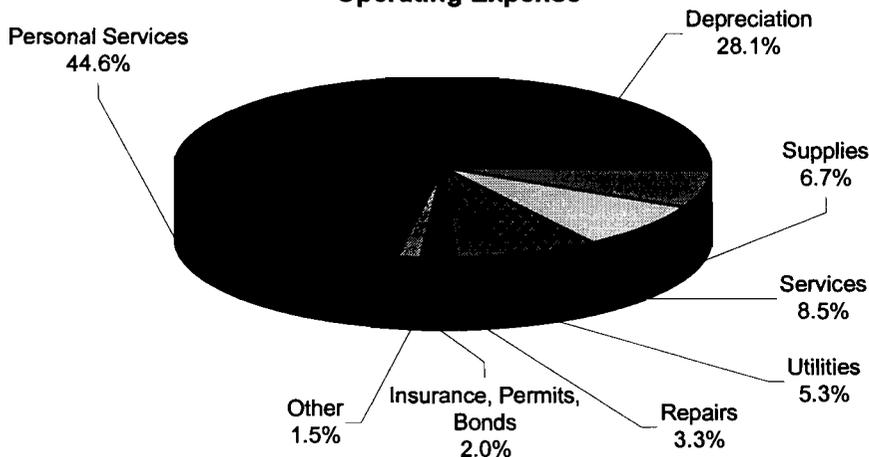
Personnel Services increased by 9.69 percent. The Authority continued to upgrade its Operations Department in response to the need to provide, among other things, 24 hour a day monitoring of our access control system. In addition, cost of living raises were provided to all employees.

In 2007, the Supplies Category increased by 18.34 percent, while Other Services and Charges increased by 28.72 percent. Components of this change were increases in expenses for service contracts, air service development expenses, and legal services.

From 2003-2006, the project for the relocation of Lincoln Way West was ongoing. This project was funded by a 2002 General Obligation Bond Issue. During the period of construction the interest portion of the Debt Service payments on the Bond was capitalized. The project was completed in 2007.

Income before capital contributions decreased by \$1.4 million for 2007 versus 2006 due primarily to a \$1.7 million increase in expenses.

Operating Expense



SUMMARY OF OPERATIONS AND CHANGES IN NET ASSETS

	<u>2007</u>	<u>2006</u>	<u>Increase(Decrease)</u> <u>Amount</u>	<u>Percent</u>
Operating Revenues				
Airport Service Revenue:				
Airfield	\$ 644,949	\$ 656,071	\$ (11,122)	-1.70%
Terminal Aviation	1,168,619	1,325,257	(156,638)	-11.82%
Terminal - Non Aviation	142,275	130,016	12,259	9.43%
Concessions	1,234,600	1,152,570	82,030	7.12%
Parking	2,474,598	2,390,249	84,349	3.53%
Fixed Base Operations	494,342	227,714	266,628	117.09%
Building and Land Rent	241,895	157,287	84,608	53.79%
Airport Service Revenue - Total	<u>\$ 6,401,278</u>	<u>\$ 6,039,164</u>	<u>\$ 362,114</u>	6.00%
Other	<u>14,620</u>	<u>99,788</u>	<u>(85,168)</u>	-85.35%
Total Operating Revenues	<u>\$ 6,415,898</u>	<u>\$ 6,138,952</u>	<u>\$ 276,946</u>	4.51%
Nonoperating Revenues				
Property Taxes	2,681,849	2,782,173	(100,324)	-3.61%
Other Tax Distributions	495,964	524,731	(28,767)	-5.48%
Passenger Facility Charges	1,083,989	1,060,891	23,098	2.18%
Operating Grants	-	149,117	(149,117)	-100.00%
Interest and Investment Revenue	733,312	420,128	313,184	74.54%
Property Management Revenue	242,955	257,168	(14,213)	-5.53%
Gain on Disposal of Assets	-	-	-	-
Miscellaneous Revenue	<u>190,112</u>	<u>200,561</u>	<u>(10,449)</u>	-5.21%
Total Nonoperating Revenues	<u>5,428,181</u>	<u>5,394,769</u>	<u>33,412</u>	0.62%
Total Revenue	<u>11,844,079</u>	<u>11,533,721</u>	<u>310,358</u>	2.69%
Operating Expenses				
Personal Services	4,698,058	4,282,845	415,213	9.69%
Supplies	706,584	597,088	109,496	18.34%
Other Services and Charges	2,602,485	2,021,793	580,692	28.72%
Depreciation	<u>2,957,397</u>	<u>2,945,583</u>	<u>11,814</u>	0.40%
Total Operating Expenses	<u>10,964,524</u>	<u>9,847,309</u>	<u>1,117,215</u>	11.35%
Nonoperating Expenses				
Loss on Disposal of Capital Assets	-	61,363	(61,363)	-100.00%
Interest Expense	774,487	170,824	603,663	353.38%
Amortization Expense	14,628	14,628	-	0.00%
Property Management Expense	<u>285,856</u>	<u>227,526</u>	<u>58,330</u>	25.64%
Total Nonoperating Expenses	<u>1,074,971</u>	<u>474,341</u>	<u>600,630</u>	126.62%
Total Expenses	<u>12,039,495</u>	<u>10,321,650</u>	<u>1,717,845</u>	16.64%
Income Before Contributions and Special Item	(195,416)	1,212,071	(1,407,487)	-116.12%
Capital Contributions	3,125,639	2,828,377	297,262	10.51%
Special Item:				
Transfer of Capital Assets	<u>-</u>	<u>(225,754)</u>	<u>225,754</u>	-100.00%
Change in Net assets	2,930,223	3,814,694	(884,471)	-23.19%
Total Net Assets-Beginning	<u>83,760,005</u>	<u>79,945,311</u>	<u>3,814,694</u>	4.77%
Total Net Assets-Ending	<u>\$ 86,690,228</u>	<u>\$ 83,760,005</u>	<u>\$ 2,930,223</u>	3.50%

SUMMARY OF CASH FLOW ACTIVITIES

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

	<u>2007</u>	<u>2006</u>
Cash flows from:		
Operating Activities	\$(1,273,384)	\$ (815,408)
Noncapital Financing Activities	3,177,813	3,306,904
Capital and Related Financing Activities	(4,729,581)	(4,731,897)
Investing Activities	<u>733,312</u>	<u>898,955</u>
Net increase (decrease) in Cash And Cash Equivalents	(2,091,840)	(1,341,446)
Cash and Cash Equivalents		
Beginning of year	<u>16,286,532</u>	<u>17,627,978</u>
End of Year	<u>\$ 14,194,692</u>	<u>\$ 16,286,532</u>

The Authority's available cash and cash equivalents decreased from \$16.3 million at the end of 2006 to \$14.2 million at the end of 2007 due primarily to the flow of funds provided by capital and related financing activities. The \$14.2 million is composed of \$5.3 million available for unrestricted operations and \$8.9 million which is restricted for capital projects and future Debt Service payments.

CAPITAL ACQUISITIONS AND CONSTRUCTION ACTIVITIES

Capital assets. The St. Joseph County Airport Authority's investment in capital assets as of December 31, 2007 was \$86.9 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, roadways, airfield and equipment. The total increase in the St. Joseph County Airport Authority's investment in capital assets for the current fiscal year was 5.26 percent.

Major capital asset events during the current fiscal year included the following:

During 2007, the Airport Authority District expended \$7.65 million for capital activities. This includes \$ 1 million for land and easement acquisitions in the South approach to the north south Runway 18/36, \$1.5 million for the relocation of Lincoln Way West, \$3.8 million for the rehabilitation of the east west runway 9R/27L and for the extension of the north/south runway 18/36. The balance consists of the purchase of airfield and terminal equipment and vehicles, and various airfield, safety, security, terminal, and parking lot improvements.

Capital asset acquisitions are capitalized at cost. Acquisitions are funded using a variety of financing mechanisms including Federal grants with matching state grants and Airport funds, property taxes, debt issuances, and Airport revenues. Additional information on the Authority's capital assets and commitments can be found in Notes III, C and D to the financial statements.

PASSENGER FACILITY CHARGE (P.F.C.)

Effective November 1, 1994, a Passenger Facility Charge (P.F.C.) of \$3.00 per enplaned passenger was implemented by the approval of the Federal Aviation Administration and the St. Joseph County Airport Authority. The receipts are intended to be used to repay the debt service on the 2002 bond issue, and for any other purposes allowed by the FAA and the Authority Board. The St. Joseph County Airport Authority is authorized to receive a maximum of \$34,156,074. As of December 31, 2007, the Airport Authority had received a total of \$15,291,903. For further details, please refer to the Schedule of Expenditures of Passenger Facility Charges which is included later in this financial section.

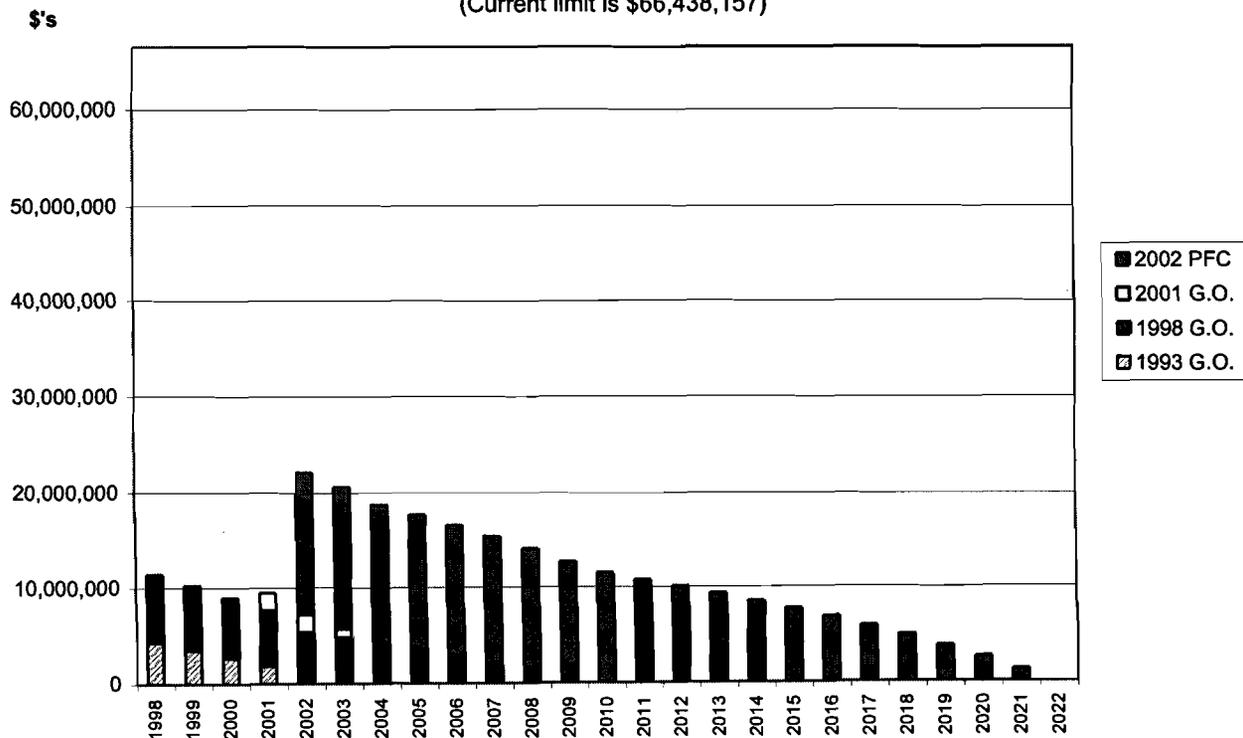
LONG-TERM DEBT AND CREDIT RATINGS

The Airport Authority had \$14,070,000 in outstanding long-term debt plus \$1,275,000 in outstanding short-term debt as of December 31, 2007. Long-term and short-term debt consisted of General Obligation Bonds sold in 1998 and 2002. The 2002 Bonds (\$15 million) mature in 2022 and interest rates range from 3% to 5.25%. Both principal and interest are payable from the revenues derived from the proceeds of an approved Passenger Facility Charge (P.F.C.) on each enplanement at South Bend Regional Airport. The 1998 Bond (\$7,155,000) is payable from revenue derived from property taxes. This bond matures in 2011 and interest rates range from 4.4% to 4.5%.

The General Obligation debt limit for the Airport Authority is two (2) percent of the adjusted value of taxable property in St. Joseph County. Per Indiana Statute, the adjusted value is defined as being equal to one third (1/3) of the actual valuation of property in the County. The current adjusted value is \$3,321,907,827. The debt limit is \$66,438,157 and the total outstanding General Obligation debt is \$15,345,000.

The Authority's General Obligation Debt is rated A1 by Moody's Investor Service. Moody's opinion stated that while their firm maintains a negative outlook on the airport sector, the rating for South Bend reflects the general obligation security for these bonds. Also noted was the fact that the Authority benefits from a relatively diverse revenue stream including parking, terminal revenues, concessions, and general property taxes. Details regarding long-term debt are included in Note III E.1 to the Financial Statements.

**Total Debt Outstanding
At End of Year**
(Current limit is \$66,438,157)



REQUEST FOR INFORMATION

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



Lauren Winger, M.B.A.
Accounting Manager



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

ST. JOSEPH COUNTY AIRPORT AUTHORITY
STATEMENT OF NET ASSETS
December 31, 2007

Assets

Current assets:

Unrestricted:

Cash and cash equivalents	\$ 5,220,105
Cash with fiscal agent	113,034
Accounts receivable (net of allowance)	913,983
Taxes receivable	154,571
Prepaid items	191,030
Other current assets	<u>43,600</u>

Total unrestricted current assets 6,636,323

Restricted:

Cash and cash equivalents:	
Bond and interest fund	589,636
Construction fund	4,850,627
Cumulative building fund	528,757
Passenger facility charge fund	2,764,996
Other funds	127,537
Accounts receivable - passenger facility charge	104,863
Taxes receivable	<u>176,959</u>

Total restricted current assets 9,143,375

Total current assets 15,779,698

Noncurrent assets:

Deferred charges	143,457
Net pension asset	116,433

Capital assets:

Land, improvements to land, and construction in progress	48,410,255
Other capital assets (net of accumulated depreciation)	<u>38,515,632</u>

Total capital assets 86,925,887

Total noncurrent assets 87,185,777

Total assets 102,965,475

Liabilities

Current liabilities:

Unrestricted:

Accounts payable	20,543
Accrued payroll payable	163,957
Unearned revenue	154,571
Compensated absences	234,749
Other current liabilities	<u>17,643</u>

Total unrestricted current liabilities 591,463

Restricted:

Accounts payable	136,533
General obligation bonds payable	1,275,000
Unearned revenue	<u>176,959</u>

Total restricted current liabilities 1,588,492

Total current liabilities 2,179,955

Noncurrent liabilities:

Unrestricted:

Compensated absences	<u>250,740</u>
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Restricted:

General obligation bonds payable (net of unamortized discounts)	<u>13,844,522</u>
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Total noncurrent liabilities 14,095,262

Total liabilities 16,275,217

Net Assets

Invested in capital assets, net of related debt	76,431,514
Restricted for debt service	3,459,495
Restricted for capital projects	528,757
Unrestricted	<u>6,270,462</u>
Total net assets	<u>\$ 86,690,228</u>

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

ST. JOSEPH COUNTY AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES IN FUND NET ASSETS
As Of And For The Year Ended December 31, 2007

Operating revenues:	
Airport service revenue	\$ 6,401,278
Other	<u>14,620</u>
Total operating revenues	<u>6,415,898</u>
Operating expenses:	
Personal services	4,698,058
Supplies	706,584
Other services and charges	2,602,485
Depreciation	<u>2,957,397</u>
Total operating expenses	<u>10,964,524</u>
Operating loss	<u>(4,548,626)</u>
Nonoperating revenues:	
Property taxes	2,681,849
Other tax distributions	495,964
Passenger facility charge revenue	1,083,989
Interest and investment revenue	733,312
Property management revenue	242,955
Miscellaneous revenue	<u>190,112</u>
Total nonoperating revenues	<u>5,428,181</u>
Nonoperating expenses:	
Interest expense	774,487
Property management expense	285,856
Amortization expense	<u>14,628</u>
Total nonoperating expenses	<u>1,074,971</u>
Income before contributions and special item	(195,416)
Capital contributions	3,125,639
Change in net assets	2,930,223
Total net assets - beginning	<u>83,760,005</u>
Total net assets - ending	<u>\$ 86,690,228</u>

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

ST. JOSEPH COUNTY AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
As Of And For The Year Ended December 31, 2007

Cash flows from operating activities:	
Receipts from customers and users	\$ 6,304,894
Payments to suppliers and contractors	(3,215,578)
Payments to employees	(4,601,055)
Other receipts	<u>238,355</u>
Net cash used by operating activities	<u>(1,273,384)</u>
Cash flows from noncapital financing activities:	
Property and county income taxes	<u>3,177,813</u>
Cash flows from capital and related financing activities:	
Passenger facility charges	1,111,775
Capital contributions	3,768,140
Acquisition and construction of capital assets	(7,651,783)
Principal paid on capital debt	(1,200,000)
Interest paid on capital debt	<u>(757,713)</u>
Net cash used by capital and related financing activities	<u>(4,729,581)</u>
Cash flows from investing activities:	
Interest received	<u>733,312</u>
Net decrease in cash and cash equivalents	(2,091,840)
Cash and cash equivalents, January 1	<u>16,286,532</u>
Cash and cash equivalents, December 31	<u>\$ 14,194,692</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	<u>\$ (4,548,626)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	2,957,397
Net other nonoperating receipts (expense)	147,211
(Increase) decrease in assets:	
Accounts receivable	(114,104)
Net pension asset	12,923
Prepaid items	20,285
Other current assets	89,968
Increase (decrease) in liabilities:	
Accounts payable	70,377
Accrued payroll payable	18,960
Compensated absence payable	71,049
Other current liabilities	<u>1,176</u>
Total adjustments	<u>3,275,242</u>
Net cash used by operating activities	<u>\$ (1,273,384)</u>
Noncash investing, capital and financing activities:	
Disposal of capital assets	\$ 41,559

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

ST. JOSEPH COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Fund Financial Statements

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

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

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

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

The enterprise fund distinguishes operating revenues from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

D. Assets, Liabilities and Net Assets or Equity

1. Deposits

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

2. Property Taxes

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

3. Inventories and Prepaid Items

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

4. Restricted Assets

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

5. Capital Assets

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

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

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

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 1,000	Straight-line	10 to 40 years
Airfield	1,000	Straight-line	15 to 20 years
Equipment	1,000	Straight-line	3 to 10 years

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the primary government during the current year was \$774,487.

6. Compensated Absences

- a. Sick Leave – Airport Authority employees working eight-hour shifts earn sick leave at the rate of six days per year. Employees working twenty-four hour shifts have the same benefits as employees working eight-hour shifts multiplied by a factor of 1.5. Unused sick leave may be accumulated to a maximum of 720 hours for employees hired after January 1, 2003. Annual sick time earned may be bought by the Airport Authority from employees at the employee’s hourly rate. Accumulated sick leave is paid at termination of employment to employees through cash payments at graduated rates based on the number of years of service.
- b. Vacation Leave – Airport Authority employees working eight-hour shifts earn vacation leave at rates from ten days to twenty-five days per year based upon the number of years of service. Employees working twenty-four hour shifts have the same benefits as employees working eight-hour shifts multiplied by a factor of 1.44. Vacation leave does not accumulate from year to year.

Vacation and sick leave is accrued when incurred.

7. Long-Term Obligations

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

8. Fund Equity

Restricted net assets represent assets restricted for specific purposes.

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

II. Stewardship, Compliance and Accountability

Budgetary Information

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

On or before August 31, the Executive Director submits to the County council a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the Airport Authority to obtain taxpayer comments. In September of each year, the Airport Authority through the passage of an ordinance approves the budget for the next year. Copies of the budget ordinance and the advertisement for funds for which property taxes are levied are sent to the Department of Local Government Finance. The budget becomes legally enacted after the Airport Authority receives approval of the Department of Local Government Finance.

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

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds; and has a principal office or branch that qualifies to receive public funds of the political subdivision. The Airport Authority does not have a deposit policy for custodial credit risk. At December 31, 2007, the Airport Authority had deposit balances in the amount of \$14,194,692. This entire balance was not exposed to custodial credit risk.

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

B. Receivables

The Airport Authority has recognized \$64,900 in an allowance account for the expected uncollectibility of payments due from airlines due to bankruptcy proceedings.

C. Capital Assets

Capital asset activity for the year ended December 31, 2007, was as follows:

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

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 8,567,437	\$ 10,826	\$ -	\$ 8,578,263
Land improvements, nonaviation	-	8,999,393	-	8,999,393
Construction in progress	35,834,270	6,675,252	11,676,923	30,832,599
Total capital assets, not being depreciated	44,401,707	15,685,471	11,676,923	48,410,255
Capital assets, being depreciated:				
Buildings	41,042,335	823,593	-	41,865,928
Airfield	32,370,020	2,248,921	-	34,618,941
Equipment	8,758,843	218,566	41,559	8,935,850
Totals	82,171,198	3,291,080	41,559	85,420,719
Less accumulated depreciation for:				
Buildings	17,047,080	1,255,024	-	18,302,104
Airfield	20,961,828	1,127,781	-	22,089,609
Equipment	5,980,341	574,592	41,559	6,513,374
Totals	43,989,249	2,957,397	41,559	46,905,087
Total capital assets, being depreciated, net	38,181,949	333,683	-	38,515,632
Total business-type activities capital assets, net	\$ 82,583,656	\$ 16,019,154	\$ 11,676,923	\$ 86,925,887

D. Construction Commitments

Construction work in progress is composed of the following:

Project	Total Project Authorized	Expended to December 31, 2007	Committed	Required Future Funding
South Approach	\$ 24,500,000	\$ 22,554,910	\$ 1,945,090	\$ -
Relocation of Lincoln Way West - Phase II	15,000,000	3,598	14,996,402	-
Terminal Expansion	12,000,000	382,089	11,617,911	-
Runway 36, Expansion Projects	5,600,000	3,793,548	1,806,452	-
East Land	1,300,000	1,182,661	117,339	-
Landfill Improvements	750,000	691,601	58,399	-
Other Projects	6,190,152	2,224,192	3,965,960	-
Totals	\$ 65,340,152	\$ 30,832,599	\$ 34,507,553	\$ -

E. Long-Term Liabilities

1. General Obligation Bonds

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

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

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

Purpose	Interest Rates	Original Issue	Outstanding Amount	Less: Unamortized Amount	Net Bonds Outstanding
1998 General obligation bonds	4.4% to 4.5%	\$ 5,290,000	\$ 2,095,000	\$ 5,180	\$ 2,089,820
2002 General obligation bonds	3% to 5.25%	<u>15,000,000</u>	<u>13,250,000</u>	<u>220,268</u>	<u>13,029,732</u>
Totals		<u>\$ 20,290,000</u>	<u>\$ 15,345,000</u>	<u>\$ 225,448</u>	<u>\$ 15,119,552</u>

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

Year Ended December 31	Principal	Interest
2008	\$ 1,275,000	\$ 712,499
2009	1,375,000	660,198
2010	1,245,000	601,273
2011	675,000	548,011
2012	700,000	519,561
2013-2017	4,200,000	2,077,968
2018-2022	<u>5,875,000</u>	<u>873,889</u>
Totals	<u>\$ 15,345,000</u>	<u>\$ 5,993,399</u>

2. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2007, was as follows:

Primary Government	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
General obligation bonds	\$ 16,545,000	\$ -	\$ 1,200,000	\$ 15,345,000	\$ 1,275,000
Compensated absences	<u>414,440</u>	<u>295,307</u>	<u>224,258</u>	<u>485,489</u>	<u>234,749</u>
Totals	<u>\$ 16,959,440</u>	<u>\$ 295,307</u>	<u>\$ 1,424,258</u>	<u>\$ 15,830,489</u>	<u>\$ 1,509,749</u>

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

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

IV. Other Information

A. Risk Management

The Airport Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

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

B. Pension Plan

Public Employees' Retirement Fund

Plan Description

The primary government contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the primary government authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The primary government's annual pension cost and related information, as provided by the actuary, is presented in this note.

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

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 213,309
Interest on net pension obligation	(9,378)
Adjustment to annual required contribution	10,687
Annual pension cost	214,618
Contributions made	201,695
Increase in net pension obligation	12,923
Net pension obligation, beginning of year	(129,356)
Net pension obligation, end of year	\$ (116,433)
Contribution rates:	
Airport Authority	7%
Plan Members	3%
Actuarial valuation date	07-01-07
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	30 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions

Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-05	\$ 176,675	112%	\$ (159,976)
	06-30-06	225,114	86%	(129,356)
	06-30-07	215,618	94%	(116,433)

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

C. Passenger Facility Charge

Effective November 1, 1994, a Passenger Facility Charge (PFC) of \$3.00 per ticket was implemented by the approval of the Federal Aviation Administration (FAA) and the Airport Authority. The receipts are to be used to repay the debt service on the 1998 and 2002 bond issues, and for any other purpose allowed by the FAA and the Airport Authority Board. During 2007, the Airport Authority received \$1,111,775 from 57 separate airlines. The Airport Authority is authorized to receive a maximum of \$34,156,074. As of December 31, 2007, the Airport Authority had received a total of \$15,291,903.

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

Public Employee's Retirement Fund						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-05	\$ 2,902,186	\$ 3,972,934	\$ (1,070,748)	73%	\$ 2,844,002	(38%)
07-01-06	3,649,138	4,316,753	(667,615)	85%	2,975,398	(22%)
07-01-07	3,908,830	4,318,095	(409,265)	91%	2,912,876	(14%)

SUPPLEMENTAL FINANCIAL INFORMATION

ST. JOSEPH COUNTY AIRPORT AUTHORITY
 BUDGETARY COMPARISON SCHEDULES
 As Of And For The Year Ended December 31, 2007

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget
	Original	Final		
Revenues:				
Airfield	\$ 608,100	\$ 608,100	\$ 686,983	\$ 78,883
Terminal - aviation	1,186,654	1,186,654	1,324,636	137,982
Terminal - nonaviation	134,908	134,908	142,275	7,367
Concessionaire	1,144,409	1,144,409	1,197,055	52,646
Parking	2,328,282	2,328,282	2,478,067	149,785
Fixed based operations	204,014	204,014	219,363	15,349
Building and land rent	201,432	201,432	241,895	40,463
Other	<u>125,000</u>	<u>125,000</u>	<u>41,706</u>	<u>(83,294)</u>
Total revenues	<u>5,932,799</u>	<u>5,932,799</u>	<u>6,331,980</u>	<u>399,181</u>
Expenses:				
Personal services	5,771,171	5,772,924	4,599,971	1,172,953
Supplies	799,428	830,224	737,642	92,582
Other services and charges	<u>5,706,122</u>	<u>5,852,297</u>	<u>2,221,518</u>	<u>3,630,779</u>
Total operating expenses	<u>12,276,721</u>	<u>12,455,445</u>	<u>7,559,131</u>	<u>4,896,314</u>
Debt service:				
Other services and charges	<u>1,959,113</u>	<u>(1,959,663)</u>	<u>1,958,963</u>	<u>(3,918,626)</u>
Total expenses	<u>14,235,834</u>	<u>10,495,782</u>	<u>9,518,094</u>	<u>977,688</u>
Other financing sources (uses):				
Property taxes	3,167,808	3,167,808	3,177,813	10,005
Interest income	240,000	240,000	265,946	25,946
Federal and state grants	6,824,000	6,824,000	3,917,257	(2,906,743)
Operating transfer	1,134,063	1,134,063	3,186,436	2,052,373
Capital outlay	<u>(8,911,100)</u>	<u>(9,976,563)</u>	<u>(9,135,205)</u>	<u>841,358</u>
Total other financing sources (uses)	<u>2,454,771</u>	<u>1,389,308</u>	<u>1,412,247</u>	<u>22,939</u>
Deficiency of revenues and other financing sources under expenses and other financing uses	<u>\$ (5,848,264)</u>	<u>\$ (3,173,675)</u>	<u>\$ (1,773,867)</u>	<u>\$ (555,568)</u>

ST. JOSEPH COUNTY AIRPORT AUTHORITY
 BUDGET/GAAP RECONCILIATION
 For the Year Ended December 31, 2007

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

- a. Revenues are recorded when received in cash (budgetary) as opposed to susceptible to accrual (GAAP).
- b. Expenses are recorded when paid in cash (budgetary) as opposed to when the liability is incurred (GAAP).
- c. Encumbrances outstanding at year-end are recorded as expenses for budgetary purposes.
- d. Capital outlays are recorded as expenses when paid (budgetary) as opposed to additions to fixed assets when costs are incurred (GAAP).
- e. Depreciation and amortization expense is not recognized in budgetary basis.
- f. Principal paid on bonds is recorded as expenses when paid (budgetary) as opposed to a reduction of liabilities (GAAP).

Adjustments necessary to convert the results of operations at the end of the year on a budgetary basis to a GAAP basis are as follows:

Deficiency of revenues and other financing sources under expenses and other financing uses (budgetary basis)	\$ (1,773,867)
Adjustments:	
To adjust revenues for accruals	(556,894)
To adjust expenses for accruals	3,346,997
Encumbrances	3,216,897
Transfers	(3,186,436)
Capital expenses	7,288,372
Depreciation	(2,972,025)
Amortization	(16,774)
Debt payments	1,200,000
Property management activity (net)	(42,901)
Non-budgeted funds (net)	<u>(3,573,146)</u>
Change in net assets (GAAP basis)	<u>\$ 2,930,223</u>

ST. JOSEPH COUNTY AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES
As Of And For The Year Ended December 31, 2007

Cash balance, January 1	<u>\$ 2,633,249</u>
Receipts:	
Passenger facility charge collections	1,111,775
Interest	<u>112,492</u>
Total receipts	<u>1,224,267</u>
Disbursements:	
Transfer to bond and interest fund	<u>1,092,520</u>
Cash balance, December 31	<u>\$ 2,764,996</u>

STATISTICAL SECTION

STATISTICAL SECTION

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

Contents	Page
Financial Trends	34
These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.	
Revenue Capacity	37
These schedules contain information to help the reader assess the Authority's most significant local revenue sources.	
Debt Capacity	40
These schedules present information to help the reader assess the affordability of the Authority's current levels of outstanding debt and the Authority's ability to issue additional debt in the future.	
Demographic and Economic Information	44
These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.	
Operating Information	50
These schedules contain information and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.	

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

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

REVENUE CATEGORY	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Airport Service Revenue:										
Airfield	\$ 644,949	\$ 656,071	\$ 575,730	\$ 616,142	\$ 651,483	\$ 670,304	\$ 513,373	\$ 695,829	\$ 715,494	\$ 763,724
Terminal Aviation	1,168,619	1,325,257	1,107,419	1,323,485	1,226,043	1,194,131	1,137,388	1,127,408	1,096,976	957,891
Terminal - Non Aviation	142,275	130,016	158,929	168,616	174,273	177,338	194,470	126,296	133,785	149,872
Concessions	1,234,600	1,152,570	1,176,014	1,056,676	1,174,942	1,217,475	1,144,939	1,266,539	1,325,742	1,280,040
Parking	2,474,598	2,390,249	2,140,480	1,978,445	2,114,621	1,655,499	1,607,879	1,682,453	1,708,846	1,661,662
Fixed Base Operations	494,342	227,714	336,559	275,482	287,756	231,271	186,059	158,623	159,099	157,907
Other	14,620	99,788	18,507	19,930	307,826	8,250	-	-	-	-
Building and Land Rent	<u>241,895</u>	<u>157,287</u>	<u>245,010</u>	<u>250,498</u>	<u>180,257</u>	<u>257,548</u>	<u>335,912</u>	<u>149,976</u>	<u>137,816</u>	<u>139,788</u>
Total Airport Service	<u>6,415,898</u>	<u>6,138,952</u>	<u>5,758,648</u>	<u>5,689,274</u>	<u>6,117,201</u>	<u>5,411,816</u>	<u>5,120,020</u>	<u>5,207,124</u>	<u>5,277,758</u>	<u>5,110,884</u>
Nonoperating Revenue:										
Property Taxes	2,681,849	2,782,173	3,504,509	3,211,004	5,351,948	3,045,923	3,007,372	2,706,788	2,695,886	1,663,994
Other Tax Distributions	495,964	524,731	-	-	-	-	-	-	-	-
Interest Income	733,312	420,128	334,694	147,272	103,343	140,570	324,563	352,466	441,730	322,221
Other	190,112	200,561	30,108	8,279	124,159	174,612	82,776	93,399	29,685	60,303
Passenger Facility Charges	1,083,989	1,060,891	913,894	1,107,419	1,122,435	1,143,307	1,059,862	1,310,493	1,387,795	1,421,525
Fuel Farm Cleanup	-	-	-	-	-	-	23,962	22,424	34,236	10,945
Other Grants	-	149,117	-	-	-	349,643	24,500	183,812	30,649	72,515
Property Management Revenue	242,955	257,168	483,473	807,271	-	-	-	-	-	-
Gain on Disposal of Fixed Assets	<u>-</u>	<u>-</u>	<u>34,135</u>	<u>75,609</u>	<u>-</u>	<u>44,203</u>	<u>23,268</u>	<u>7,662</u>	<u>20,015</u>	<u>32,921</u>
Total Nonoperating Revenue	<u>5,428,181</u>	<u>5,394,769</u>	<u>5,300,813</u>	<u>5,356,854</u>	<u>6,701,885</u>	<u>4,898,258</u>	<u>4,546,303</u>	<u>4,677,044</u>	<u>4,639,996</u>	<u>3,584,424</u>
Total Revenue	<u>\$ 11,844,079</u>	<u>\$ 11,533,721</u>	<u>\$ 11,059,461</u>	<u>\$ 11,046,128</u>	<u>\$ 12,819,086</u>	<u>\$ 10,310,074</u>	<u>\$ 9,666,323</u>	<u>\$ 9,884,168</u>	<u>\$ 9,917,754</u>	<u>\$ 8,695,308</u>

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

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
EXPENSE CATEGORY:										
Operating Expenses:										
Personal Services	\$ 4,698,058	\$ 4,282,845	\$ 4,189,818	\$ 3,915,002	\$ 3,851,604	\$ 3,637,335	\$ 3,181,908	\$ 2,980,399	\$ 2,761,096	\$ 2,490,225
Supplies	706,584	597,088	624,271	616,920	567,901	415,534	476,310	652,106	564,829	453,632
Other Services and Charges	2,602,485	2,021,793	2,618,130	2,105,825	2,172,414	2,139,542	1,820,774	1,814,624	1,462,520	1,418,704
Bad Debt Expense	-	-	-	-	-	34,915	-	-	-	-
Depreciation	2,957,397	2,945,583	2,969,658	3,005,978	3,142,095	2,674,795	2,623,726	2,344,133	2,214,668	1,821,361
Total Operating Expenses	<u>10,964,524</u>	<u>9,847,309</u>	<u>10,401,877</u>	<u>9,643,725</u>	<u>9,734,014</u>	<u>8,902,121</u>	<u>8,102,718</u>	<u>7,791,262</u>	<u>7,003,113</u>	<u>6,183,922</u>
Nonoperating Expenses:										
Interest Expense	774,487	170,824	199,594	252,627	314,404	402,478	297,821	178,423	392,906	271,734
Amortization Expenses	14,628	14,628	6,970	30,427	30,428	27,360	14,315	13,982	13,982	10,656
Premium/Costs early Bond Call	-	-	-	-	-	37,455	-	-	-	-
Property Management Expense	285,856	227,526	432,674	391,706	-	-	-	-	-	-
Loss on Disposal/Capital Assets	-	61,363	-	-	1,519	-	-	-	-	-
Fuel Farm Cleanup	-	-	-	-	-	174,851	20,671	30,298	-	-
Total Nonoperating Expenses	<u>1,074,971</u>	<u>474,341</u>	<u>639,238</u>	<u>674,760</u>	<u>346,351</u>	<u>642,144</u>	<u>332,807</u>	<u>222,703</u>	<u>406,888</u>	<u>282,390</u>
Total Expenses	<u>\$ 12,039,495</u>	<u>\$ 10,321,650</u>	<u>\$ 11,041,115</u>	<u>\$ 10,318,485</u>	<u>\$ 10,080,365</u>	<u>\$ 9,544,265</u>	<u>\$ 8,435,525</u>	<u>\$ 8,013,965</u>	<u>\$ 7,410,001</u>	<u>\$ 6,466,312</u>
Income Before Contributions	<u>\$ (195,416)</u>	<u>\$ 1,212,071</u>	<u>\$ 18,346</u>	<u>\$ 727,643</u>	<u>\$ 2,738,721</u>	<u>\$ 765,809</u>	<u>\$ 1,230,798</u>	<u>\$ 1,870,203</u>	<u>\$ 2,507,753</u>	<u>\$ 2,228,996</u>
Capital Contributions	3,125,639	2,828,377	2,890,293	5,012,824	4,079,935	3,931,456	790,464	790,484	788,708	524,271
Transfer of Capital Assets	-	(225,754)	-	-	-	-	-	-	-	-
Change in Net Assets	<u>\$ 2,930,223</u>	<u>\$ 3,814,694</u>	<u>\$ 2,908,639</u>	<u>\$ 5,740,467</u>	<u>\$ 6,818,656</u>	<u>\$ 4,697,265</u>	<u>\$ 2,021,262</u>	<u>\$ 2,660,687</u>	<u>\$ 3,296,461</u>	<u>\$ 2,753,267</u>
NET ASSETS AT YEAR END										
Invested in Capital Assets										
net of related debt	76,431,514	74,590,274	67,030,110	61,497,134	59,604,389	56,942,112	51,796,837	49,501,096	47,586,937	44,504,252
Restricted	3,988,252	4,001,528	4,168,173	3,457,316	4,236,216	2,428,599	3,058,940	2,849,522	2,433,094	1,748,662
Unrestricted	<u>6,270,462</u>	<u>5,168,203</u>	<u>8,747,028</u>	<u>12,082,222</u>	<u>7,455,600</u>	<u>5,106,838</u>	<u>4,924,507</u>	<u>5,128,294</u>	<u>5,230,606</u>	<u>4,617,463</u>
Total Net assets	<u>\$ 86,690,228</u>	<u>\$ 83,760,005</u>	<u>\$ 79,945,311</u>	<u>\$ 77,036,672</u>	<u>\$ 71,296,205</u>	<u>\$ 64,477,549</u>	<u>\$ 59,780,284</u>	<u>\$ 57,478,912</u>	<u>\$ 55,250,637</u>	<u>\$ 50,870,377</u>

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

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Cash Flows From Operating Activities										
Cash received from customers and users	\$ 6,304,894	\$ 5,959,038	\$ 5,701,701	\$ 5,537,717	\$ 5,670,619	\$ 5,354,472	\$ -	\$ -	\$ -	\$ -
Cash paid to suppliers and contractors	(3,215,578)	(2,957,093)	(3,012,713)	(2,647,808)	(2,718,638)	(2,563,918)	-	-	-	-
Cash paid to employees	(4,601,055)	(4,212,974)	(4,190,903)	(4,038,683)	(3,746,521)	(3,627,115)	-	-	-	-
Other cash received	238,355	395,621	-	-	124,158	299,633	82,776	92,554	29,685	60,303
Operating loss	-	-	-	-	-	-	(2,982,698)	(2,584,138)	(1,725,355)	(1,073,038)
Depreciation	-	-	-	-	-	-	2,623,726	2,344,133	2,214,668	1,821,361
Fuel farm cleanup	-	-	-	-	-	-	3,291	(7,874)	34,236	10,945
Net change in assets and liabilities	-	-	-	-	-	-	(16,827)	24,861	6,455	(21,047)
Net Cash Provided By Operating Activities	(1,273,384)	(815,408)	(1,501,915)	(1,148,774)	(670,382)	(536,928)	(289,732)	(130,464)	559,689	798,524
Cash Flows From Noncapital Financing Activities										
Loan principal repayments	-	-	229,640	31,028	28,402	25,999	23,798	-	-	-
Loan interest repayments	-	-	3,377	21,892	24,519	26,921	29,122	-	-	-
Loan principal disbursed	-	-	-	-	-	-	(1,400)	-	-	-
Loan to Fixed Base Operator	-	-	-	-	-	-	-	(350,000)	-	-
Principal from loan	-	-	-	-	-	-	-	11,133	-	-
Interest from loan	-	-	-	-	-	-	-	15,327	-	-
Federal and state grants	-	-	-	-	-	-	24,500	183,812	30,649	72,515
Property and county income taxes	3,177,813	3,306,904	4,496,507	2,667,381	5,208,979	3,126,149	2,934,585	2,706,788	2,695,886	1,663,994
Property management activity	-	-	10,246	330,996	-	-	-	-	-	-
Fuel farm and pollution clean up	-	-	-	-	-	(174,851)	-	-	-	-
Other nonoperating receipts	-	-	30,108	-	364,874	176,012	-	-	-	-
Net Cash Provided By Noncapital Financing Activities	3,177,813	3,306,904	4,769,878	3,051,297	5,626,774	3,180,230	3,010,605	2,567,060	2,728,535	1,736,509
Cash Flows From Capital and Related Financing Activities										
Proceeds from capital debt	-	-	-	-	-	14,706,312	1,835,215	-	-	-
Passenger facility charges	1,111,775	1,044,598	941,002	1,068,818	1,132,485	1,149,156	1,110,195	1,243,170	1,396,643	1,432,657
Capital contributions	3,768,140	5,069,832	5,042,177	512,525	3,613,926	4,048,896	920,634	897,607	744,803	2,064,161
Acquisition and construction of capital assets	(7,651,783)	(9,150,964)	(6,684,959)	(6,787,203)	(4,686,647)	(8,234,098)	(5,569,335)	(4,001,150)	(7,826,114)	(5,594,436)
Principal paid on capital debt	(1,200,000)	(1,125,000)	(1,040,000)	(1,925,000)	(1,495,000)	(2,315,000)	(1,350,000)	(1,300,000)	(1,150,000)	(750,000)
Interest paid on capital debt	(757,713)	(801,006)	(840,720)	(303,155)	(988,908)	(385,479)	(417,099)	(479,251)	(615,038)	(233,775)
Proceeds from sale of land	-	-	-	-	-	-	-	-	-	29,970
Proceeds from sales of capital assets	-	-	82,656	145,050	-	37,068	-	-	-	7,143,728
Refund of capital asset disbursements	-	230,643	-	-	-	-	-	-	-	-
Bond issue costs	-	-	-	-	(66,197)	(102,895)	(42,096)	-	-	(57,166)
Net Cash Used by Capital and Related Financing Activities	(4,729,581)	(4,731,897)	(2,499,844)	(7,288,965)	(2,490,341)	8,903,960	(3,512,486)	(3,639,624)	(7,449,708)	4,035,139
Cash Flows From Investing Activities										
Interest received	733,312	898,955	606,005	195,266	166,425	113,649	295,441	445,802	441,730	322,221
Investments purchased	-	-	-	-	-	-	-	(13,695,000)	(13,170,000)	(6,124,000)
Investments sold	-	-	-	-	-	-	-	13,695,000	13,170,000	6,124,000
Net Cash Provided by Investing Activities	733,312	898,955	606,005	195,266	166,425	113,649	295,441	445,802	441,730	322,221
Net Increase in Cash and Cash Equivalents	(2,091,840)	(1,341,446)	1,374,124	(5,191,176)	2,632,476	11,660,911	(496,172)	(757,226)	(3,721,752)	6,892,393
Cash and cash equivalents, January 1	16,286,532	17,627,978	16,253,854	21,445,030	18,812,554	7,151,643	7,647,815	8,405,041	12,126,793	5,234,400
Cash and cash equivalents, December 31	\$ 14,194,692	\$ 16,286,532	\$ 17,627,978	\$ 16,253,854	\$ 21,445,030	\$ 18,812,554	\$ 7,151,643	\$ 7,647,815	\$ 8,405,041	\$ 12,126,793

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
PRINCIPAL REVENUE SOURCES										
AVIATION-RELATED REVENUES										
Airfield	\$ 644,949	\$ 656,071	\$ 575,730	\$ 616,142	\$ 651,483	\$ 670,304	\$ 513,373	\$ 695,829	\$ 715,494	\$ 763,724
Terminal Aviation	1,168,619	1,325,257	1,107,419	1,323,485	1,226,043	1,194,131	1,137,388	1,127,408	1,096,976	957,891
Fixed Base Operations	<u>494,342</u>	<u>227,714</u>	<u>336,559</u>	<u>275,482</u>	<u>287,756</u>	<u>231,271</u>	<u>186,059</u>	<u>158,623</u>	<u>159,099</u>	<u>157,907</u>
TOTAL AVIATION-RELATED REVENUES	2,307,910	2,209,042	2,019,708	2,215,109	2,165,282	2,095,706	1,836,820	1,981,860	1,971,569	1,879,522
Percent of Total Revenues	19.5%	19.2%	18.3%	20.1%	16.9%	20.3%	19.0%	20.1%	19.9%	21.6%
NON-AVIATION REVENUES										
Terminal - Non Aviation	142,275	130,016	158,929	168,616	174,273	177,338	194,470	126,296	133,785	149,872
Concessions	1,234,600	1,152,570	1,176,014	1,056,676	1,174,942	1,217,475	1,144,939	1,266,539	1,325,742	1,280,040
Parking	2,474,598	2,390,249	2,140,480	1,978,445	2,114,621	1,655,499	1,607,879	1,682,453	1,708,846	1,661,662
Other	14,620	99,788	18,507	19,930	307,826	8,250	-	-	-	-
Building and Land Rent	<u>241,895</u>	<u>157,287</u>	<u>245,010</u>	<u>250,498</u>	<u>180,257</u>	<u>257,548</u>	<u>335,912</u>	<u>149,976</u>	<u>137,816</u>	<u>139,788</u>
TOTAL NON-AVIATION REVENUES	4,107,988	3,929,910	3,738,940	3,474,165	3,951,919	3,316,110	3,283,200	3,225,264	3,306,189	3,231,362
Percent of Total Revenues	34.7%	34.1%	33.8%	31.5%	30.8%	32.2%	34.0%	32.6%	33.3%	37.2%
NON-OPERATING REVENUES										
Property Taxes	2,681,849	2,782,173	3,504,509	3,211,004	5,351,948	3,045,923	3,007,372	2,706,788	2,695,886	1,663,994
Other Tax Distributions	495,964	524,731	-	-	-	-	-	-	-	-
Interest Income	733,312	420,128	334,694	147,272	103,343	140,570	324,563	352,466	441,730	322,221
Other	190,112	200,561	30,108	8,279	124,159	174,612	82,776	93,399	29,685	60,303
Passenger Facility Charges	1,083,989	1,060,891	913,894	1,107,419	1,122,435	1,143,307	1,059,862	1,310,493	1,387,795	1,421,525
Fuel Farm Cleanup	-	-	-	-	-	-	23,962	22,424	34,236	10,945
Other Grants	-	149,117	-	-	-	349,643	24,500	183,812	30,649	72,515
Property Management Revenue	242,955	257,168	483,473	807,271	-	-	-	-	-	-
Gain on Disposal of Fixed Assets	-	-	<u>34,135</u>	<u>75,609</u>	-	<u>44,203</u>	<u>23,268</u>	<u>7,662</u>	<u>20,015</u>	<u>32,921</u>
TOTAL NON-OPERATING REVENUES	5,428,181	5,394,769	5,300,813	5,356,854	6,701,885	4,898,258	4,546,303	4,677,044	4,639,996	3,584,424
Percent of Total Revenues	45.8%	46.8%	47.9%	48.5%	52.3%	47.5%	47.0%	47.3%	46.8%	41.2%
TOTAL REVENUES	\$ 11,844,079	\$ 11,533,721	\$ 11,059,461	\$ 11,046,128	\$ 12,819,086	\$ 10,310,074	\$ 9,666,323	\$ 9,884,168	\$ 9,917,754	\$ 8,695,308
Enplaned Passengers	389,562	367,750	348,364	390,106	402,088	409,001	373,137	434,322	482,668	498,197
TOTAL REVENUE PER ENPLANED PASSENGER	\$ 30.40	\$ 31.36	\$ 31.75	\$ 28.32	\$ 31.88	\$ 25.21	\$ 25.91	\$ 22.76	\$ 20.55	\$ 17.45
CONTRACT AIRLINE RATES										
Landing Fee (per 1,000 lbs)	\$0.90	\$0.87	\$0.84	\$0.82	\$0.80	\$0.78	\$0.76	\$0.74	\$0.72	\$0.70
Terminal Counter Rental Rates (per sq. foot)	30.68	29.79	28.92	28.08	27.26	26.47	25.70	24.95	24.22	23.51
Airline Cost per Enplanement	\$4.66	\$5.39	\$4.83	\$4.97	\$4.67	\$4.56	\$4.42	\$4.20	\$3.76	\$3.46

ST. JOSEPH COUNTY, INDIANA
 ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 Last 10 Fiscal Years (1) (2) (3) (4)

Year	Real Property		Personal Property		Total	
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
2007	(3) (4)	\$8,866,005,036	(3) (4)	\$1,099,718,445	(3) (4)	\$9,965,723,481
2006	(3) (4)	7,711,827,652	(3) (4)	1,500,017,115	(3) (4)	9,211,844,767
2005	(3) (4)	7,630,792,983	(3) (4)	1,605,819,866	(3) (4)	9,236,612,849
2004	(3) (4)	7,581,872,043	(3) (4)	1,482,955,629	(3) (4)	9,064,827,672
2003	(3) (4)	7,849,824,374	(3) (4)	1,707,136,607	(3) (4)	9,556,960,981
2002	(3)	4,437,501,585	(3)	1,532,298,415	(3)	5,969,800,000
2001	\$1,445,200,628	4,335,601,884	\$499,036,372	1,497,109,116	\$1,944,237,000	5,832,711,000
2000	1,331,552,444	3,994,657,332	492,492,001	1,477,476,003	1,824,044,445	5,472,133,335
1999	1,313,719,008	3,941,157,024	485,894,992	1,457,684,976	1,799,614,000	5,398,842,000
1998	1,292,782,392	3,878,347,176	434,574,608	1,303,723,824	1,727,357,000	5,182,071,000

Notes:

- (1) Source: St. Joseph County Auditor
- (2) From 1998 to 2001, assessed values were established by the County Assessor on March 1 of each year at 33 1/3% of the true cash value of the property.
- (3) Effective in 2002, 2001 payable 2002 tax rates were converted by state legislation from 33% to 100% of assessed Valuation. This conversion has no affect on total dollars. Assessed values were increased and tax rates were decreased accordingly.
- (4) A reassessment of real property was undertaken in 2002 for taxes payable in 2003. Its goal was to assess property at market value versus replacement value, which had been the previous method used.

ST. JOSEPH COUNTY, INDIANA
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
(Per \$100 of Assessed Value) (1) (2)
Last 10 Fiscal Years

<u>Year</u>	<u>State</u>	<u>County</u>	<u>Township(s)</u>	<u>School District(s)</u>	<u>Library(s)</u>	<u>Cities and Towns</u>	<u>South Bend Transportation</u>	<u>Airport Authority</u>	<u>Total</u>
2007	\$.0024	\$.8711	\$.0285	\$ 1.5419	\$.1957	\$ 2.1046	\$.0821	\$.0277	\$ 4.8540
2006	.0024	.9899	.0269	1.6033	.2027	2.1795	.0856	.0301	5.1204
2005	.0024	.7831	.0276	1.5969	.1854	2.1148	.0831	.0297	4.8230
2004	.0024	.7652	.0923	1.6201	.1830	2.1115	.0827	.0346	4.8918
2003	.0033	.7366	.1122	1.4792	.1686	1.9606	.0768	.0472	4.5845
2002	.0033	.9473	.0382	2.1725	.2496	2.6664	.1079	.0406	6.2258
2001	.01	3.1402	.1123	6.3673	.7366	7.7513	.3150	.1261	18.5588
2000	.01	3.1142	.2256	5.9365	.7059	7.3307	.2994	.1219	17.7442
1999	.01	3.5002	.1020	5.8978	.6933	7.2297	.2959	.1312	17.8601
1998	.01	3.0079	.0967	6.0293	.6886	6.9125	.2883	.0839	17.1172

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

(2) From 1998 to 2001 assessed values were established by the County Assessor on March 1 of each year at 33 1/3 of the true cash value of the property. Effective in 2002, 2001 payable 2002 tax rates were converted by state legislation from 33% to 100% of assessed Valuation. This conversion has no affect on total dollars. Assessed values were increased and tax rates were decreased accordingly.

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Actual Assessed or Adjusted Value (2)	\$3,321,907,827	\$3,070,614,922	\$3,078,870,950	\$3,021,609,224	\$3,185,653,660	\$5,969,800,000	\$1,944,237,000	\$1,824,044,445	\$1,799,614,000	\$1,727,357,000
Debt Limit Percentage	2.0%	2.0%	2.0%	2.0%	2.0%	0.667%	2.0%	2.0%	2.0%	2.0%
Debt Limit	\$ 66,438,157	\$ 61,412,298	\$ 61,577,419	\$ 60,432,184	\$ 63,713,073	\$ 39,818,566	\$ 38,884,740	\$ 36,480,889	\$ 35,992,280	\$ 34,547,140
Bonds Outstanding	<u>15,345,000</u>	<u>16,545,000</u>	<u>17,670,000</u>	<u>18,710,000</u>	<u>20,635,000</u>	<u>22,130,000</u>	<u>9,445,000</u>	<u>8,955,000</u>	<u>10,255,000</u>	<u>11,405,000</u>
Subtotal	\$ 51,093,157	\$ 44,867,298	\$ 43,907,419	\$ 41,722,184	\$ 43,078,073	\$ 17,688,566	\$ 29,439,740	\$ 27,525,889	\$ 25,737,280	\$ 23,142,140
Amount Available in Debt Service Fund	<u>589,636</u>	<u>655,517</u>	<u>622,147</u>	<u>96,419</u>	<u>1,046,744</u>	<u>18,327</u>	<u>138,780</u>	<u>108,622</u>	<u>239,717</u>	<u>68,955</u>
Legal Debt Margin	<u>\$ 50,503,521</u>	<u>\$ 44,211,781</u>	<u>\$ 43,285,272</u>	<u>\$ 41,625,765</u>	<u>\$ 42,031,329</u>	<u>\$ 17,670,239</u>	<u>\$ 29,300,960</u>	<u>\$ 27,417,267</u>	<u>\$ 25,497,563</u>	<u>\$ 23,073,185</u>

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

(2) From 1998 to 2001, Assessed Values were established as 33 1/3% of the True Cash Value of property. Effective in 2002 2001 payable 2002 tax rates were converted by state legislation from 33% to 100% of assessed valuation. This conversion had no effect on total dollars. Assessed values increased to 100% of the True Cash Value of property and tax rates decreased accordingly.

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

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

Year	Principal	Interest	Total Debt Service	Total Expenses	Less Depreciation	Add Principal	Total General Expenditures	Ratio of Debt Service to Total General Expenditures
2007	\$ 1,200,000	\$ 757,713	\$ 1,957,713	\$ 12,039,495	\$ 2,957,397	\$ 1,200,000	\$ 10,282,098	19.0%
2006	1,125,000	801,006	1,926,006	10,321,650	2,945,583	1,125,000	8,501,067	22.7%
2005	1,040,000	840,720	1,880,720	11,041,115	2,969,658	1,040,000	9,111,457	20.6%
2004	1,925,000	303,155	2,228,155	10,318,485	3,005,978	1,925,000	9,237,507	24.1%
2003	1,495,000	988,908	2,483,908	10,080,365	3,142,095	1,495,000	8,433,270	29.5%
2002	2,315,000	385,479	2,700,479	9,544,265	2,674,795	2,315,000	9,184,470	29.4%
2001	1,350,000	417,099	1,767,099	8,435,525	2,623,726	1,350,000	7,161,799	24.7%
2000	1,300,000	479,251	1,779,251	8,051,182	2,344,133	1,300,000	7,007,049	25.4%
1999	1,150,000	615,039	1,765,039	7,410,001	2,214,668	1,150,000	6,345,333	27.8%
1998	750,000	233,775	983,775	6,466,312	1,821,361	750,000	5,394,951	18.2%

Note:

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

ST. JOSEPH COUNTY AIRPORT AUTHORITY
RATIO OF NET BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
Last Ten Fiscal Years

<u>Year</u>	<u>Population (1)</u>	<u>Assessed Value(2) (3)</u>	<u>Gross Bonded Debt (4)</u>	<u>Debt Service Monies Available</u>	<u>Net Bonded Debt</u>	<u>Percentage of Net Bonded Debt To Assessed Value (5)</u>	<u>Net Bonded Debt Per Capita</u>
2007	265,559	\$9,965,723,481	\$15,345,000	\$ 589,636	\$14,755,364	.1481%	\$55.56
2006	265,559	9,211,844,767	16,545,000	655,517	15,889,483	.1725	59.83
2005	265,559	9,236,612,849	17,670,000	622,147	17,047,853	.1846	64.20
2004	265,559	9,064,827,672	18,710,000	96,419	18,613,581	.2053	70.09
2003	265,559	9,556,960,981	20,635,000	1,046,744	19,588,256	.2050	73.76
2002	265,559	5,969,800,000	22,130,000	18,327	22,111,673	.3704	83.26
2001	265,559	1,944,237,000	9,445,000	138,780	9,306,220	.4787	35.04
2000	265,559	1,824,044,045	8,955,000	108,622	8,846,378	.4850	33.31
1999	258,083	1,799,614,000	10,255,000	239,717	10,015,283	.5565	38.81
1998	258,083	1,727,357,000	11,405,000	68,955	11,336,045	.6563	43.92

Note: (1) Source: Indiana Department of Workforce Development Services
1990 Population estimate applicable to years 1998 through 1999
2000 Population estimate applicable to years 2000 through 2007

(2) From 1998 to 2001 assessed values were established by the County Assessor on March 1 of each year at 33 1/3% of the true cash value of the property. Effective with 2002, assessed values were established at 100% of the true cash value of property.

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

(4) Effective 1998, includes funds held by fiscal agent on December 31 payable January 1 of the following year

(5) See Note 2

ST. JOSEPH COUNTY AIRPORT AUTHORITY
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT (1) (2) (3)
 As of December 31, 2007

DIRECT DEBT	Total Amount	Applicable to St. Joseph County	
		Percent	Amount
St. Joseph County Airport Authority	\$ 15,345,000	100.00%	\$ 15,345,000
OVERLAPPING DEBT			
Schools (4)			
South Bend Community School Corporation	\$ 202,697,047	100.00%	\$ 202,697,047
School City Mishawaka	57,235,451	100.00%	57,235,451
Penn Harris Madison School Corporation	86,907,581	100.00%	86,907,581
John Glenn School Corporation	20,751,593	65.27%	13,544,836
New Prairie United School Corporation	47,425,000	34.21%	16,222,554
Union North United School Corporation	4,596,856	47.87%	4,596,856
Total Schools			\$ 381,204,325
Other than Schools:			
St. Joseph County	\$ 22,725,000	100.00%	\$ 22,725,000
City of South Bend	187,764,170	100.00%	187,764,170
Olive Township- New Carlisle Library	4,180,000	100.00%	4,180,000
City of Mishawaka	51,437,141	100.00%	51,437,141
Mishawaka-Penn-Harris Public Library	8,225,000	100.00%	8,225,000
Public Library of St. Joseph County	8,000,000	100.00%	8,000,000
Total Other			\$ 282,331,311
Total Overlapping Debt			663,535,636
Total Direct and Overlapping Debt			\$ 678,880,636

Notes:

- (1) Source: St. Joseph County Auditor and governmental agencies
- (2) Includes General Obligation Bonded Debt and Capital Leases
- (3) Overlapping debt percentages are based on 2006 payable 2007 final assessed valuations.
- (4) Includes school building corporation bonds, common schoolhouse fund loans, and veterans memorial loans

**ST. JOSEPH COUNTY INDIANA
DEMOGRAPHIC STATISTICS
Last Ten Fiscal Years**

<u>Year</u>	<u>St. Joseph County Per Capita Income(1)</u>	<u>St. Joseph County Unemployment(2)</u>	<u>St. Joseph County Labor Force (2)</u>	<u>Area In Square Miles (3)</u>
2007	(4)	5.1%	134,771	461
2006	\$33,739	5.1	136,217	461
2005	32,354	5.2	135,084	461
2004	31,174	5.1	133,412	461
2003	29,927	5.3	132,350	461
2002	28,742	5.3	132,940	461
2001	28,098	4.5	133,370	461
2000	27,536	3.1	135,040	461
1999	26,761	3.1	136,310	461
1998	25,791	2.8	137,740	461

- Note: (1) Source: U.S.Department of Commerce, Bureau of Economic Analysis
 (2) Source: Indiana Department of Workforce Development Services
 (3) Source: Michiana Area Council of Governments
 (4) Information not available for 2007

ST. JOSEPH COUNTY, INDIANA
MAJOR EMPLOYERS (1)
December 31, 2007

<u>Rank</u>	<u>Company Name</u>	<u>Type of Business</u>	<u># Emp</u>	<u>% of Total Workforce (2)</u>
1	University of Notre Dame	Colleges/Universities	4,459	3.27%
2	South Bend Community School Corporation	Public Schools	3,295	2.42%
3	Memorial Health System	Hospitals	3,008	2.21%
4	AM General	Manufacturing/Assembly	2,400	1.76%
5	Saint Joseph Regional Medical Center Inc.	Hospitals	2,291	1.68%
6	City of South Bend	Government	1,300	0.95%
7	Martin's Supermarkets	Retail (Groceries)	1,138	0.84%
8	Wal-Mart	Retail - Dept.	1,111	0.82%
9	Penn-Harris-Madison School Corporation	Public Schools	989	0.73%
10	School City of Mishawaka	Public Schools	922	0.68%
11	City of Mishawaka	Government	922	0.68%
12	St. Joseph County	Government	900	0.66%
13	Madison Center	Counseling/Mental Health	780	0.57%
14	Honeywell	Manufacturing	777	0.57%
15	1st Source Bank	Banks/Financial Institution	758	0.56%
16	Indiana University South Bend	Colleges/Universities	714	0.52%
17	South Bend Medical Foundation, Inc.	Health Care/Medical Services	714	0.52%
18	U.S. Postal Service	Postal Service	678	0.50%
19	Meijer, Inc.	Retail (Groceries/Dept. Store)	631	0.46%
20	Bayer Corporation	Manufacturing	583	0.43%
21	Liberty Mutual Insurance Company	Insurance	574	0.42%
22	Robert Bosch Corporation	Manufacturing	559	0.41%
23	Kroger	Retail (Groceries)	546	0.40%
23	Steel Warehouse Company, Inc.	Manufacturing - Steel	520	0.38%
25	Press Ganey Associates, Inc.	Marketing/Public Relations(Healthcare Measurement)	508	0.37%
			31,077	22.81%

(1) Source: The Chamber of Commerce of St. Joseph County

(2) St. Joseph County workforce in 2007 was 136,217

**ST. JOSEPH COUNTY, INDIANA
PRINCIPAL PROPERTY TAXPAYERS (1)
December 31, 2007**

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<u>Taxpayer</u>	<u>2007</u>			<u>1997</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value (2)</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value (3)</u>
Edward Rose of Indiana (housing)	\$122,932,900	1	1.23%	\$ 63,749,010	5	1.23%
American Electric Power (utility)	99,513,190	2	1.00	81,816,870	4	1.57
AM General (manufacturing)	96,928,740	3	0.97	45,350,520	7	.87
Indiana Bell – ATT (utility)	74,390,230	4	0.75	57,373,140	6	1.10
Honeywell (4)(manufacturer)	58,899,802	5	0.59	-	-	-
I/N KOTE (steel)	44,046,490	6	0.44	166,122,525	1	3.19
NIPSCO (utility)	42,831,250	7	0.43	44,879,070	8	.86
I/N TEK (steel)	41,661,110	8	0.42	156,570,000	2	3.01
Bayer Healthcare (health care products)	29,080,120	9	0.29	-	-	-
Meijer (retail)	26,559,620	10	0.27	43,479,960	9	.84
	<u>\$636,843,452</u>		<u>6.39%</u>	<u>\$797,268,165</u>		<u>15.33%</u>

- (1) Source: St. Joseph County Auditor and Municipal Finance Consulting Services
- (2) 2006 Payable 2007 Valuation \$9,965,723,481
- (3) 1996 Payable 1997 Valuation \$5,072,272,416, based upon 100% of true cash value of property
1998 data not available
- (4) IN 1999 Honeywell and Allied Signal merged their manufacturing companies.

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

<u>Year</u>	<u>Airline Passengers</u>		<u>Cargo In Pounds</u>		<u>Flight Operations(1)</u>		<u>Number of Airlines(2)</u>
	<u>Enplaned</u>	<u>Deplaned</u>	<u>On</u>	<u>Off</u>	<u>Passenger Carriers</u>	<u>General Aviation</u>	
2007	389,562	389,722	20,049,901	21,034,841	20,050	28,273	13
2006	367,750	361,869	18,837,867	22,377,252	20,704	36,158	13
2005	348,364	345,311	15,728,245	19,755,496	22,038	42,217	13
2004	390,106	389,927	13,779,325	17,674,620	26,874	38,474	11
2003	402,088	400,103	12,757,739	17,403,293	27,126	37,974	10
2002	409,001	403,079	11,072,612	15,597,998	27,636	47,362	9
2001	373,137	366,270	11,052,464	12,841,371	27,146	46,986	10
2000	434,322	423,418	13,967,006	14,924,616	29,612	45,349	10
1999	482,668	472,564	17,303,044	15,331,441	29,026	53,390	10
1998	498,197	488,153	16,196,976	14,409,836	30,164	52,262	10

(1) An operation is defined as a take off or landing. The General Aviation category includes freight operations.

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

ST. JOSEPH COUNTY AIRPORT AUTHORITY INSURANCE IN FORCE ON DECEMBER 31, 2007

<u>Name of Carrier</u>	<u>Policy Number</u>	<u>Policy Period</u>	<u>Description of Coverage</u>	<u>Liability Limits</u>	<u>Annual Premium</u>
Ace Property & Casualty	NO 219921A	7-1-07 To 7-1-08	General Liability \$5,000,000 Hangarskeepers	\$1,000 Med Ex. \$5,000 each occurrence	\$ 36,900.00
Auto Owners	42-365-347-00	7-1-07 To 7-1-08	Business Auto Liability BI PD-Licensed Vehicles	\$1,000,000 Liability/\$1,000/ded/comprehensive \$1,000/ded/collision \$5,000 Medical \$1,000,000 Uninsured Motorist	13,550.63
Liberty Mutual	WC 7345347	8-15-07 To 8-15-08	Workers Compensation	BI by accident - \$1 million each accident BI by Disease - \$1 million each employee BI by Disease - \$1 million policy limit	51,549.00
Fidelity Deposit	CCP0029470 10	7-1-07 To 7-1-08	Crime/Employee Dishonesty	\$100,000 Employee Dishonesty Computer Fraud \$1,000.00 deductible per occurrence	1,400.00
Western Surety	70242749	1-28-07 To 1-28-08	Treasurer's Public Official Bond	\$60,000 limit liability	425.00
Travelers Insurance	63922J356A	9-1-07 To 9-1-08	Property Fire, DIC, & In-Transit and all unlicensed vehicles	Value \$52,048,380 \$10,000 ded. per incident Extra expense - \$250,000.00	63,229.00
CNA Security Co/Western Surety	7035344IN00 70399235N00 70297587N00	8-22-07 To 10-8-15	Notary Public	Notary Bonds	150.00
Houston Casualty	H7063006707	7-1-07 To 7-1-08	Director's & Officers Liability Cov.	\$5 million \$250,000 deductible/ incident	37,458.63
St. Paul/Travelers	Binder 043566	7-1-07 To 7-1-08	Fudiciary Dishonesty Coverage	\$250,000 Annual	<u>688.00</u>
					\$205,350.26

Quick Reference Information

Effective June 16, 2008

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

Runways:

9R/27L - 8,412 ft. long x 150 ft. wide; 9L/27R - 4,300 ft. long x 75 ft. wide; 18/36 - 7100 ft. long x 150 ft. wide

Elevation: 799'

Latitude: 41 42' 15.6"N

Longitude: 86 18' 55.1."W (degrees, minutes, seconds)

Based Aircraft: 45

Design Aircraft: 757- (Dimensions) 727 - 200 (Weight)

	Weekly	Initial			Max	Weekly	Avg. Daily
Passenger Airlines	Departures	Destination	Equipment Used	Seating	Seating	Lift	Lift
Allegiant Air	2	Clearwater/St. Pete	MD80	130	130	260	
Allegiant Air	2	Las Vegas	MD80	150	150	300	
Allegiant Air	3	Sanford/Orlando	MD80	150	150	450	
Cape Air	31	Indianapolis	9K	9	9	279	
Continental Connection	25	Cleveland	Q200	37	37	925	
Delta Connection	20	Atlanta	FRJ	50	50	1,000	
Delta Connection	31	Cincinnati	FRJ/CRJ	50	50	1,550	
Northwest	7	Minneapolis	CRJ	50/44	50	350	
Northwest	41	Detroit	CRJ/SAAB	50/34	50	2,050	
United	56	ORD/Chicago	CRJ/EMB	50	50	2,800	
Total	218					9,964	1,423

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Fixed Base Operator Services available

Atlantic Aviation
574/233-8285

Charter Service, flight instruction, aircraft maintenance- engine overhaul, propellor overhaul, structural repair, line service
Avionics- maintenance/installation

Air Cargo- Daily Pickup of air cargo provided by:

DHL Express Mail- USPS
 ABX Air Federal Express
 UPS Mountain Air Cargo

Towne Air Freight
Delta Air Lines

Bus Service- On Airport

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

Rail Service- On Airport

SouthShore- Direct to downtown Chicago, 5 daily & 9 weekends

Rail Service- Off Airport

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

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

Full-time Equivalent Employees as of December 31

Function	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Administration	10	9	9	11	11	10	10	8	8	9
Operations	8	8	8	8	6	8	3	5	4	1
Maintenance										
Terminal	10	10	10	10	11	11	11	10	10	10
Airfield	13	14	14	14	13	11	14	14	13	10
Public Safety	17	17	17	16	15	16	16	16	15	16
Total	58	58	58	59	56	56	54	53	50	46

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

Function	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Operations										
Field Condition Reports	868	N/A								
Notice to Airmen (NOTAMs)	246	N/A								
Field Checks	1,568	N/A								
Terminal Checks	1,129	N/A								
Perimeter Checks	2,132	N/A								
Maintenance										
Terminal										
Square Footage Maintained	150,584	N/A								
Work Orders Processed	525	N/A								
Airfield										
Vehicles - Hours of Operation										
Blowers	537	N/A								
Brooms	1,570	N/A								
Loaders	298	N/A								
Plows	600	N/A								
Total Snow Equipment - Hours	3,005	N/A								
Public Safety										
Aircraft and Other Fire Calls	37	N/A								
Medical Responses	34	N/A								
Arrests	14	N/A								
Various Additional Reports	19	N/A								
Airport Ordinance Violations	344	N/A								
State Citations/Tickets	15	N/A								
Approximate Calls for Service	2,700	N/A								

Note:

(1) Information is not available for years 1998 through 2006.

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

Function	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Operations										
Pick-Up Trucks	2	N/A								
Maintenance										
Terminal										
Pick-Up Trucks	5	N/A								
Loaders	1	N/A								
Sweepers	1	N/A								
Airfield										
Blowers/Jet Blowers	4	N/A								
Brooms	3	N/A								
Loaders	2	N/A								
Plows	3	N/A								
Pick-Up Trucks	4	N/A								
Mowers	4	N/A								
Lighting Trucks	1	N/A								
Sweepers	1	N/A								
Public Safety										
Stations	1	N/A								
Patrol Units	4	N/A								
ARFF Vehicles	4	N/A								
Buses	1	N/A								

Note :

(1) Information is not available for years 1998 through 2006.

COMPLIANCE SECTION

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of St. Joseph County Airport Authority (Airport Authority), as of and for the year ended December 31, 2007, and have issued our report thereon dated June 2, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

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

Compliance

As part of obtaining reasonable assurance about whether the Airport Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards.

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

STATE BOARD OF ACCOUNTS

June 2, 2008



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO PASSENGER FACILITY CHARGE PROGRAM AND TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE PASSENGER
FACILITY CHARGE AUDIT GUIDE FOR PUBLIC AGENCIES AND OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the St. Joseph County Airport Authority (Airport Authority) with the types of compliance requirements described in the Passenger Facility Charge Audit Guide for Public Agencies (Guide), issued by the Federal Aviation Administration for its passenger facility charge program, and in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2007. The Airport Authority's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Airport Authority's management. Our responsibility is to express an opinion on the Airport Authority's compliance based on our audit.

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

In our opinion, the Airport Authority complied in all material respects with the requirements referred to above that are applicable to its passenger facility charge program and its major federal program for the year ended December 31, 2007.

Internal Control Over Compliance

The management of the Airport Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to the passenger facility charge program and federal programs. In planning and performing our audit, we considered the Airport Authority's internal control over compliance with requirements that could have a

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO PASSENGER FACILITY CHARGE PROGRAM AND TO EACH MAJOR PROGRAM
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FACILITY CHARGE AUDIT GUIDE FOR PUBLIC AGENCIES AND OMB CIRCULAR A-133
(Continued)

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, but not for the purpose of expressing an opinion on the effectiveness of the Airport Authority's internal control over compliance. Accordingly, we do not express such an opinion.

A control deficiency in the Airport Authority's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

STATE BOARD OF ACCOUNTS

June 2, 2008

ST. JOSEPH COUNTY AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2007

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Direct Grant:			
Airport Improvement Program	20.106	AIP-03-18-0079-30	\$ 188,549
		AIP-03-18-0079-32	1,525,275
		AIP-03-18-0079-33	1,435,033
		AIP-03-18-0079-34	49,304
		AIP-03-18-0079-35	<u>147</u>
Total for program			<u>3,198,308</u>
Pass-Through Evansville-Vanderburgh Airport Authority District:			
Payments for Small Community Air Service Development	20.930		<u>79,842</u>
Total for federal grantor agency			<u>3,278,150</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Direct Grant:			
Law Enforcement Officer Reimbursement Agreement Program	97.090	HSTS0208HSLR091	<u>31,386</u>
Pass-Through Indiana Department of Homeland Security			
Public Assistance Grants	97.036	FOXR 018	<u>24,850</u>
Total for federal grantor agency			<u>56,236</u>
Total federal awards expended			<u>\$ 3,334,386</u>

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

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

Note I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of St. Joseph County Airport Authority (primary government) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	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? no

Identification of Major Programs:

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

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

**ST. JOSEPH COUNTY AIRPORT AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

No matters are reportable.

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