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AN EQUAL OPPORTUNITY EMPLOYER

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August 21, 2015

Board of Directors  
Gary Chicago International Airport Authority  
6001 Airport Road  
Gary, IN 46404

We have reviewed the audit report prepared by Whittaker & Company, PLLC, Independent Public Accountants, for the period January 1, 2014 to December 31, 2014. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Gary Chicago International Airport Authority, as of December 31, 2014 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the Section II and III findings contained in the Schedule of Findings and Questioned Costs on pages 38 through 43 as summarized below;

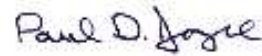
1. Section II;
  - a. 2014-001 – Inadequate Computer Back-up Procedures and Inadequate Controls Over Network Server Security
  - b. 2014-002 - Internal Controls and Compliance Over Financial Transactions and Reporting
2. Section III;
  - a. 2014-003 - Compliance Related to the Airport Improvement Program Reporting
  - b. 2014-004 – Compliance with Davis-Bacon Act Related to Airport Improvement Program

Section II findings are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance with Government Auditing Standards. Findings 2013-001 and 2013-002 are reporting material weaknesses in internal control over financial reporting and non-compliance with certain provisions of laws, regulations, contracts, and grant agreements which could have a direct and material effect on the determination of financial statement amounts.

Section III findings are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133. Noncompliance with the requirements for reporting and Davis-Bacon Act are reported in Findings 2013-003 through 2013-004 and this results in an qualified opinion on the Airport Authority's compliance with these requirements that could have a direct and material effect on the Airport Improvement Program. Additionally, Findings 2013-003 and 2013-004 report significant deficiencies in internal control over compliance

Some of these findings also appeared in the audit report for the period ending December 31, 2013. Your response to these findings is included in the report immediately following the finding

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

  
Paul D. Joyce, CPA  
State Examiner

**GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY  
FINANCIAL STATEMENT AND FEDERAL SINGLE AUDIT  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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## **SCHEDULE OF OFFICIALS**

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Bridgette R. Lane (Interim)	01-01-14 to 12-31-14
Finance Manager/Treasurer	Carolyn Keith	01-01-14 to 05-12-14
	William Outlar	05-27-14 to 12-31-14
President of the Airport Authority Board	James Cooper	01-01-14 to 12-31-14

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## INDEPENDENT AUDITOR'S REPORT

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

### ***Report on the Financial Statement***

We have audited the accompanying financial statement of the Gary/Chicago International Airport Authority (the "Airport Authority"), which comprises the financial position and results of operations for the year ended December 31, 2014, and the related notes to the financial statement.

### ***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement.

## INDEPENDENT AUDITORS' REPORT

(Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of materials misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Airport Authority's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Airport Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Other Matter***

As discussed in Note 9 in the notes to the financial statements, the 2014 financial statements have been reissued. Except as discussed in Note 9, our opinion dated April 24, 2015 is not modified with respect to this matter. Additional procedures, as discussed in Note 9 have been performed through July 3, 2015 (date of completion of audit procedures limited to the revision described in Note 9).

### ***Basis for Adverse Opinion on U. S. Generally Accepted Accounting Principles***

As discussed in Note 1 of the financial statement, the Airport Authority prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state Statute (IC5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### ***Adverse Opinion on U. S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the Basis of Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Airport Authority for the year ended December 31, 2014.

### ***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above present fairly, in all material respects, the financial position and results of operations of the Airport Authority for the year ended December 31, 2014, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

INDEPENDENT AUDITORS' REPORT  
(Continued)

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated April 24, 2015, 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 integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Airport Authority's internal control over financial reporting and compliance.

***Accompanying Information***

***Supplementary Information***

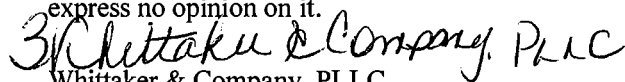
Our audit was conducted for the purpose of forming an opinion of the Airport Authority's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purpose of additional analysis as required by the *U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement.

The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the Airport Authority's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investments Balances – Regulatory Basis, Schedule of Payables and Receivables, Schedules of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

***Other Information***

The Airport Authority's response to the Audit Results and Prior Findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan and Summary Schedule of Prior Findings and Questioned Costs. We did not audit the Airport Authority's response and, accordingly, we express no opinion on it.

  
Whittaker & Company, PLLC  
Gary, IN 46402

April 24, 2015



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Gary/Chicago International Airport Authority (the "Airport Authority"), as of and for the year ended December 31, 2014, and the related notes to the financial statement, and have issued our report thereon dated April 24, 2015, wherein we noted the Airport Authority followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statement, we considered the Airport Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Airport Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Airport Authority's internal control.

Our consideration of the internal control was for the limited purposes described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies and therefore, material weakness or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Cost, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

(Continued)

A *deficiency in internal control* exists when the design or operation of a control does not allow management of employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatement on a timely basis. A *material weakness* is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Cost as items 2014-001 and 2014-002 to be material weaknesses.

***Other Matter***

As discussed in Note 9 in the notes to the financial statements, the 2014 financial statements have been reissued. Except as discussed in Note 9, our opinion dated April 24, 2015 is not modified with respect to this matter. Additional procedures, as discussed in Note 9 have been performed through July 3, 2015 (date of completion of audit procedures limited to the revision described in Note 9).

***Compliance and Other Matters***

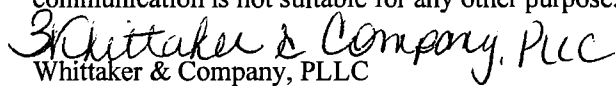
As part of obtaining reasonable assurance about whether the Airport Authority's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 instances of noncompliance or other matters that we required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2014-001 through 2014-002.

***Gary Chicago International Airport Authority's Response to Findings***

The Airport Authority's response to the findings identified in our audit and the previous audit is described in the accompanying Corrective Action Plan and Summary Schedule of Prior Findings and Questioned Costs. The Airport Authority's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

***The Purpose of this Report***

The purpose of the report is solely to describe the scope of our testing of internal control and compliance and the results of the testing, and not to provide an opinion on the effectiveness of the Airport Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Airport Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Whittaker & Company, PLLC  
Gary, IN 46402

April 24, 2015

## **FINANCIAL STATEMENT**

The Financial statement and accompanying notes were approved by management of the Airport Authority. The financial statement and notes are presented as intended by the Airport Authority.

**GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND  
INVESTMENT BALANCES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

<b>Fund</b>	<b>Cash and Investments 01-01-14</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Cash and Investments 12-31-14</b>
General Fund (007)	\$ 825,189	\$ 2,496,763	\$ 2,652,020	\$ 669,932
Bond Fund	-	32,343,508	2,899,614	29,443,894
Cumulative Building Fund (009)	5,803,520	19,464,151	7,917,339	17,350,332
Passenger Facility Charges Fund (012)	(721,388)	1,524,616	1,792,580	(989,352)
Compact (013)	(20,503)	192,203	362,510	(190,810)
ADZ TIF Allocation Fund (014)	13,660,989	3,910,801	4,353,154	13,218,636
Non-Reverting Airport Development Fund (015)	505,966	45	-	506,011
Payroll Fund (300)	2,846	311,157	312,087	1,916
Marketing Fund (310)	114,537	10	12,739	101,808
Totals	<u>\$ 20,171,156</u>	<u>\$ 60,243,254</u>	<u>\$ 20,302,043</u>	<u>\$ 60,112,367</u>

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

**GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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 is dedicated to setting its sights on continued growth and expansion. The accompanying financial statement presents the financial information for the Airport Authority.

**Basis of Accounting** – The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state Statute (IC 5-11-1-6), 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 regulatory 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, disbursements are recognized when paid, rather than when a liability is incurred.

**Cash and Investments** – The Airport Authority invested monies at a local bank as well as Trust Indiana. Money held at Trust Indiana was closed out and transferred to a local bank. Certain cash has been classified as restricted assets because its use is limited by an escrow agreement and bond covenant.

**Receipts** – Receipts are presented in the aggregate in the financial statement. The aggregated receipts include the following sources:

*Taxes* include Property taxes, Auto Excise Tax, Commercial Vehicle Excise Tax (CVET), and Financial Institution Tax (F.I.T.) and when applicable other taxes that are set by the Airport Authority.

*Intergovernmental receipts* include receipts from governments in the form of operating and/or runway expansion grants. Examples of these types of receipts include federal grants from the Federal Aviation Administration (“FAA”), state grants from the Indiana Department of Transportation (“INDOT”), and local grants from the Northwest Indiana Regional Development Authority (“RDA”). Other local grants which are paid to the Airport Authority from the City of Chicago consist of the Passenger Facility Charges (“PFC”) and the Chicago-Gary Regional Airport Authority (“Compact”) grants.

**GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENT**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

*Charges for the services* include receipts from copies of public record, copy machine charges, building and hanger rental fees, landing/parking fees, and fuel.

*Other receipts* include amounts received from internal service receipts, transfers authorized by statute, ordinance, resolution, court order, interest earnings and other sources.

**Disbursements** – Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

*Personal services* include outflows for salaries, wages, and related employee benefits provided for all persons employed.

*Supplies* include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time.

*Other services and charges* include professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

*Capital outlay* includes outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

*Other disbursements* include internal service disbursements and transfers out that are authorized by statute, ordinance, resolutions, or court order and other uses.

**Interfund Transfers** – The Airport may from time to time, transfer money from one fund to another. These transfers, if any, are included as part of the other receipts and other disbursements of the affected funds and as part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions, where applicable.

**GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENT**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**Fund Accounting** – Separate funds are established, maintained, and reported by the Airport Authority. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by Statute while other funds are internally restricted by the Airport Authority. The money accounted for in a specific fund may only be available for use for certain legally restricted purposes. Additionally, some funds are used to account for assets held by the Airport Authority in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself. The airport reports the following funds:

- The General Fund is the primary operating fund. It accounts for all finances of the general government, except those required to be accounted for in another fund.
- The Cumulative Building Fund accounts for expansion programs: building, structures and equipment.
- The Passenger Facility Charges Fund accounts for passengers facility charges collected by the City of Chicago Airports for financing certain capital projects.
- The Compact Fund accounts for expenditures of the Airport Authority for certain approved operating expenditures.
- The Airport Development Zone (ADZ) TIF (tax increment financing) allocation Fund accounts for airport construction projects within the airport development zone as well as job training.
- The Non-Reverting Airport Development fund accounts for the marketing and development expenditures of the Authority. The account was established as a not-for-profit entity under the tax exempt code 501(c)3 with the Internal Revenue Service and is presented as a blended component unit, as the Authority Board is the same governing body as the Non-Reverting Airport Development fund, the ability to impose will is deemed present and there is a financial benefit/burden relationship between the Authority and the Non-Reverting Airport Development fund.
- The Payroll Trust Fund accounts for receipts and disbursements related to payroll withholdings.
- The Marketing Fund accounts for marketing expenditures of the Airport Authority.

**GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENT**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**Budget** – The operating budget is initially prepared and approved at the local level. The fiscal officer of the Airport submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains tax-payer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subjected to final approval by the Indiana Department of Local Government Finance.

**Property Taxes** – Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Airport Authority in June and December; however, situations can arise which could delay the distributions. State statute (IC6-1.1-17-16) 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

**Lease and Debt** – Bonds payable are reported at par value. Premium on debt issuance is recognized as revenue when received and presented as other receipts. Bonds issuance costs are recognized when paid and reported under other services and charges.

The 2010 bonds are revenue obligations of the Airport Authority that are paid solely from pledged debt rent revenues paid by the Gary Jet Center, Inc., pursuant to the 2010 lease. The 2010 bonds do not constitute a claim or pledge on any other revenues of the Airport Authority. The bonds have will have no impact on the ability of the Airport Authority to issue property tax backed obligations of the Airport Authority as they are secured only by the debt rent. The 2010 bonds are not supported by either the general revenue of the Airport Authority or by a general obligation pledge of property tax revenues by the Airport Authority. The Airport Authority has no obligation to repay the 2010 bonds. As additional security to guaranty the repayment of the 2010 bonds, the Gary Jet Center, Inc. provided a letter of credit stating it is fully capable of paying the outstanding principal and interest on the 2010



**GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENT**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

bonds. The provision of the letter of credit by Gary Jet Center eliminates the risk to the Airport Authority in the case of a default on the 2010 bonds.

**Capital Assets** – Assets of long-term character that are intended to continue to be held or used such as land, buildings, improvements other than buildings, machinery and equipment and construction in progress are considered capital assets and have been reported at their historical costs.

**Payables and Receivables** – Accounts payable consist of amounts for goods and services that the Airport Authority received or used during the year, but had not been paid by the end of the year. Accounts receivables are amounts that are owed to the Airport Authority that have not been received by the end of the year.

**NOTE 2 – DEPOSITS AND INVESTMENTS**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be recovered. Indiana Code 5-13 allows a political subdivision of the State of Indiana to deposit funds in a financial institution only if the financial institution is a depository eligible to receive funds of the political subdivision. At December 31, 2014, the balances held at Chase Bank amounted to \$15,828,101. Restricted cash as of December 31, 2014 consist of the following:

Fifth Third Bank escrow account	\$14,840,272
US Bank Revenue Bond, Series 2014	29,443,894
	<u>\$44,284,166</u>

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

**NOTE 3 – RISK MANAGEMENT**

The Airport Authority may be exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; job related illness or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

**GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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**NOTE 3 – RISK MANAGEMENT (CONTINUED)**

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the Airport Authority to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. The Airport Authority has purchased insurance to mitigate such risks.

**NOTE 4 – PENSION PLAN**

**Public Employees' Retirement Fund**

*Plan Description* – The Indiana Public Employees' Retirement Fund ("PERF") is a defined benefit pension plan. PERF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement Systems ("INPRS") Board, most requirements of the system, and gives the Airport Authority a mandate 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 percent of compensation, plus the interest credited to the member's account. At December 31, 2014, the employer may elect to make the contributions on behalf of the member.

*Funding Policy and Annual Pension Costs* – The contribution requirements of the plan members for PERF are established by the board of Trustees of INPRS. As of January 1, 2014, the INPRS approved an employer contribution rate of 11%. The amount the Airport Authority contributed to employee's pension was \$54,194.

INPRS administers the plan and issue a publicly available financial report that includes financial statement and required supplementary information for the plan as a whole and its participants. That report may be obtained by contacting:

Indiana Public Retirement System  
1 North Capital Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

**GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENT**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

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**NOTE 5 – CASH BALANCE DEFICITS**

The Passenger Facility Charges Fund accounts for passengers facility charges collected by the City of Chicago Airports for financing certain capital projects. The Airport Authority must disburse the funds for the capital projects prior to being reimbursed by the City of Chicago from the passenger facility charges; thus, the reported cash and investment balance of the Passenger Facility Charges Fund is a deficit balance.

The Compact Fund accounts for expenditures of the Airport Authority for certain approved operating expenditures. The Airport Authority must disburse the funds for the operating expenditures prior to being reimbursed by the Compact; thus, the reported cash and investment balance of the Compact Fund is a deficit balance.

**NOTE 6 – LONG –TERM OBLIGATION**

Long-term obligations outstanding at December 31, 2014 are comprised of the following:

Airport Development Zone Revenue Bond, Series 2014

\$29,860,000 Airport Development Zone Revenue Bond, Series 2014 dated November 20, 2014 due December 2039; interest payable February 1 and August 1 of each year at 5% to 5.5%. The Series 2014 bonds are secured by a pledge and security interest in the Tax Increment, which are revenues received under the Airport Development Zone (“ADZ”) Act pursuant to Indiana Code 8-22-3.5.

Remaining principal and interest payments to maturity are as follows:

Total Outstanding Revenue Bonds			
Bond Year Ending February 1	Principal	Interest	Total
2015	\$ -	\$ 247,060	\$ 247,060
2016	940,000	1,533,475	2,473,475
2017	910,000	1,486,475	2,396,475
2018	885,000	1,440,975	2,325,975
2019	860,000	1,396,725	2,256,725
2020-2024	4,350,000	6,324,425	10,674,425
2025-2029	5,575,000	5,043,150	10,618,150
2030-2034	7,150,000	3,461,688	10,611,688
2035-2039	9,190,000	1,423,000	10,613,000
	<u>\$ 29,860,000</u>	<u>\$ 22,356,973</u>	<u>\$ 52,216,973</u>

**GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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**NOTE 7 – SUBSEQUENT EVENT**

The effects of the subsequent events on the financial events have been evaluated through the date of the auditor's report, which is the date the financial statement was available to be issued.

**NOTE 8 – OTHER MATTER**

The nature of the matter between Superior Construction Co., Inc. vs. Gary/Chicago International Airport Authority relates to unresolved disagreements on various portions of the road grade separation project as part of the runway expansion project. Superior filed its Complaint on July 8, 2014, alleging breach of contract and quantum meruit, claiming damages in the amount of \$955,257.16. The Authority has no dispute with approximately \$50,000 of Superior's claims. Although no insurance is available to cover attorney fees and/or damages, as part of the construction planning process, \$815,123 of the overall runway expansion project proceeds were set aside to address contingencies related to the Superior contract. Mediation has been set for May 2015 and the parties are hopeful that they will resolve a majority, if not all, of Superior's 19 claims. If the Authority lost on every claim, the absolute worst case scenario after the contingency has been spent appears to be damages of \$85,000 plus attorney fees. This is an extremely doubtful outcome as the Authority has many valid defenses and several of Superior's claims appear to be cases of "double-billing." If the parties are unable to settle this matter in May, then it is likely that the legal fees will be incurred in preparation for a 4-day trial which is currently scheduled to begin on July 11, 2016.

**NOTE 9 – REISSUANCE OF FINANCIAL STATEMENTS**

The financial statement report for the year ended December 31, 2014 have been reissued. The reissuance was a result of a quality control review that was performed by a governmental agency. Updates made corrected deficiencies noted by the agency and provides additional language and signatures to the identified deficiencies.

### **SUPPLEMENTARY INFORMATION-UNAUDITED**

For additional financial information, the Airport Authority's Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org>

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the Airport Authority which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditors' Report.

The supplementary information presented was approved by management of the Airport Authority. It is presented as intended by the Airport Authority.

**GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	007	008	009	012	013	014	015	300	310	
	<b>General Fund</b>	<b>Bond Fund</b>	<b>Cumulative Building Fund</b>	<b>Passenger Facility Charges Fund</b>	<b>Compact</b>	<b>ADZ TIF Allocation Fund</b>	<b>Non-Reverting Airport Development Fund</b>	<b>Payroll Fund</b>	<b>Marketing Fund</b>	<b>Totals</b>
Cash and Investments - January 1, 2014	\$ 825,189	\$ -	\$ 5,803,520	\$ (721,388)	\$ (20,503)	\$ 13,660,989	\$ 505,966	\$ 2,846	\$ 114,537	\$ 20,171,156
Receipts:										
Taxes	700,618	-	102,305	-	-	3,908,138	-	-	-	4,711,061
Intergovernmental	368,880	-	19,343,123	1,524,616	192,203	-	-	-	-	21,428,822
Charges for Services	1,217,544	-	-	-	-	-	-	-	-	1,217,544
Other Receipts	209,721	1,247,586	18,723	-	-	2,663	45	311,157	10	1,789,905
Other Receipts - Bond Proceeds	-	31,095,922	-	-	-	-	-	-	-	31,095,922
Total Receipts	<u>2,496,763</u>	<u>32,343,508</u>	<u>19,464,151</u>	<u>1,524,616</u>	<u>192,203</u>	<u>3,910,801</u>	<u>45</u>	<u>311,157</u>	<u>10</u>	<u>60,243,254</u>
Disbursements:										
Personal Services	660,204	-	-	-	-	-	-	-	-	660,204
Supplies	128,543	-	-	-	105,152	-	-	-	-	233,695
Other Services and Charges	1,841,783	2,899,614	-	1,245,149	256,987	1,730,416	-	-	12,115	7,986,064
Capital Outlay	14,382	-	6,342,523	547,431	-	1,375,152	-	-	-	8,279,488
Other Disbursements	<u>7,108</u>	<u>-</u>	<u>1,574,816</u>	<u>-</u>	<u>371</u>	<u>1,247,586</u>	<u>-</u>	<u>312,087</u>	<u>624</u>	<u>3,142,592</u>
Total Disbursements	<u>2,652,020</u>	<u>2,899,614</u>	<u>7,917,339</u>	<u>1,792,580</u>	<u>362,510</u>	<u>4,353,154</u>	<u>-</u>	<u>312,087</u>	<u>12,739</u>	<u>20,302,043</u>
Excess (deficiency) of receipts over disbursements	<u>(155,257)</u>	<u>29,443,894</u>	<u>11,546,812</u>	<u>(267,964)</u>	<u>(170,307)</u>	<u>(442,353)</u>	<u>45</u>	<u>(930)</u>	<u>(12,729)</u>	<u>39,941,211</u>
Cash and Investments - December 31, 2014	<u>\$ 669,932</u>	<u>\$ 29,443,894</u>	<u>\$ 17,350,332</u>	<u>\$ (989,352)</u>	<u>\$ (190,810)</u>	<u>\$ 13,218,636</u>	<u>\$ 506,011</u>	<u>\$ 1,916</u>	<u>\$ 101,808</u>	<u>\$ 60,112,367</u>

**GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY  
SCHEDULE OF PAYABLES AND RECEIVABLES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

<b>Government or Enterprise</b>	<b>Accounts Payable</b>	<b>Accounts Receivable</b>
Governmental Activities	\$ 1,627,228	\$ 1,060,056

**GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY  
SCHEDULE OF LEASE AND DEBT  
FOR THE YEAR ENDED DECEMBER 31, 2014**

<b>Type</b>	<b>Purpose</b>	<b>Ending Principal Balance</b>	<b>Principal Due within One Year</b>
Governmental activities:			
Revenue Bonds (Note 1)	Gary Jet Center Hangar Revenue Bonds	\$ 7,510,000	\$ 365,000
Revenue Bonds, Series 2014 (Note 6)	To finance the costs of constructing improvements to airport facilities, including an extension of the existing runway and other related site improvements	29,860,000	-
Total Lease and Debt		<u>\$ 37,370,000</u>	<u>\$ 365,000</u>



**GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY  
SCHEDULE OF CAPITAL ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

<u>Governmental Activities</u>	<u>Ending Balance</u>
Land	\$ 14,807,214
Infrastructure	17,849,893
Buildings	24,659,614
Improvements other than buildings	14,214,691
Machinery, equipment and vehicles	5,729,608
Construction in progress	<u>71,222,200</u>
 Total governmental activities	 <u>148,483,220</u>
 <b>Total Capital Assets</b>	 <b><u><u>\$ 148,483,220</u></u></b>

**GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY  
SUMMARY SCHEDULE OF PRIOR YEAR  
FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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***Financial Statement Findings***

***Initial Audit Finding Period: January 1, 2012 through December 31, 2012***

***FINDING 2013-01 - INTERNAL CONTROLS AND COMPLIANCE  
OVER FINANCIAL TRANSACTIONS AND REPORTING***

We noted deficiencies in the internal control system of the Gary Chicago International Airport Authority (the “Airport Authority”) related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses. Without a proper system of internal controls over financial transactions and reporting in place that operates effectively, material misstatements could occur which would remain undetected.

***Financial Statement and Schedule of Expenditures of Federal Assistance***

Effective controls have not been established to allow for review and verification of the Financial Statement and Schedule of Expenditures of Federal Assistance (“SEFA”). The control deficiencies related to the schedule of Expenditures of Federal Assistance allowed for errors in the reporting of the expenditures of the federal assistance.

Financial statements were prepared monthly by the Finance Manager. Reconcilements of bank and investment balances were prepared monthly by a finance clerk, and reviewed by the Finance Manager. The monthly financial statement prepared by the Finance Manger were included in the Board packets given to Board members, but the bank reconcilements were not included in the packets to allow board members the ability to confirm that the reported cash and investment balances agreed to the reconciled cash and investment balances. Additionally, the review of minutes does not indicate that the financial statements were acted upon by the Board.

The annual financial statement and SEFA was prepared by the Finance Manager. Neither the financial statement nor the SEFA were reviewed by another member of management or the governing board prior to submission to the State via the Gateway system.

Due to the limited number of staff members, the Finance Manager participates in other finance functions such as receipting and depositing collections, issuing and signing checks for vendor disbursements, and signing payroll checks.

Since the Finance Manager is involved in these other functions related to financial reporting, the Airport Board should not be relying solely upon her to review the financial statements and bank reconcilements.

***Receipts***

Due to the limited number of staff members, the Airport Authority has been unable to effectively segregate duties related to their receipting process. The Finance Manager

**GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY  
SUMMARY SCHEDULE OF PRIOR YEAR  
FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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participates in receipting collections, taking the collections to the bank for deposit, and recording the receipts in the records. Controls currently lack evidence that duties have been segregated between the receipt issuance function and preparation of the deposit ticket.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.

**GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY  
SUMMARY SCHEDULE OF PRIOR YEAR  
FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

We recommended that the Airport Authority establish and implement effective controls over financial transactions and reporting, including segregation of duties.

**Status: Beginning January of 2014, bank reconciliations were prepared by the Staff Accountant and approved/reviewed by the Finance Manager monthly. However, no evidence of review was noted starting May 2014. Financial statements were submitted to the Board but there was no evidence of action on monthly financial statements being reviewed by the Board at the 2014 meetings. Beginning with the October 2013 deposits, the Office Manager prepared the receipts and the Finance Manager prepared the deposit ticket and made the deposit. However, the Finance Manager still records the collection in the Accounting System.**

***Federal Award Findings and Questioned Costs***

***Initial Audit Finding Period: January 1, 2012 through December 31, 2012***

***FINDING 2013-02 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO THE AIRPORT IMPROVEMENT PROGRAM***

Federal Agency: Department of Transportation  
Federal Program: Airport Improvement Program  
CFDA Number: 20.106  
Federal Award Number: 3-18-0028-30  
Pass-Through Entity: Direct

Management of the Airport Authority has not established an effective internal control system, regarding segregation of duties, related to the grant agreement and all of the compliance requires that have a direct and material effect to the program. This includes the following compliance requirements: Activities Allowed, Allowable Costs, Cash Management, Davis-Bacon Act, Matching Period of Availability, and Reporting. The failure to establish an effective internal control system places the Airport Authority at risk of noncompliance with the grant agreements and the compliance requirements.

**GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY  
SUMMARY SCHEDULE OF PRIOR YEAR  
FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews and approvals over the activities of the grant.

Management has not established separate funds to account for the activities of each grant award. By establishing separate funds to account for the clients activities of each grant award, officials can efficiently monitor compliance requirements related to activities allowed, allowable costs, cash management, matching, period of availability, and reporting.

The Airport Authority received reimbursements for construction related activities from the Airport Improvement Program Grant, the State of Indiana, the City of Chicago, and the Northwest Indiana Regional Development Authority (RDA). The receipts and disbursements associated with each of these grants, except for the City of Chicago, were recorded in the Airport Cumulative Building Fund. Also, monies spent but not yet reimbursed by the Airport Improvement Program Grant were recorded in the Airport Improvement Fund. The money should be recorded in the fund in which the monies were expensed until reimbursement is received by the federal grant.

*Activities Allowed, Allowable Costs, Matching, Period of Availability*

Blanket purchase orders were prepared by the Finance Manager and submitted to the Board for approval when a construction contract was approved. The purchase orders were noted as signed by the Interim Airport Director through the use of a signature stamp. The blanket purchase order indicated the total dollar amount of the approved construction contract as well as the grant from which the associated construction invoices would be paid. A control had not been established to ensure that the vendor invoices were paid from the grant awards indicated on the blanket purchase order.

Establishing controls to ensure vendor invoices are paid from grant awards indicated on the approved purchase orders would assist management to ensure only allowable costs applicable to a specific grant award will be subsequently claimed for reimbursement.

*Activities Allowed, Allowable Costs, Cash Management, Matching, Period of Availability, and Reporting*

Airport management relied upon a paid consultant to prepare claims for reimbursements of federal Improvement Grants, to provide guidance as evidence by notes and emails. The Finance Manager, who initiates the claims for reimbursement by providing the invoices to the paid consultant, indicated that she reviewed the claim for reimbursement prior to submission for reimbursement; however, there was a lack that such reviews were being performed

**GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY  
SUMMARY SCHEDULE OF PRIOR YEAR  
FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

*Davis-Bacon Act*

Airport Management relies upon paid consultants to ensure compliance with the Davis-Bacon Act (payment of prevailing wages).

1. The contractors submitted payment applications to the Project Engineers. Before the Project Engineers approved the payment; the Project Engineers must receive the certified weekly payrolls from the Contractor. The Project Engineers stated that they ensured the wages paid equal or exceeded the applicable prevailing wage rates. However, no indication was made on the copies of the certified payrolls or other forms of documentation maintained as evidence those reviews were conducted.
2. A system of controls to ensure all certified payrolls were received did not exist.
3. The management of the Airport Authority did not receive any correspondence from the paid consultants to ensure compliance with the Davis-Bacon Act.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have

**GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY  
SUMMARY SCHEDULE OF PRIOR YEAR  
FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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a direct and material effect to the program could result in the loss of federal funds to the Airport Authority.

We recommended that the Airport Authority's management establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect to the program.

**Status:** Projects have been realigned with the various funding sources to ensure that receipts and disbursements are uniquely allocated to each grant. The Finance Manager began to initial the file copy of the documents indicating the reviews that were performed. The Finance Manager also signs off on the claims for reimbursement to indicate his review prior to submission. Also, a checklist was established for the project manager to indicate his/her review of the prevailing wages as well as other key document reviews.

***FINDING 2013-03 –COMPLIANCE RELATED TO THE AIRPORT IMPROVEMENT PROGRAM REPORTING***

***Initial Audit Finding Period: January 1, 2012 through December 31, 2012***

Federal Agency: Department of Transportation

Federal Program: Airport Improvement Program

CFDA Number: 20.106

Federal Award Number: 3-18-0028-25, 3-18-0028-26, 3-18-0028-27, 3-18-0028-28

Pass-Through Entity: Direct

Under the Airport Improvement Program (“AIP”), the Airport Authority is required to prepare and file the following reports with the Federal Aviation Administration:

Outlay Report and Request for Reimbursement (SF 271)

Federal Financial Report (SF-425)

Operating and Financial Summary (FAA Form 5100-127)

Financial Government Payment report (FAA 5100-126)

**GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY  
SUMMARY SCHEDULE OF PRIOR YEAR  
FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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The Airport Authority prepared the Outlay Report and Request for Reimbursement using the outdated FAA Form 5100-60, which has been replaced by the SF 271 Outlay Report and Request for Reimbursement.

The Federal Financial Reports (SF-425) are required to be filed quarterly for the AIP grants. The Quarterly SF-425 is due within 30 days after the close of the quarter. Additionally, a final SF-425 is due after a grant is completed. The quarterly reports for December 31, 2012 and 3013 were not filed until July 2014.

The Federal Financial Report (SF-425) requires the grantee to report cumulative receipts and disbursements as of the end of each quarter by grant award. The quarterly reports filed by the Airport Authority reflected only the receipts and disbursements for the quarter being reported.

Cumulative amounts since the grant inception were not reported as required. Furthermore, the Airport Authority only reported amounts that were claimed and received as reimbursements. Amounts disbursed by Airport Authority but not yet claimed for reimbursement were excluded from the reports. These reporting errors resulted in the Airport materially misrepresenting the financial transaction of the grant award activities for the quarter which reports were filed.

A Final SF-425 is due within 90 days of the projected or period end. Final reports for the 3-18-002826 and 3-18-0028-27 grant awards were not filed until July 2014.

The Airport Authority did not complete or file the Operating and financial Summary (FAA Form 5100-27 or the Financial Government Payment Report (FAA Form 5100-26).

The Airport Authority failed to present an accurate and complete reporting of the grant activities by not completing and filing the required federal financial reports. This failure has a direct and material effect on the Airport Authority's ability to comply with reporting requirements.

49 CFR section 18.20 Standards for financial management systems states in part:

“(b) The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) Financial reporting. Accurate current and complete disclosure of the financial results of financial assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.

Lack of submission of complete and accurate required financial reports could inhibit the Airport Authority's ability to receive further federal financial assistance.



**GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY  
SUMMARY SCHEDULE OF PRIOR YEAR  
FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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We recommended that the Airport Authority prepare accurate and complete reports in accordance with the federal guidelines.

**Status: Beginning in October 2013, the Airport Authority began using Form 271. SF-425 forms will be filed reporting disbursements rather than reimbursement with quarterly and cumulative transactions in July 2014. Forms 5100-127 and 5100-126 were filed in 2014 using 2013 financial data in July 2014.**

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

**Report on Compliance for Each Major Federal Program**

We have audited the Gary/Chicago International Airport Authority (the "Airport Authority") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of the Airport Authority's major federal programs for the year ended December 31, 2014. 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.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Airport Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133  
(Continued)

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Airport Authority's compliance.

***Basis for Qualified Opinion on Airport Improvement Program***

As described in the accompanying Schedule of Findings and Questioned Costs, the Airport Authority did not comply with requirements regarding CFDA 20.106 Airport Improvement Program as described in finding numbers 2014-003 for Reporting and 2014-004 for Davis-Bacon Act. Compliance with such requirements is necessary, in our opinion, for the Airport Authority to comply with the requirements applicable to that program.

***Qualified Opinion on Airport Improvement Program***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Airport Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Airport Improvement Program for the year ended December 31, 2014.

***Other Matters***

As discussed in Note 9 in the notes to the financial statements, the 2014 financial statements have been reissued. Except as discussed in Note 9, our opinion dated April 24, 2015 is not modified with respect to this matter. Additional procedures, as discussed in Note 9 have been performed through July 3, 2015 (date of completion of audit procedures limited to the revision described in Note 9).

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in a separate written document titled *Management Letter Comments*. Our opinion on each major federal program is not modified with respect to these matters.

The Airport Authority's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan at pages 44 and 45. The Airport Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control Over Compliance**

Management of the Airport Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Airport Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

(Continued)

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-003 and 2014-004 to be significant deficiencies.

The Airport Authority's response to the internal control over compliance findings identified in our audit is described in the Corrective Action Plan at pages 44 and 45. The Airport Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

**Whittaker & Company, PLLC**



Gary, Indiana  
April 24, 2015

## **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The Schedule of Expenditures of Federal Awards and accompanying note were prepared and approved by management of the Airport Authority. The schedule and note are presented as intended by the Airport Authority.

**GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

<b>Federal Grantor Agency</b>	<b>Pass-Through Entity or Direct Grant</b>	<b>Federal CFDA Number</b>	<b>Pass Through Entity (or Other) Identifying Number</b>	<b>Total Federal Awards Expended</b>
<b>Department of Transportation</b>				
Airport Improvement Program	Direct Grant			
Runway Expansion		20.106	3-18-0028-30	\$ 5,298,121
<b>Total - Department of Transportation</b>				5,298,121
<b>Total federal awards expended</b>				\$ 5,298,121

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

**GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Gary Chicago International Airport Authority and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the awards are received.

**GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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***Section I – Summary of Auditor's Results***

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified?	None reported
Noncompliance material to financial statement noted?	Yes

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	Yes
Significant deficiencies identified?	Yes
Type of auditor's report issued on compliance for Major program:	Qualified
Any audit findings disclosed that are required to be reported In accordance with section 510(a) of OMB Circular a-133?	Yes

Identification of Major Program:

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?	No
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**GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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***Section II – Financial Statement Findings***

***FINDING 2014-001 – INADEQUATE COMPUTER BACK-UP PROCEDURES AND INADEQUATE CONTROLS OVER NETWORK SERVER SECURITY***

The Gary/Chicago International Airport Authority (“Airport Authority”) did not ensure that adequate computer back-up procedures are in place and had not established adequate controls over network server. The following deficiencies are considered material weaknesses in internal control.

The Airport Authority has contracted the City of Gary, Department of Information (“DoIT”) to institute a stable, secure network core for the Authority built upon its current working infrastructure and topology. During the upgrade process of the server, DoIT was not able to verify that the current back-up procedures of the Authority were working properly. In January 2015 while DoIT updated the system, accounting files were lost. The lost files were for the periods of August through December of 2014. This has resulted to loss of accounting data when the QuickBooks file got corrupted.

It was also noted that the network server is located in an unsecured area. It is located in an open closet in a small conference room where anyone can have access.

Good internal control states that adequate computer back-up procedures are essential components of recovery efforts necessary for the Airport Authority to maintain its systems and assure its critical systems can be effectively recovered within a reasonable timeframe. It also requires reasonable cost-effective procedures be implemented to ensure the integrity and security of information maintained on the Airport Authority’s computer systems.

We recommend the Airport Authority ensure that its back-up procedures are working properly to prevent loss of data. They should also consider storing back-up files in a secure off-site location. In addition, network server should be placed in a locked and secured location with limited access to authorized personnel.

***FINDING 2014-002 - INTERNAL CONTROLS AND COMPLIANCE OVER FINANCIAL TRANSACTIONS AND REPORTING***

We noted deficiencies in the internal control system of the Gary/Chicago International Airport Authority (“Airport Authority”) related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses. Without a proper system of internal controls over financial transactions and reporting in place that operates effectively, material misstatements could occur which would remain undetected.

**GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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*Financial Statement and Schedule of Expenditures of Federal Awards*

Effective controls have not been established to allow for review and verification of the Financial Statements and preparation of the Schedule of Expenditures of Federal Awards (“SEFA”).

Financial statements were prepared monthly by the Finance Manager. During 2014, the monthly financial statements were not included in the Board packets given to Board members. Reconciliation of bank and investment balances were prepared monthly by the Staff Accountant and reviewed by the Finance Manager. However, no evidence of review of the Finance Manager was noted on the bank reconciliations beginning May 2014. Bank reconciliations were also not included in the packets to allow Board members the ability to confirm that the reported cash and investment balances agreed to the reconciled cash and investment balances.

Further, the Airport Authority did not prepare the SEFA for the year ended December 31, 2014. This is a noncompliance to OMB Circular A-133.

Due to the limited number of staff members, the Finance Manager participates in other finance functions such as recording receipts and depositing collections, issuing and signing checks for vendor disbursements, and signing payroll checks. Since the Finance Manager is involved in these other functions related to financial reporting, the Airport Board should not be relying solely upon him to review the financial statements and bank reconciliations.

*Receipts*

The Airport Authority has been unable to effectively segregate duties related to their receipting process due to limited staffing. The Finance Manager participates in taking the collections to the bank for deposit and recording the receipts in the accounting system. Controls currently lack evidence that these duties have been segregated. Also, deposits are made at inconsistent times. Checks received from customers are not entered in the Accounting System until the deposit is made.

*Journal Entries*

No documentation was noted on some of the journal entries tested to show who prepared and approved the entry. While the journal entry may be valid, there was no evidence that entry was reviewed and approved. There is no formal review process to ensure that the journal entry is adequately supported and that the correct accounts are charged prior to posting to the general ledger.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

**GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

We recommended that the Airport Authority establish and implement effective controls over financial transactions and reporting, including segregation of duties.

**GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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***Section III – Federal Award Findings and Questioned Costs***

***FINDING 2014-003 –COMPLIANCE RELATED TO THE AIRPORT IMPROVEMENT PROGRAM REPORTING***

Federal Agency: Department of Transportation  
Federal Program: Airport Improvement Program  
CFDA Number: 20.106  
Federal Award Number: 3-18-0028-30  
Pass-Through Entity: Direct

Under the Airport Improvement Program (“AIP”), the Airport Authority is required to prepare and file the following reports with the Federal Aviation Administration:

Outlay Report and Request for Reimbursement (SF-271)  
Federal Financial Report (SF-425)  
Operating and Financial Summary (FAA Form 5100-127)  
Financial Government Payment report (FAA Form 5100-126)  
Quarterly Performance Report

During testing, the following deficiencies were noted:

- The Outlay Report and Request for Reimbursement (SF-271) and Federal Financial Report (SF-425) prepared by the Authority both have incorrect reporting period. The SF-271 shows 9/10/2014 – 9/31/2014 reporting period when it should have been 10/1/2013 – 9/30/2014; while the SF-425 shows reporting period of only one month ended 9/30/2013 when it should have been an annual report ended 9/30/2014.
- The Federal Financial Report (SF-425) requires the grantee to report cumulative receipts and disbursements as of the end of each fiscal year. The report filed by the Airport Authority did not report any amount of disbursements for the fiscal year ended September 30, 2014. Amounts disbursed by Airport Authority but not yet claimed for reimbursement were excluded from the reports. These reporting errors resulted in the Airport materially misrepresenting the financial transaction of the grant award activities for the year which reports were filed.
- FAA Form 5100-126 and Form 5100-127 reports are due within 120 days of the Airport Authority’s year-end. Forms 5100-126 and 5100-127 using 2013 financial data were submitted 77 days late, while the quarterly performance reports were submitted 8 to 47 days late.

The Airport Authority failed to present an accurate and complete reporting of the grant activities by not filing the required reports accurately and timely. This failure has a direct and material effect on the Airport Authority’s ability to comply with reporting requirements.

**GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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49 CFR section 18.20 Standards for financial management systems states in part:

“(b) The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) Financial reporting. Accurate current and complete disclosure of the financial results of financial assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant”.

Failure to submit complete and accurate financial reports on a timely basis could inhibit the Airport Authority’s ability to receive further federal financial assistance.

We recommended that the Airport Authority prepare accurate and complete reports in accordance with the federal guidelines.

***FINDING 2014-004 – COMPLIANCE WITH DAVIS-BACON ACT RELATED TO AIRPORT IMPROVEMENT PROGRAM***

Federal Agency: Department of Transportation  
Federal Program: Airport Improvement Program  
CFDA Number: 20.106  
Federal Award Number: 3-18-0028-30  
Pass-Through Entity: Direct

Airport Management relies upon paid consultants to ensure compliance with the Davis-Bacon Act (payment of prevailing wages).

During testing, the following deficiencies were noted:

- The contractors submitted payment applications to the Project Engineers. Before the Project Engineers approved the payment, they must receive the certified weekly payrolls from the Contractor. The Project Engineers stated that they ensured the wages paid equal or exceeded the applicable prevailing wage rates. According to the Capital Program Manager, starting September 2013, a checklist has been utilized to indicate that they reviewed the certified payroll and prevailing wage rate. However, our testing disclosed that the new procedure was not consistently observed. No indication was made on the copies of the certified payrolls that reviews were conducted.
- Four of 10 (40%) payment applications tested that were submitted to Accounting for processing did not include a copy of the certified payroll.
- A system of controls to ensure all certified payrolls were received did not exist.
- The prevailing wage rate clause was not indicated in the construction contract examined.

**GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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The Code of Federal Regulations on “Labor Standards Provisions Applicable to Contracts Covering Federally Financed and Assisted Construction (29 CFR 5.5) requires contractors submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of all payrolls. It further requires that each payroll submitted shall be accompanied by a “Statement of Compliance” signed by the contractor (certified payrolls).

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

Failure to determine if contractors have complied with the Davis-Bacon Act may result in noncompliance with applicable regulations and in federal funds being expended for unallowable purposes. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the Airport Authority.

We recommended the Airport Authority establish and implement procedures to ensure all required payroll certifications are contractually required by the Airport Authority in its contracts, and that they are obtained once the project has begun.



April 27, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
CORRECTIVE ACTION PLAN

**Finding 2014-001 – Inadequate Computer Back-Up Procedures and Inadequate Controls Over Network Server Security**

The Airport Authority has their new server in place and the network backs up daily differential information and fully backs up every week. In the near future, once the Authority's internet upgrade is complete, their files will be saved in an internet cloud based location to ensure security. Also, the server is in a secured locked location.

**Contact Person: William Outlar (219) 949-4903**

**Estimated Completion Date: 7/2015**

**Finding 2014-002 – Internal Controls and Compliance Over Financial Transactions and Reporting**

**Financial Statement and Schedule of Expenditures of Federal Assistance (SEFA):**

The bank reconciliations are prepared by the Accounting Specialist and reviewed and signed by the Finance Manager. The financial statements are prepared by the Finance Manager and submitted to the Airport Director along with the bank reconciliations, for review prior to submitting to the Gary Chicago International Airport Authority (GCIAA) Board.

The Accounting Specialist processes all disbursements including payroll. The disbursements are reviewed by the Finance Manager and the Airport Director prior to submission them to the GCIAA Board for approval.

**Receipts**

The Office Manager logs in the mail and prepares receipts for all incoming checks. The Accounting Specialist records the receipt in the accounting system and either the Operations Manager or the Assistant Manager fills out the deposit slip. When either of these individuals is absent the Airport Manager will fill in. Once one of the other managers initials and confirms the deposit amount, the Finance Manager makes the deposit.

### Journal Entries

The Accounting Specialist will prepare and enter journal entries and the Finance Manager will review and approve them. A journal entry form will be established with a signature line for approval by the Finance Manager.

The Schedule of Expenditures for Federal Awards was submitted to the Airport Director and the GCIAA Board for final approvals.

**Contact Person: William Outlar (219) 949-4903**

**Estimated Completion Date: 6/2015**

### **Finding 2014-003 Compliance Related To The Airport Improvement Program**

#### **Reporting**

Federal Agency: U.S. Department of Transportation

Federal Program: Airport Improvement Program

CFDA Number: 20.106

Federal Award Number: 3-18-0028-30

Pass-Through Entity: Direct

All federal reports, including SF-425 will be accurately and timely submitted to the Airport Director to ensure completeness and receive approval prior to final submission.

Disbursements for the grant will be recorded in their own separate fund. The Finance Manager will submit these disbursements to the consultant to process for reimbursement. The reimbursement report is prepared by the consultant and forwarded to the Finance Manager for final review and signoff. The Finance Manager reviews the report and submits it to the Airport Director for approval. After the review has been completed, an e-mail notification is sent to the consultant that the report can be submitted. The report will be initialed indicating the Finance Manager's review.

**Contact Person: William Outlar (219) 949-4903**

**Estimated Completion Date: 6/2015**

### **Finding 2014-004 Compliance With Davis-Bacon Act Related To Airport Improvement Program**

Federal Agency: U.S. Department of Transportation

Federal Program: Airport Improvement Program

CFDA Number: 20.106

Federal Award Number: 3-18-0028-30

Pass Through Entity: Direct

#### **Davis-Bacon Act**

The current checklist will be modified to indicate that the certified payroll is included in the Pay Application. The project manager will initial the checklist indicating the reviews that were performed for the Pay Application. The Finance Manager will follow up monthly and verify for the inclusion of certified payrolls

**Contact Person: William Outlar (219) 949-4903**

**Estimated Completion Date: 6/2015**

Signed: , Interim Airport Director



**GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY  
EXIT CONFERENCE  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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The contents of this report were discussed on April 28, 2015 with Stephen Mays, Chairman of the Airport Authority's Board of Directors, Dan Vicari, Interim Airport Director, Delbert Brown, Airport Manager, William Outlar, Finance Manager/Treasurer, and Michael Tolbert, Airport Attorney. Responses have been made a part of this report and can be found at pages 44 and 45.