

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT

OF

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY

LAKE COUNTY, INDIANA

January 1, 2007 to December 31, 2008



FILED
12/22/2009

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Chris Curry	01-01-07 to 12-31-09
Finance Manager/Treasurer	Nicole Thorn	01-01-07 to 12-31-09
President of the Airport Board	Marion J. Johnson	01-01-07 to 12-31-09



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE GARY/CHICAGO INTERNATIONAL
AIRPORT AUTHORITY, LAKE COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gary/Chicago International Airport Authority (Airport Authority), as of and for the years ended December 31, 2007 and 2008, which collectively comprise the Airport Authority's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Airport Authority's management. Our responsibility is to express opinions 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 opinions.

As discussed in Note I, the Airport Authority prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the Airport Authority as of December 31, 2007 and 2008, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated November 24, 2009, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 taken as a whole.

The Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Airport Authority has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Airport Authority's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, 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 taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

November 24, 2009



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE GARY/CHICAGO INTERNATIONAL
AIRPORT AUTHORITY, LAKE COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gary/Chicago International Airport Authority (Airport Authority), as of and for the years ended December 31, 2007 and 2008, which collectively comprise the Airport Authority's basic financial statements and have issued our report thereon dated November 24, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 an opinion on the effectiveness of the Airport Authority's internal control over financial reporting.

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 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.

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

Compliance and Other Matters

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

This report is intended solely for the information and use of the Airport Authority's management, the Airport Board, 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

November 24, 2009

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2007

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursement) Receipt and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government Total Governmental Activities</u>
Primary government:				
Governmental activities:				
General government	\$ 15,309,825	\$ 769	\$ 27,179,911	\$ 11,870,855
General receipts:				
Property taxes				1,181,726
Intergovernmental				99,622
Other local sources				1,688,928
Investment earnings				710,874
				<u>3,681,150</u>
Total general receipts				3,681,150
Change in net assets				15,552,005
Net assets - beginning				<u>4,725,370</u>
Net assets - ending				<u>\$ 20,277,375</u>
<u>Assets</u>				
Cash and investments				\$ 19,865,806
Restricted assets:				
Cash and investments				<u>411,569</u>
Total assets				<u>\$ 20,277,375</u>
<u>Net Assets</u>				
Restricted for:				
Capital outlay				\$ 411,569
Unrestricted				<u>19,865,806</u>
Total net assets				<u>\$ 20,277,375</u>

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

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2007

	General	Marketing Fund	ADZ TIF Allocation Fund	Cumulative Building Fund	Other Governmental Funds	Totals
Receipts:						
Taxes	\$ 737,590	\$ -	\$ 322,747	\$ 121,389	\$ -	\$ 1,181,726
Intergovernmental	85,549	511,589	-	27,193,985	-	27,791,123
Fines and forfeits	769	-	-	-	-	769
Other	1,147,012	4,000	175,851	495,344	66,005	1,888,212
Total receipts	1,970,920	515,589	498,598	27,810,718	66,005	30,861,830
Disbursements:						
General government	2,464,006	922,364	-	242,712	1,659	3,630,741
Capital outlay:						
General government	23,865	-	-	11,140,634	514,585	11,679,084
Total disbursements	2,487,871	922,364	-	11,383,346	516,244	15,309,825
Excess (deficiency) of receipts over disbursements	(516,951)	(406,775)	498,598	16,427,372	(450,239)	15,552,005
Other financing sources (uses):						
Transfers in	450,000	210,000	524,000	-	-	1,184,000
Transfers out	-	-	(660,000)	(524,000)	-	(1,184,000)
Total other financing sources (uses)	450,000	210,000	(136,000)	(524,000)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(66,951)	(196,775)	362,598	15,903,372	(450,239)	15,552,005
Cash and investment fund balance - beginning	138,305	208,694	2,951,664	507,462	919,245	4,725,370
Cash and investment fund balance - ending	\$ 71,354	\$ 11,919	\$ 3,314,262	\$ 16,410,834	\$ 469,006	\$ 20,277,375
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 71,354	\$ 11,919	\$ 3,314,262	\$ 16,410,834	\$ 57,437	\$ 19,865,806
Restricted assets:						
Cash and investments	-	-	-	-	411,569	411,569
Total cash and investment assets - ending	\$ 71,354	\$ 11,919	\$ 3,314,262	\$ 16,410,834	\$ 469,006	\$ 20,277,375
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Capital outlay	\$ -	\$ -	\$ -	\$ -	\$ 411,569	\$ 411,569
Unrestricted	71,354	11,919	3,314,262	16,410,834	57,437	19,865,806
Total cash and investment fund balance - ending	\$ 71,354	\$ 11,919	\$ 3,314,262	\$ 16,410,834	\$ 469,006	\$ 20,277,375

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

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUND
For The Year Ended December 31, 2007

	<u>Agency Fund</u>
Cash and investment fund balance - ending	<u>\$ 642</u>

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

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2008

	General	Marketing Fund	ADZ TIF Allocation Fund	Cumulative Building Fund	Other Governmental Funds	Totals
Receipts:						
Taxes	\$ 1,731,930	\$ -	\$ 3,229,397	\$ 295,228	\$ -	\$ 5,256,555
Intergovernmental	88,547	649,318	-	11,354,978	-	12,092,843
Fines and forfeits	546	-	-	-	-	546
Other	1,206,178	-	95,995	438,528	130,825	1,871,526
Total receipts	3,027,201	649,318	3,325,392	12,088,734	130,825	19,221,470
Disbursements:						
General government	2,388,816	320,706	-	393,978	-	3,103,500
Economic development	-	-	59,063	-	-	59,063
Capital outlay:						
General government	11,991	-	-	11,354,152	46,076	11,412,219
Economic development	-	-	177,738	-	-	177,738
Total disbursements	2,400,807	320,706	236,801	11,748,130	46,076	14,752,520
Excess (deficiency) of receipts over disbursements	626,394	328,612	3,088,591	340,604	84,749	4,468,950
Other financing sources (uses):						
Transfers in	230,000	100,000	990,000	-	-	1,320,000
Transfers out	(680,000)	(310,000)	(330,000)	-	-	(1,320,000)
Total other financing sources (uses)	(450,000)	(210,000)	660,000	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	176,394	118,612	3,748,591	340,604	84,749	4,468,950
Cash and investment fund balance - beginning	71,354	11,919	3,314,262	16,410,834	469,006	20,277,375
Cash and investment fund balance - ending	\$ 247,748	\$ 130,531	\$ 7,062,853	\$ 16,751,438	\$ 553,755	\$ 24,746,325
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 247,748	\$ 130,531	\$ 7,062,853	\$ 16,751,438	\$ 50,322	\$ 24,242,892
Restricted assets:						
Cash and investments	-	-	-	-	503,433	503,433
Total cash and investment assets - ending	\$ 247,748	\$ 130,531	\$ 7,062,853	\$ 16,751,438	\$ 553,755	\$ 24,746,325
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Capital outlay	\$ -	\$ -	\$ -	\$ -	\$ 503,433	\$ 503,433
Unrestricted	247,748	130,531	7,062,853	16,751,438	50,322	24,242,892
Total cash and investment fund balance - ending	\$ 247,748	\$ 130,531	\$ 7,062,853	\$ 16,751,438	\$ 553,755	\$ 24,746,325

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

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUND
For The Year Ended December 31, 2008

	<u>Agency Fund</u>
Cash and investment fund balance - ending	<u>\$ 2,387</u>

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

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Airport Authority was established under the laws of the State of Indiana. The Airport Authority operates under an appointed governing board.

The Airport Authority's financial reporting entity is composed of the primary government.

In determining the financial reporting entity, the Airport Authority complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the Airport Authority has not established any enterprise funds.

The Airport Authority reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The marketing fund accounts for airport marketing expenditures.

The airport development zone (ADZ) TIF (tax increment financing) allocation fund accounts for airport construction projects within the airport development zone.

The cumulative building fund accounts for expansion programs: buildings, structures and equipment.

Additionally, the Airport Authority reports the following fund types:

Agency funds account for assets held by the Airport Authority as an agent for payroll withholdings.

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Property Taxes

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

3. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

4. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

5. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

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

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, and (2) operating grants and contributions. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis. The effects of interfund services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

Prior to the first required publication, the fiscal officer of the Airport Authority submits to the governing board 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 governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the Airport Authority receives approval of the Indiana Department of Local Government Finance.

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

III. Detailed Notes on All Funds

A. Deposits and Investments

1. 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. At December 31, 2008, the bank balances held at Trust Indiana and Bank of New York Mellon Trust Company in the amounts of \$5,306,023 and \$2,049,218, respectively, were collateralized with the securities held by the pledging financial institution's trust department or agent but not in the depositor-Airport Authority name. The remaining bank balances were insured by the Federal Deposit Insurance Corporation of the Public Deposit Insurance fund, which covers all public funds held in approved depositories.

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Investments

As of December 31, 2008, the Airport Authority had the following investments:

Investment Type	Primary Government Market Value
U.S. agencies	\$ 7,355,241

Statutory Authorization for Investments

Indiana Code 5-13-9 authorizes the Airport Authority to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the Airport Authority to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the Airport Authority and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the Airport Authority may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the Airport Authority's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Airport Authority does not have a formal investment policy for custodial credit risk for investments. At December 31, 2008, the Airport Authority held investments in U.S. Agencies, in external investment pools, in the amount of \$7,355,241.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Airport Authority must follow state statute and limit the stated final maturities of the investments to no more than two years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The distribution of securities with credit ratings is summarized below.

<u>Standard and Poor's Rating</u>	<u>Airport Authority's Investments Investment Pools</u>
AAA	<u>\$ 7,355,241</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Airport Authority does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

B. Interfund Transfers

Interfund transfers for the years ended December 31, 2007 and 2008, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2007</u>	<u>2008</u>
General Fund	ADZ TIF Allocation Fund	\$ -	\$ 680,000
Marketing Fund	ADZ TIF Allocation Fund	-	310,000
ADZ TIF Allocation Fund	General Fund	450,000	230,000
	Marketing Fund	210,000	100,000
Cumulative Building Fund	ADZ TIF Allocation Fund	<u>524,000</u>	<u>-</u>
Totals		<u>\$ 1,184,000</u>	<u>\$ 1,320,000</u>

The Airport Authority typically uses transfers for cash flow purposes as provided by various statutory provisions.

GARY/CHICAGO INTERNATIONAL 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; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

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

B. Subsequent Events

Due to delays caused by trending of assessments, the assessed valuations of Lake County were not finalized by February 15, 2009, as required. Therefore, the 2008 pay 2009 property tax rates and levies, as well as related budget orders for 2009, were not established until July 31, 2009. The County billed the 2008 pay 2009 taxes in two installments with due dates of October 29 and November 30, 2009.

C. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Airport Authority 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 Airport 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

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy

PERF members are required to contribute three percent of their annual covered salary. The Airport Authority is required to contribute at an actuarially determined rate; the current rate is seven percent of annual covered payroll. The contribution requirements of plan members and the Airport Authority are established and may be amended by the PERF Board of Trustees.

Annual Pension Cost

For 2008, the Airport Authority's annual pension cost of \$52,870 for PERF was equal to the Airport Authority's required and actual contributions.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 52,946
Interest on net pension obligation	550
Adjustment to annual required contribution	(626)
Annual pension cost	52,870
Contributions made	58,822
Increase (decrease) in net pension obligation	(5,952)
Net pension obligation, beginning of year	7,582
Net pension obligation, end of year	\$ 1,630

	PERF
Contribution rates:	
Airport Authority	7%
Plan members	3%
Actuarial valuation date	07-01-08
Actuarial cost method	Entry age normal cost
Amortization method	Level dollar, closed amortization period
Amortization period	30 years
Amortization period (from date)	07-01-07
Asset valuation method	75% of expected actuarial value plus 25% of market value
Amortization period	30 years
Amortization period (from date)	07-01-07
Asset valuation method	Level dollar, closed amortization period

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Assumptions	PERF
Investment rate of return	7.25%
Projected future salary increases:	
Total	4%
Cost-of-living adjustments	1.5%
Investment rate of return	7.25%
Projected future salary increases:	
Total	4%
Cost-of-living adjustments	1.5%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-06	\$ 45,272	100%	\$ 14,919
	06-30-07	47,830	115%	7,582
	06-30-08	52,870	111%	1,630

Funded Status and Funding Progress for the Above Plan

The funded status of each plan as of January 1, 2008, the most recent actuarial valuation date is as follows:

Retirement Plan	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL or (Funding Excess) (b-a)	Funded Ratio (a-b)	Annual Covered Payroll (c)	Unfunded AAL or (Funding Excess) as a Percentage of Covered Payroll ((b-a)/c)
PERF	\$ 921,237	\$ 963,566	\$ (42,239)	96%	\$813,861	(5%)

The Schedule of Funding Progress, presented as RSI for the above plans following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

D. \$4,100,000 Variable Rate Special Purpose Facility Revenue Bonds, Series 2007

On October 4, 2007, the Airport issued \$4,100,000 in variable rate special purpose facility revenue bonds. The Airport does not maintain the records for this debt. The records are maintained and the debt payments are made by the Gary Jet Center. The debt repayment is backed by an irrevocable letter of credit in the event the debt payments are not made. There is a lease agreement between the Gary Jet Center and the Airport. Rather than making the lease payments to the Airport, the Gary Jet Center makes the principal and interest payments on the outstanding bonds. The principal balance on the outstanding bonds was \$4,059,000 at December 31, 2008.

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-06	\$ 688,646	\$ 778,920	\$ (90,274)	88%	\$ 715,263	(13%)
07-01-07	810,100	882,275	(72,175)	92%	798,771	(9%)
07-01-08	921,327	963,566	(42,239)	96%	813,861	(5%)

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007

	Nonreverting Airport Development	Passenger Facility Charges Fund	Maintenance Hangar Fund	Totals
Receipts:				
Other	\$ 66,005	\$ -	\$ -	\$ 66,005
Disbursements:				
General government	1,659	-	-	1,659
Capital outlay:				
General government	343,320	102,511	68,754	514,585
Total disbursements	344,979	102,511	68,754	516,244
Excess (deficiency) of receipts over disbursements	(278,974)	(102,511)	(68,754)	(450,239)
Cash and investment fund balance - beginning	690,543	133,445	95,257	919,245
Cash and investment fund balance - ending	<u>\$ 411,569</u>	<u>\$ 30,934</u>	<u>\$ 26,503</u>	<u>\$ 469,006</u>
<u>Cash and Investment Assets - Ending</u>				
Cash and investments	\$ -	\$ 30,934	\$ 26,503	\$ 57,437
Restricted assets:				
Cash and investments	411,569	-	-	411,569
Total cash and investment assets - ending	<u>\$ 411,569</u>	<u>\$ 30,934</u>	<u>\$ 26,503</u>	<u>\$ 469,006</u>
<u>Cash and Investment Fund Balance - Ending</u>				
Restricted for:				
Capital outlay	\$ 411,569	\$ -	\$ -	\$ 411,569
Unrestricted	-	30,934	26,503	57,437
Total cash and investment fund balance - ending	<u>\$ 411,569</u>	<u>\$ 30,934</u>	<u>\$ 26,503</u>	<u>\$ 469,006</u>

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY
 SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN
 CASH AND INVESTMENT BALANCES
 AGENCY FUND
 For The Year Ended December 31, 2007

	Payroll Fund
Additions:	
Agency fund additions	\$ 568,543
Deductions:	
Agency fund deductions	568,333
Excess (deficiency) of total additions over total deductions	210
Cash and investment fund balance - beginning	432
Cash and investment fund balance - ending	\$ 642

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008

	Nonreverting Airport Development	Passenger Facility Charges Fund	Maintenance Hangar Fund	Totals
Receipts:				
Other	\$ 130,825	\$ -	\$ -	\$ 130,825
Disbursements:				
Capital outlay:				
General government	38,961	-	7,115	46,076
Excess (deficiency) of receipts over disbursements	91,864	-	(7,115)	84,749
Cash and investment fund balance - beginning	411,569	30,934	26,503	469,006
Cash and investment fund balance - ending	<u>\$ 503,433</u>	<u>\$ 30,934</u>	<u>\$ 19,388</u>	<u>\$ 553,755</u>
<u>Cash and Investment Assets - Ending</u>				
Cash and investments	\$ -	\$ 30,934	\$ 19,388	\$ 50,322
Restricted assets:				
Cash and investments	503,433	-	-	503,433
Total cash and investment assets - ending	<u>\$ 503,433</u>	<u>\$ 30,934</u>	<u>\$ 19,388</u>	<u>\$ 553,755</u>
<u>Cash and Investment Fund Balance - Ending</u>				
Restricted for:				
Capital outlay	\$ 503,433	\$ -	\$ -	\$ 503,433
Unrestricted	-	30,934	19,388	50,322
Total cash and investment fund balance - ending	<u>\$ 503,433</u>	<u>\$ 30,934</u>	<u>\$ 19,388</u>	<u>\$ 553,755</u>

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY
 SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN
 CASH AND INVESTMENT BALANCES
 For The Year Ended December 31, 2008

	<u>Payroll Fund</u>
Additions:	
Agency fund additions	<u>\$ 519,799</u>
Deductions:	
Agency fund deductions	<u>518,054</u>
Excess (deficiency) of total additions over total deductions	1,745
Cash and investment fund balance - beginning	<u>642</u>
Cash and investment fund balance - ending	<u><u>\$ 2,387</u></u>

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2008

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.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets:	
Land	\$ 9,334,840
Buildings	24,527,653
Improvements other than buildings	10,631,560
Machinery and equipment	4,846,594
Construction in progress	<u>15,821,898</u>
Total governmental activities, capital assets	<u>\$ 65,162,546</u>

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2008

The Airport has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Revenue bonds:		
Special Purpose Facility Revenue Bonds	<u>\$ 4,059,000</u>	<u>\$ 283,568</u>

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
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE GARY/CHICAGO INTERNATIONAL
AIRPORT AUTHORITY, LAKE COUNTY, INDIANA

Compliance

We have audited the compliance of the Gary/Chicago International Airport Authority (Airport Authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended December 31, 2007 and 2008. The Airport Authority's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the 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 each of its major federal programs for the years ended December 31, 2007 and 2008.

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 federal programs. In planning and performing our audit, we considered the Airport Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

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

A control deficiency in an 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, the Airport Board, 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

November 24, 2009

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended December 31, 2007 and 2008

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-07	Total Federal Awards Expended 12-31-08
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Direct Grant				
Airport Improvement Program	20.106			
Security Enhancements		AIP 3-18-0028-15	\$ 200,121	\$ -
Vehicle Procurement, REILS Improvement, Apron Expansion		AIP 3-18-0028-18	86,457	7,838
Improve Runway and Railroad Relocation (Phase I)		AIP 3-18-0028-19	1,634,874	-
Runway Extension		AIP 3-18-0028-20	2,190,040	966,989
Runway Extension		AIP 3-18-0028-21	2,698,434	3,301,566
Runway Extension		AIP 3-18-0028-22	-	5,111,240
Runway Extension		AIP 3-18-0028-23	-	2,282,306
Total federal awards expended			<u>\$ 6,809,926</u>	<u>\$ 11,669,939</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Gary/Chicago International Airport Authority (Airport Authority) 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.

GARY/CHICAGO INTERNATIONAL 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
Significant deficiencies 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
Significant deficiencies 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: \$546,402

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.



GaryChicago
International Airport

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2006-01

Original SBA Audit Report Number:	B30482
Fiscal Year	2006
Auditee Contact Person	Nicole Thorn
Title of Contact Person	Finance Manager
Phone Number	219-949-4903
Status of Finding:	See below

The Airport instituted the following procedures: 1) All prospective vendors submitting RFP's using federal dollars are viewed on the federal website www.epls.gov by the Airport Engineer to ensure that the vendor is not suspended or disbarred and 2) an addendum is added to the contract for the vendor to sign and certify that they currently are not suspended or disbarred.



Signature

10-28-09

Date

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY
EXIT CONFERENCE

The contents of this report were discussed on December 2, 2009, with Chris Curry, Director; Nicole Thorn, Finance Manager/Treasurer; and Marion J. Johnson, President of the Airport Board. Our audit disclosed no material items that warrant comment at this time.