B46592

STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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July 12, 2016

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, 2015 to December 31, 2015. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. The auditors were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the Gary Chicago International Airport Authority, as of December 31, 2015. Thus they disclaimed an opinion.

We call your attention to the Section II and III findings contained in the Schedule of Findings and Questioned Costs on pages 12 through 16 of the Federal Single Audit report as summarized below;

1. Section II;

   a. 2015-001 – Inadequate Controls Over Network Server Security

   b. 2015-002 - Internal Controls and Compliance Over Financial Transactions and Reporting

2. Section III;

   a. 2015-002 - Internal Controls and Compliance Over Financial Transactions and Reporting

   b. 2015-003 – Compliance Related to the Airport Improvement Program Reporting

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 significant deficiencies 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 Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; And Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance. Significant deficiencies in internal control and noncompliance with the requirements for reporting are reported in Findings 2013-002 and 2013-003.

Both the financial statements and federal single audit reports are filed with this letter in our office as a matter of public record.

Paul D. Joyce

Paul D. Joyce, CPA
State Examiner

GARY CHICAGO INTERNATIONAL AIRORT AUTHORITY

Gary, Indiana

FINANCIAL STATEMENT AUDIT REPORT

For the Years Ended December 31, 2015 and 2014

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
Gary, Indiana

ANNUAL FINANCIAL REPORT
For the Years Ended December 31, 2015 and 2014

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GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
Gary, Indiana

SCHEDULE OF OFFICIALS

Office	Official	Term
Acting Director	Daniel Vicari	May 2015 – December 2015
Finance Manager/Treasurer	Carolyn Keith	January 1, 2014 – May 12, 2014
	William Outlar	May 27, 2014 – December 31, 2015
Acting President of the Airport Authority Board	James Cooper	January 27, 2014 – December 31, 2014
President of the Airport Authority Board	Stephen Mays	January 1, 2015 – December 31, 2015

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WHITTAKER & COMPANY PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Gary Chicago International Airport Authority
Gary, Indiana

We were engaged to audit the accompanying financial statements of the Gary Chicago International Airport Authority (the "Authority") as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter(s) described in the "Basis for Disclaimer of Opinion" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion on the Financial Statements as a Whole

As discussed in Note 13 to the financial statements, management has not recorded certain general capital assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general infrastructure assets be capitalized and depreciated, which would increase the assets, net position, and expenses of the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.

Disclaimer of Opinion

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion on the Financial Statements as a Whole" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the Authority. Accordingly, we do not express an opinion on these financial statements.

Emphasis of a Matter – Correction of an Error

As discussed in Note 14, adjustments were made to beginning balances at January 1, 2015 due to prior reporting errors pertaining to capitalized assets and accumulated depreciation.

Other Matters

Management has omitted the management, discussion, and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

As discussed in Note 15 in the notes to the financial statements, the 2015 financial statements have been reissued. Except as discussed in Note 15, our opinion dated April 22, 2016 is not modified with respect to this matter. Additional procedures, as discussed in Note 15 have been performed through June 22, 2016 (date of completion of audit procedures limited to the revision described in Note 15).

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 22, 2016 on our consideration of the Authority's internal control over financial reporting and on tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Authority's internal control over financial reporting and compliance.

Whittaker & Company, PLLC

Whittaker & Company, PLLC

Gary, IN
April 22, 2016

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
STATEMENT OF NET POSITION
FOR THE YEARS DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
Current assets		
Unrestricted assets:		
Cash and cash equivalents	$ 368,996	$ 448,073
Accounts receivable, net of allowance	724,199	193,908
Property tax receivables, net of allowance	414,875	402,428
Passenger facility charge receivable	-	866,149
Prepaid items	39,133	28,122
Total unrestricted assets	1,547,203	1,938,680
Restricted assets:		
Cash and cash equivalents	37,595,545	59,664,294
Total restricted assets	37,595,545	59,664,294
Total current assets	39,142,748	61,602,974
Non-current assets		
Capital assets, net	131,249,693	149,197,884
Total noncurrent assets	131,249,693	149,197,884
Total assets	$ 170,392,441	$ 210,800,858
LIABILITIES AND NET POSITION		
Current liabilities		
Payable from unrestricted:		
Accounts payable	$ 932,542	$ 1,730,369
Accrued payroll liabilities	5,367	8,807
Accrued compensated absences	-	2,929
Security deposits	12,237	15,215
Total unrestricted	950,146	1,757,320
Payable from restricted:		
Retainage payable	1,511,519	1,015,017
Accrued interest on long-term debt	638,948	41,177
Current portion of bonds and other long-term debt	968,360	-
Total restricted	3,118,827	1,056,194
Total current liabilities	4,068,973	2,813,514
Non-current liabilities		
Bonds and other long-term debt, net	28,920,000	29,860,000
Bonds premium	1,178,394	1,233,734
Total noncurrent liabilities	30,098,394	31,093,734
Total liabilities	34,167,367	33,907,248
Net position		
Net investment in capital assets	113,480,925	149,197,884
Restricted for:		
Capital projects	37,050,665	26,928,645
Marketing and development	506,011	506,011
Unrestricted	(14,812,527)	261,070
Total net position	136,225,074	176,893,610
Total liabilities and net position	$ 170,392,441	$ 210,800,858

See accompanying notes to financial statements.

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Operating revenues		
Lease Revenue - Building/Land	$ 772,352	$ 733,753
Lease Revenue - T Hangar	98,371	90,606
Lease Revenue - Terminal	9,680	8,272
Fuel Flowage	280,480	198,398
Landing	106,773	57,509
Parking	12,116	25,615
Other operating	762,253	496,287
Total operating revenues	2,042,025	1,610,440
Operating expenses		
Personnel	90,624	924,376
Services	3,750,925	6,263,817
Commodities	155,230	230,070
Other	263,326	(103,785)
Total operating expenses	4,260,105	7,314,478
Operating income before depreciation	(2,218,080)	(5,704,038)
Depreciation	6,332,582	81,392
Loss from operations	(8,550,662)	(5,785,430)
Non-operating revenues		
Property and other taxes	4,964,646	4,701,006
Passenger facility charge	-	1,649,376
Interest income	30,791	16,091
Net nonoperating revenues	4,995,437	6,366,473
Non-operating expenses		
Interest expense	1,584,588	2,938,603
Non-operating income	3,410,849	3,427,870
Loss before capital contributions	(5,139,813)	(2,357,560)
Capital contributions		
Federal grants	834,699	5,298,121
State grants	46,360	166,667
Local grants	422,357	11,176,864
Total capital contributions	1,303,416	16,641,652
Change in net position	(3,836,397)	14,284,092
Net position		
Total net position, beginning of period as previously reported	176,893,610	162,609,518
Prior period adjustments	(36,832,139)	-
Total net position, beginning of period as restated	140,061,471	162,609,518
Total net position, end of period	$ 136,225,074	$ 176,893,610

See accompanying notes to financial statements.

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Cash flows from operating activities		
Receipts from customers	$ 1,363,795	$ 1,711,923
Payments to suppliers	(4,991,586)	(8,986,872)
Payments to employees	(83,726)	(494,562)
Net cash used in operating activities	(3,711,517)	(7,769,511)
Cash flows from non-capital financing activity		
Operating grant receipts	(1,818)	368,880
Receipts of property and other taxes	4,952,199	4,711,060
Net cash provided by noncapital financing activities	4,950,381	5,079,940
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(24,720,028)	(6,641,561)
Proceeds from capital bonds	-	31,095,922
Interest paid on bonds and other long-term debt	(1,013,797)	(2,899,614)
Capital grant receipts	1,450,195	19,535,328
Passenger facility charge receipts	866,149	1,524,616
Net cash (used in)/provided by capital and related financing activities	(23,417,481)	42,614,691
Cash flows from investing activities		
Interest received on investments	30,791	16,091
Net cash provided by investing activities	30,791	16,091
Net (decrease)/increase in cash and cash equivalents	(22,147,826)	39,941,211
Cash and cash equivalents, beginning of year	60,112,367	20,171,156
Cash and cash equivalents, end of year	$ 37,964,541	$ 60,112,367
Reconciliation of operating loss to net cash used in operating activities:		
Loss from operations	$ (8,550,662)	$ (5,785,430)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	6,332,582	81,392
Changes in assets and liabilities:		
Accounts receivable	(675,252)	100,711
Accounts payable	(797,827)	(2,094,166)
Prepaid items	(11,011)	(27,858)
Accrued payroll liabilities	(3,440)	(25,978)
Accrued compensated absences	(2,929)	(18,954)
Security deposits	(2,978)	772
Net cash used in operating activities	$ (3,711,517)	$ (7,769,511)
Non-cash capital and related financing activities		
Capital and related financing activities		
Capital assets included in accounts payable	$ 54,448	$ 838,830

See accompanying notes to financial statements.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: The Gary Chicago International Airport Authority (the Authority) is a municipal corporation established October 1, 1976, under authority granted by Indiana statute (IC 19-6-3.5 as amended by Acts 1981). The Authority was established for the general purpose of maintaining, operating, and financing the Gary Chicago International Airport and its related facilities in Lake County, Indiana, and in connection therewith is authorized, among other things, to issue general obligation and revenue bonds and to levy taxes in accordance with the provisions of the statute. The Authority has no stockholders or equity holders and all revenues and other receipts must be disbursed in accordance with such statute.

Use of Estimates in Preparation of Financial Statements: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Reporting Entity: As required by accounting principles generally accepted in the United States of America (GAAP), these financial statements present the Gary Chicago International Airport Authority.

The Authority's Board consists of seven members, four appointed by the Mayor of the City of Gary, one appointed by the Lake County Commissioners, one appointed by the Porter County Commissioners, and one appointed by the Governor of the State of Indiana.

Based upon the financial benefit or burden relationships with other governmental entities in addition to the fiscal independence or dependence criterion set forth by the Governmental Accounting Standards Board (GASB), the Authority is not considered to be a component unit of any other governmental entity.

In reaching the aforementioned conclusion, the Authority considered the following reporting entity definition criteria:

A. Fiscal Dependency

   1. The Authority’s budget and the tax levy to meet it requires approval from the Gary Common Council to adopt the final budget and any tax levy for the Authority’s units.

   2. The Authority may issue general obligation bonds or revenue bonds at the Board’s discretion.

B. Financial Benefit or Burden Relationship

   There are no other entities that are ultimately responsible to levy a backup tax to pay the debt service on the Authority’s 2014 Bonds if the Authority is unable to do so.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting and Reporting: The financial statements consist of a single enterprise fund, which is accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Separate funds are established, maintained, and reported by the 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 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 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 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.
- 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. There are no separate financial statements available for the blended component unit.
- The Payroll Trust Fund accounts for receipts and disbursements related to payroll withholdings.
- The Marketing Fund accounts for marketing expenditures of the Authority.

The Authority reports revenues and expenses as operating or nonoperating. Operating revenues and expenses result from providing services in connection with the Authority's ongoing operations. The Authority classifies revenues from tenants, fixed based operators, concessions, parking, and building and ground lessees as operating revenues. All expenses relating to operating the Authority such as personnel and administrative expenses, supplies, repairs to property and equipment, charges for professional and other contractual services, utilities, and depreciation expense on capital assets are reported as operating expenses.

All other revenues such as property and other taxes, passenger facility charges, customer facility charges, and interest income are considered nonoperating revenues while revenues from grants are considered capital contributions. Interest expense is reported as nonoperating expense.

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

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority follows GASB pronouncements as codified under GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA.

Cash and Cash Equivalents: For purposes of the statement of cash flows, the Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents, which are stated at cost, consist of short-term government money market funds.

Investments: Indiana statutes authorize the Authority to invest in United States obligations and issues of federal agencies, secured repurchase agreements, certificates of deposit, money market deposit accounts, passbook savings accounts and negotiable order of withdrawal (NOW) accounts.

Prepaid Items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets: Capital assets, which include property, equipment, infrastructure (e.g., taxiways, runways, roads, terminal apron), and intangible assets are defined by the Authority as assets with an initial cost of $5,000 or more and estimated useful life of two or more years. These assets are recorded at historical cost.

Maintenance and repairs that do not add value to the assets or materially extend assets lives are not capitalized. When capital assets are disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any gain or loss on disposition is credited or charged to expense. Runways, taxiways, parking areas, sewers and other similar items are written off when fully depreciated unless clearly identified as still being in use.

Except for inexhaustible capital assets such as land, land improvements, aviation easements and construction in progress, all capital assets, including infrastructure assets, are depreciated or amortized (intangibles) using the straight-line method over the estimated useful lives of the assets as follows:

	Years
Buildings	5-50
Furniture and fixtures	5-50
Infrastructure items	10-50
Intangibles	3-10
Equipment	3-20

In accordance with GASB Statement No. 34, interest during construction periods, when significant, is capitalized and included in the cost of capital assets. The Authority incurred total interest cost of $0 for the years ended December 31, 2015 and 2014.

Original Issue Discount and Premium: Original issue discount and premium on bonds are amortized using the effective interest method over the life of the bonds to which it relates.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences: All full-time employees receive compensation for vacations, holidays, illness, and certain other qualifying absences. The number of days compensated for the various categories of absence is generally based on length of service. Vacation that has been earned but not paid has been accrued in the financial statements. Accumulated unused sick leave benefits are nonvesting and are not piad upon separation. In accordance with GASB Statement No. 16, the Authority accrues accumulated unused leave benefits for employees. Based upon historical information, it was determined that these employees would most likely meet the conditions necessary to receive their leave benefits. All leave is paid out of the General Fund.

Net Position: The residual of all elements is presented in the Authority's Statement of Net Position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net position has three components: Net investment in capital assets; restricted and unrestricted.

Net investment in capital assets consist of capital assets net of accumulated depreciation and reduced by outstanding debt related to the acquisition, construction, or improvement of those assets. Deferred outflows and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. The Authority's restricted assets are expendable. The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Capital Grant Funds: Certain expenditures for airport capital improvements receive significant federal funding through the Airport Improvement Program of the Federal Aviation Administration (FAA). Funds are also received for airport development from the State of Indiana. The Authority funds the remaining balance of such expenditures. Capital funding provided under government grants is considered earned as the related approved capital improvement expenditures are disbursed.

Passenger Facility Charge (PFC) Revenue: Through a 1995 compact agreement between the City of Chicago and the City of Gary the Chicago/Gary Regional Airport Authority was formed. Gary Chicago International Airport Authority receives a small percentage of the PFC revenue collected at O'Hare and Midway Airports. This revenue goes into a separate PFC account and can only be used to support FAA-approved projects which include, but are not limited to, safety, runways/taxiways, and noise reduction.

Accounts Receivable: The Authority records revenue that has been earned but not yet received as accounts receivable. As of December 31, 2015 and 2014, receivables totaling $724,199 and $193,908, respectively, are presented in the financial statements.

Retainage Payable: The Authority has recorded retainage payable of $1,511,519 and $1,015,017 as of the years ended December 31, 2015 and 2014. This consists of payments owed to contractors for the Authority's runway expansion project. These liabilities are expected to be paid within the next fiscal year when the runway expansion project is complete and all other contractor requirements are met.

Long-Term 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.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Rental Income: All leases of the Authority are accounted for as operating leases. Rental income is generally recognized as it becomes receivable over the respective lease terms. The Authority has no significant leases that would require the recording of income in accordance with GASB Statement No. 13, Accounting for Operating Leases with Scheduled Rent Increases.

Property Taxes: The following summarizes the property tax calendar for the current year:

Lien date	March 1, 2014
Levy date	January 1, 2015
Tax bills mailed	April 1 and October 1, 2015
First installment payment due	May 10, 2015
Second installment payment due	November 10, 2015
Authority collection dates	June and December, 2015
Tax sale - 2014 delinquent property taxes	August, 2017

Property taxes levied are collected by the Lake County Treasurer and periodically remitted to the Authority.

Property taxes are accrued when levied, and receivables aggregated are $882,714 and $856,232 with an allowance of $467,839 and $453,804 for delinquent taxes, at December 31, 2015 and 2014, respectively.

Risk Management: The 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; and natural disasters. The Authority carries commercial insurance to protect against all of these risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the past three years. There was no reduction in insurance coverage during 2015.

Interfund Transfers and Loans: The Authority 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. For the year ended December 31, 2015, ADZ TIF Allocation Fund transferred $6,395,318 to the Bond Fund as part of the 2014 Bond Indenture Agreement.

Interfund loans consisted of $38,993 in the ADZ TIF Allocation Fund due from the Cumulative Building Fund (AIP Fund). This loan is to cover temporary cash shortfalls with pending receivables from the other sources being used to repay the loans when received.

Budgetary Compliance: The State of Indiana requires the Authority to legally adopt a budget annually. The basis of budgetary adoption and compliance is primarily cash basis accounting. Open purchase orders are added to budgetary expenditures at year-end to measure compliance. Additionally, open purchase orders are automatically added to the following year's budget without the necessity of the additional appropriation legal process. All remaining unencumbered appropriations lapse at year-end.

The legal level of budgetary control is by major expense category. Budgeted amounts may be transferred within major expense categories solely upon approval from the Authority's Board. However, any revision that alters the total appropriation of any major expense category must, in addition, be approved by the State Department of Local Government Finance. During the year, several appropriation transfers were made to ensure that expenditures did not exceed budgeted appropriations.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prior-Year Information

The basic financial statements include prior year comparative information. Certain 2014 amounts have been reclassified to conform to the 2015 presentation.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of net position at December 31, 2015 and 2014, consist of the following:

	2015	2014
Cash and Cash Equivalents:		
Current	$ 368,996	$ 448,073
Current, restricted	35,595,545	59,664,294
	$ 37,964,541	$ 60,112,367

Deposits with financial institutions and petty cash at December 31, 2015 and 2014 are as follows:

	2015	2014
Cash deposits	$ 12,436,138	$ 15,828,101
Petty cash	-	100
Total deposits	$ 12,436,138	$ 15,828,201

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Authority's deposits may not be returned. The Authority's deposit policy for custodial credit risk requires compliance with provisions of Indiana Code (IC) 5-13-9. The Authority's cash deposits and CD's are insured by the Federal Deposit Insurance Corporation (FDIC) at each bank for a combined total of up to $250,000. Deposits in excess of $250,000 for cash deposits and CD's at each bank are insured by the Indiana Public Deposits Insurance Fund (IPDIF). The IPDIF is a multiple financial institution collateral pool as provided under IC 5-13-12-1. Authority deposits totaling $250,000 are insured by the FDIC. Remaining deposits are insured by the IPDIF.

At December 31, 2015 and 2014, the Authority had the following cash equivalents (maturity of three months or less):

	2015	2014
Short-term government money market funds	$ 25,484,669	$ 44,284,166

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

Although not guaranteed by the FDIC or the IPDIF, these funds invest their assets exclusively in obligations of the U.S. Treasury and other obligations guaranteed by the U.S. Treasury. A portion of the Authority's bank deposits that are invested overnight in repurchase agreements are uninsured and held in the financial institution's name. The Authority's policy is to follow IC 5-13-9-2.5, which requires that repurchase agreements be collateralized with U.S. Government securities.

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize credit risks associated with investments, the Authority's policy is to follow IC 5-13-9-2.5, which limits investments to money market funds rated AAAm by Standard and Poor's Corporation or Aaa by Moody's Investors Service, Inc., repurchase agreements fully collaterized by U.S. Government securities, and U.S. Treasury obligations (or other U.S. Agency obligations). As of December 31, 2015 and 2014, the Authority's investments met these criteria.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority's investment policy to minimize interest rate risk is to abide by the Indiana Code, which limits investments to securities with a stated maturity of not more than two years. This maturity limitation reduces the Authority's exposure to declines in fair values related to increases in interest rates.

Foreign currency risk is the risk that changes in interest rates will adversely affect the fair value of an investment or deposit. All Authority deposits and investments are denominated in U.S. currency.

NOTE 3 – RESTRICTED ASSETS

Cash and Cash Equivalents: Cash, cash equivalents and investments are restricted as follows:

	2015	2014
Pursuant to the Airport Development Zone Bonds of 2014 Trust Indenture:		
Bond Revenue Fund	$ 4,019,411	$ -
Bond Expense Fund	-	75,421
Bond Construction Fund	10,161,821	26,894,998
Bond Reserve Fund	2,473,682	2,473,475
Bond Principal and Interest Fund	3	-
Supplemental Reserve Fund	412,256	-
Bond Excess Fund	950,293	-
Pursuant to the activities of the Non-Reverting Airport Development Fund	506,011	506,011
Pursuant to the Cumulative Building Fund Established in 2000	9,820,452	17,213,954
Pursuant to the Passenger Facility Charges Fund	436,405	-
Pursuant to the ADZ/TIF Allocation Fund	8,815,211	12,500,435
Total	$ 37,595,545	$ 59,664,294

Airport Development Zone Bonds of 2014: The Trust Indenture adopted November 1, 2014, in conjunction with the issuance of the Airport Development Zone Bonds of 2014 (the 2014 Bonds), provided that certain accounting procedures be followed and certain accounts be established.

NOTE 3 – RESTRICTED ASSETS (Continued)

The Trust Indenture requires the Trustee to establish the following accounts: Reserve Fund, and Supplemental Reserve Fund.

Reserve Fund – Under the Trust Indenture, the Authority created a Reserve Fund and deposited the proceeds of the Series 2014 Bonds. The 2014 Reserve Fund constitutes an added margin for safety and act as a protection against default in the payment of principal of and interest on the Series 2014 Bonds.

Moneys in the 2014 Reserve Fund shall be used, after all amounts held in the 2014 Supplemental Reserve Fund are depleted, to pay current principal of and interest on the Series 2014 Bonds to the extent that moneys in the Bond Principal and Interest Fund for the Series 2014 Bonds after any deposits from the 2014 Supplemental Reserve Fund are less than the amount needed to pay principal and interest on the Series 2014 Bonds when due. In the event the Trustee shall have received a certificate or report prepared by an independent certified public accountant or independent financial consultant certifying that the amount in the 2014 Reserve Fund exceeds the 2014 Reserve Requirement, the Trustee shall transfer such excess moneys to the 2014 Supplemental Reserve Fund, if: (i) the 2014 Supplemental Reserve Fund has not been closed as provided in Section 3.08 of the Indenture, and (ii) the amount on deposit in the 2014 Supplemental Reserve Fund is less than the 2014 Supplemental Reserve Requirement. If no such transfer to the 2014 Supplemental Reserve is required to be made, then any excess moneys on deposit in the 2014 Reserve Fund shall be transferred to the Bond Principal and Interest Fund for disbursement by the Trustee as set forth in Section 3.03 of the Indenture. In no event shall such excess funds be held in the 2014 Reserve Fund. The 2014 Reserve Requirement equals the least of: (i) the maximum annual debt service on the Series 2014 Bonds; (ii) one hundred twenty-five percent (125%) of the average annual debt service on the Series 2014 Bonds; or (iii) ten percent (10%) of the proceeds of the Series 2014 Bonds.

Supplemental Reserve Fund – Under the Indenture, the Authority created a 2014 Supplemental Reserve Fund. Beginning July 25, 2015, the Authority shall deposit in the 2014 Supplemental Reserve Fund an amount necessary to meet the 2014 Supplemental Reserve Requirement. The 2014 Supplemental Reserve Fund constitutes an additional source of security and act as a protection against default in the payment of principal of and interest on the Series 2014 Bonds. Moneys in the 2014 Supplemental Reserve Fund shall be used to pay current principal of and interest on the Series 2014 Bonds to the extent that moneys in the Bond Principal and Interest Fund for the Series 2014 Bonds are less than the amount required to pay principal and interest on the Series 2014 Bonds when due and shall be used prior to any moneys held on deposit in the 2014 Reserve Fund. In the event the Trustee shall have received a certificate or report prepared by an independent certified public accountant or independent financial consultant certifying that the amount on deposit in the 2014 Supplemental Reserve Fund exceeds the 2014 Supplemental Reserve Requirement, the Trustee shall transfer such excess moneys to the Bond Principal and Interest Fund. In no event shall such excess funds be held in the 2014 Supplemental Reserve Fund. The 2014 Supplemental Reserve Requirement equals: (1) for the Bond Year beginning February 1, 2016, one-third (1/3) of the maximum annual debt service on the Series 2014 Bonds, (2) for the Bond Year beginning February 1, 2017, two-thirds of the maximum annual debt service on the Series 2014 Bonds, and (3) for the Bond Year beginning February 1, 2018 the maximum annual debt service on the Series 2014 Bonds. Beginning on February 1, 2020, or thereafter, there will be no 2014 Supplemental Reserve Requirement and the 2014 Supplemental Reserve Fund shall be released and terminated, if the Issuer has a debt service coverage ratio of 150% of the maximum annual debt service due on the Series 2014 Bonds for each of the prior three (3) consecutive Bond Years.

The Authority is in compliance with all significant financial bond covenants as of December 31, 2015.

NOTE 4 – CAPITAL ASSETS

Capital asset activity consists of the following at December 31:

	For the Year Ended December 31, 2015			
	Beginning Balance	Additions	Deletions/Transfers	Ending Balance
Capital assets, not being depreciated:				
Land	$ 14,807,214	$ 64,616,351	$ (146,967)	$ 79,276,599
Construction in progress	71,345,740	227,525	(71,345,740)	227,525
Total capital assets not being depreciated	86,152,954	64,843,876	(71,492,707)	79,504,124
Capital assets, being depreciated:				
Buildings	24,659,614	2,016,438	(24,424)	26,651,628
Furniture and Fixtures	14,214,691	-	(12,836,094)	1,378,597
Infrastructure	18,556,902	47,026,117	(5,061,546)	60,521,473
Equipment	5,737,889	443,115	(146,313)	6,034,691
Total capital assets, being depreciated	63,169,096	49,485,670	(18,068,377)	94,586,389
Less accumulated depreciation for:				
Buildings	(7,060)	(16,774,403)	-	(16,781,463)
Furniture and Fixtures	-	(1,372,597)		(1,372,597)
Infrastructure	(54,332)	(18,891,652)	-	(18,945,984)
Equipment	(62,774)	(5,678,002)	-	(5,740,776)
Total accumulated depreciation	(124,166)	(42,716,654)	-	(42,840,820)
Net capital assets	$ 149,197,884	$ 71,612,893	$ (89,561,084)	$ 131,249,693

	For the Year Ended December 31, 2014			
	Beginning Balance	Additions	Deletions/Transfers	Ending Balance
Capital assets, not being depreciated:				
Land	$ 14,631,569	$ 175,645	$ -	$ 14,807,214
Construction in progress	67,746,042	3,599,698	-	71,345,740
Total capital assets not being depreciated	82,377,611	3,775,343	-	86,152,954
Capital assets, being depreciated:				
Buildings	24,659,614	-	-	24,659,614
Furniture and Fixtures	14,214,691	-	-	14,214,691
Infrastructure	15,849,515	2,707,387	-	18,556,902
Equipment	5,729,608	8,281	-	5,737,889
Total capital assets, being depreciated	60,453,428	2,715,668	-	63,169,096
Less accumulated depreciation for:				
Buildings	(3,530)	(3,530)	-	(7,060)
Furniture and Fixtures	-	-	-	-
Infrastructure	(8,133)	(46,199)	-	(54,332)
Equipment	(31,111)	(31,663)	-	(62,774)
Total accumulated depreciation	(42,774)	(81,392)	-	(124,166)
Net capital assets	$ 142,788,265	$ 6,409,619	$ -	$ 149,197,884

NOTE 5 – PROPERTY TAXES

The applicable property tax rates and related levies in 2015 and 2014 are as follows:

	2015		2014	
	Rate Per $100	Property Tax Levies	Rate Per $100	Property Tax Levies
Operating	$ 0.0795	$ 1,550,000	$ 0.0664	$ 1,451,488
Cumulative Building	0.0451	206,342	0.0095	207,668
Total	$ 0.1246	$ 1,756,342	$ 0.0759	$ 1,659,156

NOTE 6 – PENSION PLAN

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, 2015, the employer may elect to make the contributions on behalf of the member. The reporting and disclosures in accordance with GASB 68 and 71 are not presented due to the immateriality of the items as permitted

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, 2015, the INPRS approved an employer contribution rate of 11.2%. The amount the Airport Authority contributed to employee's pension was $0. 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

NOTE 7 – BONDS AND OTHER LONG-TERM DEBT

Bonds and Other Long-Term Debt consist of:

Revenue Bonds	
Airport Development Zone Bonds of 2014: Final principal of $29,860,000 is payable on February 1, 2039. Final interest at 5.00 to 5.50% is due on February 1, 2039. Principal payable annually on February 1 with interest at 5.0% to 5.5% due semi-annually on February 1 and August 1.	$ 28,960,000
Total bonds	28,960,000
Less: Current portion	-
Total bonds	$ 28,960,000

The Authority has a legal debt limit of which represents 25 percent of the adjusted value of Lake County property. Adjusted value is calculated by multiplying one-third times assessed value as certified by the State Department of Local Government Finance. Since the Authority has no general obligation debt outstanding, the legal debt margin of the Authority as of December 31, 2015 has not been calculated.

Airport Development Zone Bonds of 2014

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.

Debt Defeasance

The Authority has no outstanding defeased debt.

Debt Service Requirements

Annual debt service requirements to maturity for revenue bonds are as follows as of December 31, 2015:

Years ending December 31:	Principal	Interest	Total
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	835,000	1,353,725	2,188,725
2021-2025	4,520,000	6,089,350	10,609,350
2026-2030	5,860,000	4,759,375	10,619,375
2031-2035	7,525,000	3,086,313	10,611,313
2036-2039	7,525,000	963,500	8,488,500
	$ 29,860,000	$ 22,109,913	$ 51,969,913

NOTE 7 – BONDS AND OTHER LONG-TERM DEBT (Continued)

Changes in Bonds and Long-Term Liabilities

Bonds and long-term liability activity for the years ended December 31, 2015 and 2014 were as follows:

	Beginning Balance January 1, 2015	Additions	Reductions	Ending Balance December 31, 2015	Due Within One Year
Long-term liabilities:					
Compensated absences	$ 2,929	$ -	$ 2,929	$ -	$ -
Bonds and other long- term debt:					
Revenue bonds	29,860,000	-	-	29,860,000	940,000
Plus premiums	1,233,734	-	26,980	1,206,754	28,360
Total bonds and other long-term debt	31,093,734	-	26,980	31,066,754	968,360
Total bonds and long- term liabilities	$ 31,096,663	$ -	$ 29,909	$ 31,066,754	$ 968,360

	Beginning Balance January 1, 2014	Additions	Reductions	Ending Balance December 31, 2014	Due Within One Year
Long-term liabilities:					
Compensated absences	$ 21,883	$ 18,917	$ 37,871	$ 2,929	$ 2,929
Bonds and other long- term debt:					
Revenue bonds	-	29,860,000	-	29,860,000	-
Plus premiums	-	1,235,922	2,188	1,233,734	26,980
Total bonds and other long-term debt		31,095,922	2,188	31,093,734	26,980
Total bonds and long- term liabilities	$ 21,883	$31,114,839	$ 40,059	$ 31,096,663	$ 29,909

NOTE 8 – CONDUIT DEBT OBLIGATIONS

The 2010 bonds are revenue obligations of the 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 no impact on the ability of the Authority to issue property tax backed obligations of the Authority as they are secured only by the debt rent. The 2010 bonds are not supported by either the general revenue of the Authority or by a general obligation pledge of property tax revenues by the Authority. The 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 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. As of December 31, 2015 and 2014, the principal paid during the fiscal years were $365,000 and $355,000, respectively, with the balance due on the 2010 bonds was $7,145,000. The bonds are due on June 1, 2031, and the total amount of rent revenues pledged by Gary Jet Center, Inc is $8,980,000.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Litigation: The nature of the business of the Authority generates certain litigation against the Authority arising in the ordinary course of business.

a) Breach of contract lawsuit filed by Superior Construction Company

The matter has settled and the parties are working on filing settlement documents with the court for a full dismissal of the claim. The matter has been resolved so there is no likelihood of an unfavorable outcome

b) Breach of contract claim filed by Gary Jet Center

This case involves a claim against the Authority for violation of Section 1983 and potential breach of contract. The Federal Court in the Northern District of Indiana dismissed the claims filed on January 19, 2016. However, the Gary Jet Center has filed an appeal with the 7th Circuit. Presently, the Authority is scheduled to engage in a settlement conference with Gary Jet Center in May of 2016. At this time, there is a potential that the matter could be resolved. The success rate on appeal with the 7th Circuit is extremely low. There is a 5% chance that the Authority will lose this case on appeal. If Gary Jet Center wins their appeal, this matter will be remanded back to the Federal Court in the Northern District of Indiana to be tried. The estimated range of potential loss if the Authority loses this case is between $300,000 to $500,000.

c) Claim for Declaratory Relief

This case involves a claim against the Authority for Declaratory Relief. The Authority filed a lawsuit against the following defendants: Anthony Zaleski, Jr.; Trust A-878; and Indiana Land Trust Company. On April 8, 2015, the defendants in this lawsuit filed a counter-claim against the Authority for declaratory relief. This matter has been resolved so there is no likelihood of an unfavorable outcome. The Authority is presently working on finalizing the settlement agreement with all interested parties. A dismissal of the claim against the Authority will be filed with the court.

d) Claim for Declaratory Relief

This case involves a claim against the Authority for Declaratory Relief by Old Republic Insurance Company. Old Republic is seeking a determination that various insurance policies issued to the Authority do not cover various environmental claims. Presently, the Authority has filed a response to Old Republic's motion for summary judgment and seeks a determination from the court that the insurance policies in question do cover the Gary Airport. There is about a 50% chance that this matter could have an unfavorable outcome. Old Republic is seeking the recovery of their attorney's fees which could be around $60,000 to $70,000 if they are successful.

NOTE 10 – RENTAL INCOME UNDER OPERATING LEASES

A significant portion of the operating revenue of the Authority is generated through the leasing of airport and building space to fixed based operators and others on a fixed fee basis. Ownership risks are retained by the Authority and, accordingly, such leases are treated as operating leases.

The following is a schedule of minimum future rentals on non-cancelable operating leases to be received in each of the next five years and thereafter:

NOTE 10 – RENTAL INCOME UNDER OPERATING LEASES (Continued)

Years ending December 31:	
2016	$ 795,811
2017	604,624
2018	287,759
2019	288,327
2020	289,268
Later Years	5,785,360
Total	$8,051,149

The schedule above includes changes in rental rates that became effective on January 1, 2015. These rates are adjusted annually based on the operating lease agreements.

Substantially all the assets classified under capital assets in the statement of net position are held by the Authority for the purpose of rental or related use.

NOTE 11 – MAJOR CUSTOMERS

During the year ended December 31, 2015 and 2014, the Authority received significant operating revenue from five customers. Rentals, landing fees, apron fees and other revenues from these customers aggregated approximately $1,280,000 or 63% and $1,111,000 or 33% of operating revenues for the year ended December 31, 2015 and 2014, respectively.

NOTE 12 – UPCOMING GASB STATEMENTS

In February 2015, the GASB issued Statement No. 72, “Fair Value Measurement and Application.” The objective of this Statement is to address accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for the Authority’s financial statements for the year ending December 31, 2016 with earlier application is encouraged. Management has yet to determine the impact of this Statement on the Authority’s financial statements.

In June 2015, the GASB issued Statement No. 73, “Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.” This Statement improves the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The requirements of this Statement are effective for the Authority’s financial statements for the year ending December 31, 2016 with earlier application is encouraged. Management has yet to determine the impact of this Statement on the Authority’s financial statements.

NOTE 12 – UPCOMING GASB STATEMENTS (Continued)

In August 2015, the GASB issued Statement No. 77, "Tax Abatement Disclosures." This Statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered

into by other governments and that reduce the reporting government's tax revenues. The provisions of this Statement should be applied to all state and local governments subject to such tax abatement agreements. The requirements of this Statement are effective for the Authority's financial statements for the year ending December 31, 2016 with earlier application is encouraged. Management has yet to determine the impact of this Statement on the Authority's financial statements.

NOTE 13 – OPINION MODIFICATION

During the fiscal year ending December 31, 2015, management of the Authority, in the interest of transparency, elected to present its basic financial statements in conformity with accounting principles generally accepted in the United States of America for the first time even though this was not legally required by the State of Indiana. Because of this change and the short deadline governing this conversion, during the financial statement preparation process it was determined that a portion of the records for the Authority's capital assets were insufficient for audit purposes. This resulted in an opinion modification on the basic financial statements of the Authority.

NOTE 14 – PRIOR PERIOD ADJUSTMENTS

The Authority restated its net position balance as of December 31, 2014 from $176,893,610 to $140,061,471 due to the following:

a. To correct erroneous capitalization of overtime reimbursement paid to the City of Gary Police Department for extra security services provided after the 9/11 incident.
b. To correct the balance of infrastructure account between General Fund and Cumulative Building Fund.
c. To correct the accumulated depreciation as of beginning of year.

NOTE 15 – REISSUANCE OF FINANCIAL STATEMENTS

The financial statement report for the year ended December 31, 2015 has been reissued. The reissuance was a result of a quality control review that was performed. Updates made corrected deficiencies noted by the agency and provide additional language and signatures to the identified deficiencies.

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
COMBINING SCHEDULE OF NET POSITION
AS OF DECEMBER 31, 2015

	General Fund	Bond Fund	Cumulative Building Fund
ASSETS			
Current assets			
Unrestricted assets:			
Cash and cash equivalents	$ 305,244	$ -	$ -
Accounts receivable, net of allowance	89,726	-	90,187
Property tax receivables, net of allowance	364,410	-	50,465
Due from other funds	-	-	-
Prepaid items	39,133	-	-
Total unrestricted assets	798,513	-	140,652
Restricted assets:			
Cash and cash equivalents	-	18,017,466	9,820,452
Total restricted assets	-	18,017,466	9,820,452
Total current assets	798,513	18,017,466	9,961,104
Non-current assets			
Capital assets, net	(95)	17,768,768	98,964,501
Total noncurrent assets	(95)	17,768,768	98,964,501
Total assets	798,418	35,786,234	108,925,605
LIABILITIES AND NET POSITION			
Current liabilities			
Payable from unrestricted:			
Accounts payable	$ 663,838	$ -	$ 75,448
Accrued payroll liabilities	5,367	-	-
Due to other funds	-	-	38,993
Security deposits	12,237	-	-
Total unrestricted	681,442	-	114,441
Payable from restricted:			
Retainage payable	-	1,511,519	-
Accrued interest on long-term debt	-	638,948	-
Current portion of bonds and other long-term debt	-	968,360	-
Total restricted	-	3,118,827	-
Total current liabilities	681,442	3,118,827	114,441
Non-current liabilities			
Bonds and other long-term debt, net	-	28,920,000	-
Bonds premium	-	1,178,394	-
Total noncurrent liabilities	-	30,098,394	-
Total liabilities	681,442	33,217,221	114,441
Net position			
Net investment in capital assets	(95)	-	98,964,501
Restricted for:			
Capital projects	-	18,017,466	9,820,452
Marketing and development	-	-	-
Unrestricted	117,071	(15,448,453)	26,211
Total net position	116,976	2,569,013	108,811,164
Total liabilities and net position	$ 798,418	$ 35,786,234	$ 108,925,605

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
COMBINING SCHEDULE OF NET POSITION
AS OF DECEMBER 31, 2015

Passenger Facility Charges Fund	Compact Fund	ADZ TIF Allocation Fund	Non-Reverting Airport Development Fund	Payroll Fund	Marketing Fund	Total
$ -	$ -		$ -	$ 1,916	$ 61,836	$ 368,996
-	47,912	496,374	-	-	-	724,199
-	-	-	-	-	-	414,875
-	-	38,993	-	-	-	38,993
-	-	-	-	-	-	39,133
-	47,912	535,367	-	1,916	61,836	1,586,196
436,405	-	8,815,211	506,011	-	-	37,595,545
436,405	-	8,815,211	506,011	-	-	37,595,545
436,405	47,912	9,350,578	506,011	1,916	61,836	39,181,741
1,942,016	6,695	12,567,808	-	-	-	131,249,693
1,942,016	6,695	12,567,808	-	-	-	131,249,693
2,378,421	54,607	21,918,386	506,011	1,916	61,836	170,431,434
$ -	$ 53,881	$ 131,862	$ -	$ -	$ 7,513	$ 932,542
-	-	-	-	-	-	5,367
-	-	-	-	-	-	38,993
-	-	-	-	-	-	12,237
-	53,881	131,862	-	-	7,513	989,139
-	-	-	-	-	-	1,511,519
-	-	-	-	-	-	638,948
-	-	-	-	-	-	968,360
-	-	-	-	-	-	3,118,827
-	53,881	131,862	-	-	7,513	4,107,966
-	-	-	-	-	-	28,920,000
-	-	-	-	-	-	1,178,394
-	-	-	-	-	-	30,098,394
-	53,881	131,862	-	-	7,513	34,206,360
1,942,016	6,695	12,567,808	-	-	-	113,480,925
-	(5,969)	9,218,716	-	-	-	37,050,665
-	-	-	506,011	-	-	506,011
436,405	-	-	-	1,916	54,323	(14,812,527)
2,378,421	726	21,786,524	506,011	1,916	54,323	136,225,074
$ 2,378,421	$ 54,607	$ 21,918,386	$ 506,011	$ 1,916	$ 61,836	$ 170,431,434

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2015

	General Fund	Bond Fund	Cumulative Building Fund
Operating revenues			
Lease Revenue - Building/Land	$ 772,352	$ -	$ -
Lease Revenue - T Hangar	98,371	-	-
Lease Revenue - Terminal	9,680	-	-
Fuel Flowage	280,480	-	-
Landing	106,773	-	-
Parking	12,116	-	-
Other operating	53,449	-	51,194
Total operating revenues	1,333,221	-	51,194
Operating expenses			
Personnel	90,624	-	-
Services	2,492,259	25,819	732,071
Commodities	71,553	-	-
Other	2,898	-	260,428
Total operating expenses	2,657,334	25,819	992,499
Operating income (loss) before depreciation	(1,324,113)	(25,819)	(941,305)
Depreciation	-	529,349	5,196,730
Loss from operations	(1,324,113)	(555,168)	(6,138,035)
Non-operating revenues			
Property and other taxes	726,163	-	99,915
Interest income	-	4,468	26,323
Net nonoperating revenues	726,163	4,468	126,238
Non-operating expenses			
Interest expense	-	1,584,588	-
Non-operating income	726,163	(1,580,120)	126,238
Income (loss) before capital contributions	(597,950)	(2,135,288)	(6,011,797)
Capital contributions			
Federal grants	212	-	834,487
State grants	-	-	46,360
Local grants	(2,030)	-	-
Total capital contributions	(1,818)	-	880,847
Gain (loss) before transfers	(599,768)	(2,135,288)	(5,130,950)
Transfers			
Transfers in	-	6,395,318	-
Transfers out	-	-	-
Total transfers	-	6,395,318	-
Increase (decrease) in net position	(599,768)	4,260,030	(5,130,950)
Net position			
Total net position, beginning of period as previously reported	339,942	(1,691,017)	151,080,875
Prior period adjustments	376,802	-	(37,138,761)
Total net position, beginning of period as restated	716,744	(1,691,017)	113,942,114
Total net position, end of period	$ 116,976	$ 2,569,013	$ 108,811,164

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2015

Passenger Facility Charges Fund	Compact Fund	ADZ TIF Allocation Fund	Non-Reverting Airport Development Fund	Payroll Fund	Marketing Fund	Total
$ -	$ -	$ -	$ -	$ -	$ -	$ 772,352
-	-	-	-	-	-	98,371
-	-	-	-	-	-	9,680
-	-	-	-	-	-	280,480
-	-	-	-	-	-	106,773
-	-	-	-	-	-	12,116
-	-	657,610	-	-	-	762,253
-	-	657,610	-	-	-	2,042,025
-	-	-	-	-	-	90,624
-	346,679	106,611	-	-	47,486	3,750,925
-	83,677	-	-	-	-	155,230
-	-	-	-	-	-	263,326
-	430,356	106,611	-	-	47,486	4,260,105
-	(430,356)	550,999	-	-	(47,486)	(2,218,080)
-	-	606,503	-	-	-	6,332,582
-	(430,356)	(55,504)	-	-	(47,486)	(8,550,662)
-	-	4,138,568	-	-	-	4,964,646
-	-	-	-	-	-	30,791
-	-	4,138,568	-	-	-	4,995,437
-	-	-	-	-	-	1,584,588
-	-	4,138,568	-	-	-	3,410,849
-	(430,356)	4,083,064	-	-	(47,486)	(5,139,813)
-	-	-	-	-	-	834,699
-	-	-	-	-	-	46,360
-	424,387	-	-	-	-	422,357
-	424,387	-	-	-	-	1,303,416
-	(5,969)	4,083,064	-	-	(47,486)	(3,836,397)
-	-	-	-	-	-	6,395,318
-	-	(6,395,318)	-	-	-	(6,395,318)
-	-	(6,395,318)	-	-	-	-
-	(5,969)	(2,312,254)	-	-	(47,486)	(3,836,397)
2,378,421	5,803	24,169,850	506,011	1,916	101,809	176,893,610
-	892	(71,072)	-	-	-	(36,832,139)
2,378,421	6,695	24,098,778	506,011	1,916	101,809	140,061,471
$ 2,378,421	$ 726	$ 21,786,524	$ 506,011	$ 1,916	$ 54,323	$ 136,225,074

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
COMBINING SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

	General Fund	Bond Fund	Cumulative Building Fund
Cash flows from operating activities			
Receipts from customers	$ 1,241,552	$ -	$ (38,993)
Payments to suppliers	(2,529,133)	(25,819)	(1,676,899)
Payments to employees	(83,726)	-	-
Net cash used in operating activities	(1,371,307)	(25,819)	(1,715,892)
Cash flows from non-capital financing activity			
Interfund transfers	618,579	6,395,318	38,993
Operating grant receipts	(1,818)	-	-
Receipts of property and other taxes	714,661	-	98,970
Net cash provided by (used in) noncapital financing activities	1,331,422	6,395,318	137,963
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	781	(16,786,598)	(6,722,743)
Interest paid on bonds and other long-term debt	-	(1,013,797)	-
Capital grant receipts	-	-	880,847
Passenger facility charge receipts	-	-	-
Net cash provided by (used in) capital and related financing activities	781	(17,800,395)	(5,841,896)
Cash flows from investing activities			
Interest received	-	4,468	26,323
Net cash provided by investing activities	-	4,468	26,323
Net increase in cash and cash equivalents	(39,104)	(11,426,428)	(7,393,502)
Cash and cash equivalents, beginning of year	344,348	29,443,894	17,213,954
Cash and cash equivalents, end of year	$ 305,244	$ 18,017,466	$ 9,820,452
Reconciliation of operating loss to net cash used in operating activities:			
Loss from operations	$ (1,324,113)	$ (555,168)	$ (6,138,035)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	-	529,349	5,196,730
Changes in assets and liabilities:			
Accounts receivable	(88,691)	-	(90,187)
Accounts payable	61,855	-	(684,400)
Prepaid items	(11,011)	-	-
Accrued payroll liabilities	(3,440)	-	-
Accrued compensated absences	(2,929)	-	-
Security deposits	(2,978)	-	-
Net cash used in operating activities	$ (1,371,307)	$ (25,819)	$ (1,715,892)
Non-cash capital and related financing activities			
Capital and related financing activities			
Capital assets included in accounts payable	$ -	$ -	$ 54,448

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
COMBINING SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Passenger Facility Charges Fund	Compact Fund	ADZ TIF Allocation Fund	Non-Reverting Airport Development Fund	Payroll Fund	Marketing Fund	Total
	$ -	$ -	$ 161,236	$ -	$ -	$ -	$ 1,363,795
	(94,009)	(376,475)	(249,278)	-	-	(39,973)	(4,991,586)
	-	-	-	-	-	-	(83,726)
	(94,009)	(376,475)	(88,042)	-	-	(39,973)	(3,711,517)
	(425,706)	(192,873)	(6,434,311)	-	-	-	-
	-	-	-	-	-	-	(1,818)
	-	-	4,138,568	-	-	-	4,952,199
	(425,706)	(192,873)	(2,295,743)	-	-	-	4,950,381
	89,971	-	(1,301,439)	-	-	-	(24,720,028)
	-	-	-	-	-	-	(1,013,797)
	-	569,348	-	-	-	-	1,450,195
	866,149	-	-	-	-	-	866,149
	956,120	569,348	(1,301,439)	-	-	-	(23,417,481)
	-	-	-	-	-	-	30,791
	-	-	-	-	-	-	30,791
	436,405	(0)	(3,685,224)	-	-	(39,973)	(22,147,826)
	-	-	12,500,435	506,011	1,916	101,809	60,112,367
	$ 436,405	$ (0)	$ 8,815,211	$ 506,011	$ 1,916	$ 61,836	$ 37,964,541
	$ -	$ (430,356)	$ (55,504)	$ -	$ -	$ (47,486)	$ (8,550,662)
	-	-	606,503	-	-	-	6,332,582
	-	-	(496,374)	-	-	-	(675,252)
	(94,009)	53,881	(142,667)	-	-	7,513	(797,827)
	-	-	-	-	-	-	(11,011)
	-	-	-	-	-	-	(3,440)
	-	-	-	-	-	-	(2,929)
	-	-	-	-	-	-	(2,978)
	$ (94,009)	$ (376,475)	$ (88,042)	$ -	$ -	$ (39,973)	$ (3,711,517)
	$ -	$ -	$ -	$ -	$ -	$ -	$ 54,448

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
COMBINING SCHEDULE OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2014

	General Fund	Bond Fund	Cumulative Building Fund
ASSETS			
Current assets			
Unrestricted assets:			
Cash and cash equivalents	$ 344,348	$ -	$ -
Accounts receivable, net of allowance	1,035	-	-
Property tax receivables, net of allowance	352,908	-	49,520
Passenger facility charge receivable	-	-	-
Due from other funds	618,579	-	-
Prepaid items	28,122	-	-
Total unrestricted assets	1,344,992	-	49,520
Restricted assets:			
Cash and cash equivalents	-	29,443,894	17,213,954
Total restricted assets	-	29,443,894	17,213,954
Total current assets	1,344,992	29,443,894	17,263,474
Non-current assets			
Capital assets, net	84,233	-	134,647,950
Total noncurrent assets	84,233	-	134,647,950
Total assets	$ 1,429,225	$ 29,443,894	$ 151,911,424
LIABILITIES AND NET POSITION			
Current liabilities			
Payable from unrestricted:			
Accounts payable	$ 601,983	$ -	$ 759,848
Accrued payroll liabilities	8,807	-	-
Accrued compensated absences	2,929	-	-
Due to other funds	-	-	-
Security deposits	15,215	-	-
Total unrestricted	628,934	-	759,848
Payable from restricted:			
Retainage payable	460,349	-	70,701
Accrued interest on long-term debt	-	41,177	-
Total restricted	460,349	41,177	70,701
Total current liabilities	1,089,283	41,177	830,549
Non-current liabilities			
Bonds and other long-term debt, net	-	29,860,000	-
Bonds premium	-	1,233,734	-
Total noncurrent liabilities	-	31,093,734	-
Total liabilities	1,089,283	31,134,911	830,549
Net position			
Net investment in capital assets	84,233	-	134,647,950
Restricted for:			
Capital projects	-	-	17,213,954
Marketing and development	-	-	-
Unrestricted	255,709	(1,691,017)	(781,029)
Total net position	339,942	(1,691,017)	151,080,875
Total liabilities and net position	$ 1,429,225	$ 29,443,894	$ 151,911,424

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
COMBINING SCHEDULE OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2014

Passenger Facility Charges Fund	Compact Fund	ADX TIF Allocation Fund	Non-Reverting Airport Development Fund	Payroll Fund	Marketing Fund	Total
$ -	$ -	$ -	$ -	$ 1,916	$ 101,809	$ 448,073
-	192,873	-	-	-	-	193,908
-	-	-	-	-	-	402,428
866,149	-	-	-	-	-	866,149
-	-	-	-	-	-	618,579
-	-	-	-	-	-	28,122
866,149	192,873	-	-	1,916	101,809	2,557,259
-	-	12,500,435	506,011	-	-	59,664,294
-	-	12,500,435	506,011	-	-	59,664,294
866,149	192,873	12,500,435	506,011	1,916	101,809	62,221,553
2,378,421	5,803	12,081,477	-	-	-	149,197,884
2,378,421	5,803	12,081,477	-	-	-	149,197,884
$ 3,244,570	$ 198,676	$ 24,581,912	$ 506,011	$ 1,916	$ 101,809	$ 211,419,437
$ 94,009	$ -	$ 274,529	$ -	$ -	$ -	$ 1,730,369
-	-	-	-	-	-	8,807
-	-	-	-	-	-	2,929
425,706	192,873	-	-	-	-	618,579
-	-	-	-	-	-	15,215
519,715	192,873	274,529	-	-	-	2,375,899
346,434	-	137,533	-	-	-	1,015,017
-	-	-	-	-	-	41,177
346,434	-	137,533	-	-	-	1,056,194
866,149	192,873	412,062	-	-	-	3,432,093
-	-	-	-	-	-	29,860,000
-	-	-	-	-	-	1,233,734
-	-	-	-	-	-	31,093,734
866,149	192,873	412,062	-	-	-	34,525,827
2,378,421	5,803	12,081,477	-	-	-	149,197,884
-	-	12,088,373	-	-	-	29,302,327
-	-	-	506,011	-	-	506,011
-	-	-	-	1,916	101,809	(2,112,612)
2,378,421	5,803	24,169,850	506,011	1,916	101,809	176,893,610
$ 3,244,570	$ 198,676	$ 24,581,912	$ 506,011	$ 1,916	$ 101,809	$ 211,419,437

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2014

	General Fund	Bond Fund	Cumulative Building Fund
Operating revenues			
Lease Revenue - Building/Land	$ 733,753	$ -	$ -
Lease Revenue - T Hangar	90,606	-	-
Lease Revenue - Terminal	8,272	-	-
Airfield	198,398	-	-
Landing	57,509	-	-
Parking	25,615	-	-
Other operating	179,560	-	5,569
Total operating revenues	1,293,713	-	5,569
Operating expenses			
Personnel	612,288	-	-
Professional services	2,129,250	-	1,263,242
Commodities	124,916	-	-
Others	(359,032)	-	-
Total operating expenses	2,507,422	-	1,263,242
Operating loss before depreciation	(1,213,709)	-	(1,257,673)
Depreciation	5,959	-	54,182
Loss from operations	(1,219,668)	-	(1,311,855)
Non-operating revenues			
Property and other taxes	693,706	-	99,162
Passenger facility charge	-	-	-
Interest income	221	-	13,153
Net nonoperating revenues	693,927	-	112,315
Non-operating expenses			
Interest expense	-	2,938,603	-
Non-operating income (loss)	693,927	(2,938,603)	112,315
Income (loss) before capital contributions	(525,741)	(2,938,603)	(1,199,540)
Capital contributions			
Federal grants	-	-	5,298,121
State grants	-	-	166,667
Local grants	368,880	-	10,581,101
Total capital contributions	368,880	-	16,045,889
Income (loss) before transfers	(156,861)	(2,938,603)	14,846,349
Transfers			
Transfers in	-	1,247,586	-
Transfers out	-	-	(4,641,978)
Total transfers	-	1,247,586	(4,641,978)
Increase (decrease) in net position	(156,861)	(1,691,017)	10,204,371
Net position			
Total net position, beginning of year	496,803	-	140,876,504
Total net position, end of year	$ 339,942	$ (1,691,017)	$ 151,080,875

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2014

Passenger Facility Charges Fund	Compact Fund	ADX TIF Allocation Fund	Non-Reverting Airport Development Fund	Payroll Fund	Marketing Fund	Total
$ -	$ -	$ -	$ -	$ -	$ -	$ 733,753
-	-	-	-	-	-	90,606
-	-	-	-	-	-	8,272
-	-	-	-	-	-	198,398
-	-	-	-	-	-	57,509
-	-	-	-	-	-	25,615
-	-	-	-	311,158	-	496,287
-	-	-	-	311,158	-	1,610,440
-	-	-	-	312,088	-	924,376
1,072,559	257,357	1,532,396	-	-	9,013	6,263,817
-	105,154	-	-	-	-	230,070
367,312	-	(112,065)	-	-	-	(103,785)
1,439,871	362,511	1,420,331	-	312,088	9,013	7,314,478
(1,439,871)	(362,511)	(1,420,331)	-	(930)	(9,013)	(5,704,038)
-	446	20,805	-	-	-	81,392
(1,439,871)	(362,957)	(1,441,136)	-	(930)	(9,013)	(5,785,430)
-	-	3,908,138	-	-	-	4,701,006
1,649,376	-	-	-	-	-	1,649,376
-	-	2,662	45	-	10	16,091
1,649,376	-	3,910,800	45	-	10	6,366,473
-	-	-	-	-	-	2,938,603
1,649,376	-	3,910,800	45	-	10	3,427,870
209,505	(362,957)	2,469,664	45	(930)	(9,003)	(2,357,560)
-	-	-	-	-	-	5,298,121
-	-	-	-	-	-	166,667
-	226,883	-	-	-	-	11,176,864
-	226,883	-	-	-	-	16,641,652
209,505	(136,074)	2,469,664	45	(930)	(9,003)	14,284,092
-	-	4,641,978	-	-	-	5,889,564
-	-	(1,247,586)	-	-	-	(5,889,564)
-	-	3,394,392	-	-	-	-
209,505	(136,074)	5,864,056	45	(930)	(9,003)	14,284,092
-						-
2,168,916	141,877	18,305,794	505,966	2,846	110,812	162,609,518
$ 2,378,421	$ 5,803	$ 24,169,850	$ 506,011	$ 1,916	$ 101,809	$ 176,893,610

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2015

	General Fund	Bond Fund	Cumulative Building Fund
Cash flows from operating activities			
Receipts from customers	$ 1,395,196	$ -	$ 5,569
Payments to suppliers	(2,119,392)	-	(880,200)
Payments to employees	(494,562)	-	-
Net cash used in operating activities	(1,218,758)	-	(874,631)
Cash flows from non-capital financing activity			
Interfund transfers	(438,271)	1,247,586	(4,641,978)
Operating grant receipts	368,880	-	-
Receipts of property and other taxes	700,617	-	102,305
Net cash provided by (used in) noncapital financing activities	631,226	1,247,586	(4,539,673)
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	(6,218)	-	(2,395,161)
Proceeds from capital bonds	-	31,095,922	-
Interest paid on bonds and other long-term debt	-	(2,899,614)	-
Capital grant receipts	-	-	19,343,124
Passenger facility charge receipts	-	-	-
Net cash provided by (used in) capital and related financing activities	(6,218)	28,196,308	16,947,963
Cash flows from investing activities			
Interest received	221	-	13,153
Net cash provided by investing activities	221	-	13,153
Net increase (decrease) in cash and cash equivalents	(593,529)	29,443,894	11,546,812
Cash and cash equivalents, beginning of year	937,877	-	5,667,142
Cash and cash equivalents, end of year	$ 344,348	$ 29,443,894	$ 17,213,954

	General Fund	Bond Fund	Cumulative Building Fund
Reconciliation of operating loss to net cash used in operating activities:			
Loss from operations	$ (1,219,668)	$ -	$ (1,311,855)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	5,959	-	54,182
Changes in assets and liabilities:			
Accounts receivable	100,711	-	-
Accounts payable	(33,742)	-	383,042
Prepaid items	(27,858)	-	-
Accrued payroll liabilities	(25,978)	-	-
Accrued compensated absences	(18,954)	-	-
Security deposits	772	-	-
Net cash used in operating activities	$ (1,218,758)	$ -	$ (874,631)
Non-cash capital and related financing activities			
Capital and related financing activities			
Capital assets included in accounts payable	$ 8,281	$ -	$ 830,549

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2015

Passenger Facility Charges Fund	Compact Fund	ADX TIF Allocation Fund	Non-Reverting Airport Development Fund	Payroll Fund	Marketing Fund	Total
$ -	$ -	$ -	$ -	$ 311,158	$ -	$ 1,711,923
(1,792,580)	(362,511)	(3,507,363)	-	(312,088)	(12,738)	(8,986,872)
-	-	-	-	-	-	(494,562)
(1,792,580)	(362,511)	(3,507,363)	-	(930)	(12,738)	(7,769,511)
267,964	170,307	3,394,392	-	-	-	-
-	-	-	-	-	-	368,880
-	-	3,908,138	-	-	-	4,711,060
267,964	170,307	7,302,530	-	-	-	5,079,940
-	-	(4,240,182)	-	-	-	(6,641,561)
-	-	-	-	-	-	31,095,922
-	-	-	-	-	-	(2,899,614)
-	192,204	-	-	-	-	19,535,328
1,524,616	-	-	-	-	-	1,524,616
1,524,616	192,204	(4,240,182)	-	-	-	42,614,691
-	-	2,662	45	-	10	16,091
-	-	2,662	45	-	10	16,091
-	-	(442,353)	45	(930)	(12,728)	39,941,211
-	-	12,942,788	505,966	2,846	114,537	20,171,156
$ -	$ -	$ 12,500,435	$ 506,011	$ 1,916	$ 101,809	$ 60,112,367
$ (1,439,871)	$ (362,957)	$ (1,441,136)	$ -	$ (930)	$ (9,013)	$ (5,785,430)
-	446	20,805	-	-	-	81,392
-	-	-	-	-	-	100,711
(352,709)	-	(2,087,032)	-	-	(3,725)	(2,094,166)
-	-	-	-	-	-	(27,858)
-	-	-	-	-	-	(25,978)
-	-	-	-	-	-	(18,954)
-	-	-	-	-	-	772
$ (1,792,580)	$ (362,511)	$ (3,507,363)	$ -	$ (930)	$ (12,738)	$ (7,769,511)
$ -	$ -	$ -	$ -	$ -	$ -	$ 838,830

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
FEDERAL SINGLE AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2015

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SCHEDULE OF OFFICIALS

Office	Official	Term
Acting Director	Daniel Vicari	May 2015 – December 2015
Finance Manager/Treasurer	Carolyn Keith William Outlar	January 1, 2014 to May 12, 2014 May 27, 2014 to December 31, 2015
Acting President of the Airport Authority Board	James Cooper	January 27, 2014 – December 31, 2014
President of the Airport Authority Board	Stephen Mays	January 1, 2015 – December 31, 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 were engaged to audit, 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 years ended December 31, 2015 and 2014, and the related notes to the financial statement, and have issued our report thereon dated April 22, 2016. During the fiscal year ending December 31, 2014, management of the Authority, in the interest of transparency, elected to present its basic financial statements in conformity with accounting principles generally accepted in the United States of America though this was not legally required by the State of Indiana. Because of this change and the short deadline governing this conversion, during the financial statement preparation process it was determined that a portion of the records for the Authority's capital assets were insufficient for audit purposes. This resulted in an opinion modification on the basic financial statements of the Authority. Because of this, a disclaimer of opinion report was issued.

Internal Control over Financial Reporting

In connection with our engagement to audit the financial statements, 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2015-001 through 2015-002 that we consider to be significant deficiencies.

Compliance and Other Matters

In connection with our engagement to audit whether the Airport Authority's financials statement are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that were required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as items 2015-001 and 2015-002. Additional matters were communicated to the Airport Authority in a separate written communication letter titled, *Management Letter Comments.* Additionally, if the scope of our work had been sufficient to enable us to express an opinion on the basic financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

As discussed in Note 15 in the notes to the financial statements, the 2015 financial statements have been reissued. Except as discussed in Note 15, our opinion dated April 22, 2016 is not modified with respect to this matter. Additional procedures, as discussed in Note 15 have been performed through June 22, 2016 (date of completion of audit procedures limited to the revision described in Note 15).

Gary Chicago International Airport Authority's Response to Findings

The Airport Authority's response to the findings identified in our engagement and the previous engagement 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 of 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

Whittaker & Company, PLLC
Gary, IN 46402

April 22, 2016

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We were engaged to audit Gary/Chicago International Airport Authority (the "Airport Authority")'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Airport Authority's major federal programs for the year ended December 31, 2015. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Those standards and Uniform Guidance 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 Airport Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, 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 each of its major federal programs for the year ended December 31, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2015-002 and 2015-003. 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 schedule of findings and questioned costs corrective action plan. 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.

As discussed in Note 15 in the notes to the financial statements, the 2015 financial statements have been reissued. Except as discussed in Note 15, our opinion dated April 22, 2016 is not modified with respect to this matter. Additional procedures, as discussed in Note 15 have been performed through June 22, 2016 (date of completion of audit procedures limited to the revision described in Note 15).

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-002 and 2015-003 that we consider to be significant deficiencies.

The Airport Authority's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs corrective action plan. 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We were engaged to audit the financial statements of the Airport Authority as of and for the year ended December 31, 2015, and have issued our report thereon dated April 22, 2016, which contained a disclaimer opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Whittaker & Company, PLLC

Whittaker & Company, PLLC

Gary, Indiana
April 22, 2016

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, 2015

Federal Grantor Agency	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass Through Entity (or Other) Identifying Number	Total Federal Awards Expended
Department of Transportation				
Airport Improvement Program	Direct Grant			
Runway Expansion		20.106	3-18-0028-30	$ 701,879
Runway Expansion		20.106	3-18-0028-31	132,608
Total - Department of Transportation				834,487
Total federal awards expended				$ 834,487

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 QUESTONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	Disclaimer
Internal control over financial reporting:	
Material weaknesses identified?	None reported
Significant deficiencies identified?	Yes
Noncompliance material to financial statement noted?	No

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	None reported
Significant deficiencies identified?	Yes
Type of auditor's report issued on compliance for Major program:	Unqualified
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

Section II – Financial Statement Findings

FINDING 2015-001 –INADEQUATE CONTROLS OVER NETWORK SERVER SECURITY

The Gary/Chicago International Airport Authority ("Airport Authority") had not established adequate controls over network server.

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

Good internal control 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 the network server be placed in a locked and secured location with limited access to authorized personnel.

FINDING 2015-002 - 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 significant deficiency. 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 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 2015, the monthly financial statements were not timely 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, monthly reconciliations of US Bank and Fifth Third Bank accounts for 2015 were only prepared during the audit fieldwork after a material difference was noted between bank confirmation reply and general ledger balance. 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 prepare the SEFA for the year ended December 31, 2015. However, errors were noted in the balances presented. The Federal Aviation Authority awarded Airport Authority 90% of eligible project cost, while 5% comes from the State and the other 5%

is through a local match from Airport Development Zone (ADZ) Fund. For the year ended December 31, 2015, the Airport Authority presented 100% of the eligible project cost in the SEFA, instead of 90% of the cost awarded by Federal Aviation Administration.

Journal Entries

During review of 60 journal entries, it was noted that 12 (20%) journal entries tested were not signed by the preparer and authorized approver. While the journal entry may be valid, there was no evidence that entry was reviewed and approved. Three (5%) instances were also noted where the entries were prepared by the Finance Manager but no signature of the reviewer. Five (8%) erroneous entries were also noted relating to the transfer of funds from unrestricted JP Morgan Chase account to restricted US Bank account. There is no formal review process to ensure that the journal entry is charged to the correct accounts prior to posting to the general ledger. Upon auditor's inquiry, the entries were subsequent corrected.

Capital Assets

Management has not recorded certain general capital assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general capital assets be capitalized and depreciated, which would increase the assets, net position, and expenses of the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.

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.

Controls over the recording and accounting of 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 that the auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. At a minimum, the schedule shall . . .

(9) 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.

(10) Include notes that describe the significant accounting policies used in preparing the schedule.

We recommended that the Airport Authority establish and implement effective controls over financial transactions and reporting.

Section III – Federal Award Findings and Questioned Costs

FINDING 2015-002 - INTERNAL CONTROLS AND COMPLIANCE OVER FINANCIAL TRANSACTIONS AND REPORTING

Federal Agency: Department of Transportation
Federal Program: Airport Improvement Program
CFDA Number: 20.106
Federal Award Number: 3-18-0028-30, 3-18-0028-31
Pass-Through Entity: Direct

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 significant deficiency. 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.

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"). The Airport Authority did prepare the SEFA for the year ended December 31, 2015. However, errors were noted in the balances presented. See Section II for the details of finding 2015-002.

FINDING 2015-003 - 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 (FAA):

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 various reporting periods representing dates the liabilities were incurred, when it should have been 10/1/2014 – 9/30/2015. It appears that the Airport Authority files the SF-271 form every time they file for reimbursement from FAA, rather than filing it annually. The SF-425 shows reporting period of 8/1/2014 - 9/30/2016 when it should have been 10/1/2014 - 9/30/2015.

- The quarterly performance reports were not submitted timely. The first quarter performance report was submitted 2 days late.

The Airport Authority failed to present an accurate 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.

49 CFR section18.20 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 accurate financial and performance 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 reports in accordance with the federal guidelines.

GaryChicago International Airport

May 3, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
CORRECTIVE ACTION PLAN

Finding 2015-001 – Inadequate Controls Over Network Server Security

The Gary/Chicago International Airport Authority ("Airport Authority") had not established adequate controls over network security.

The server is located in a secure and locked closet however the closet has to be properly ventilated to ensure the server does not overheat. With that being an issue, the conference room remains locked during the day unless authorized personnel are in the room. We are currently evaluating options for proper ventilation in the server closet that also maintains proper security controls.
Contact Person: William Outlar (219) 949-4903
Estimated Completion Date: 6/2016

Finding 2015-002 – 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 a significant deficiency. 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 Awards (SEFA)

The SEFA will continue to be prepared by the Finance Manager. To assure that the proper internal controls are in place, the SEFA will be placed in the Authority's board package for proper review and verification. Also, the Finance Manager will submit the monthly financial statements to the Authority for approval in a timely manner along with the bank reconciliations.
Contact Person: William Outlar (219) 949-4903
Estimated Completion Date: 6/2016

Finding 2015-002 – Internal Controls and Compliance Over Financial Transactions and Reporting (Continued)

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. Furthermore, the Authority is in the process of adopting a new Internal Controls Policy that will help to address these issues.
Contact Person: William Outlar (219) 949-4903
Estimated Completion Date: 6/2016

Capital Assets

By June 2016, the airport will have purchased a fixed asset tracking system that management will use to store, track, and update information on the Authority's assets, as necessary. It is the Authority's plan to have a detailed listing completed by October 31, 2016 which will allow for inclusion in the 2016 GAAP Audit. It should be noted that the entries made due to the results of the detailed listing could lead to material adjustments in the 2016 GAAP Audit.
Contact Person: William Outlar (219) 949-4903
Estimated Completion Date: 10/2016

Finding 2015-003 Compliance Related To The Airport Improvement Program Reporting

The Airport Authority failed to present an accurate 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.

The Finance Manager will take on the responsibility of submitting the reports from the consultant to ensure the filings are completed in a timely manner with accuracy. He will also follow up with the DOT to make sure we have the correct dates for the filing period. The reimbursement report will continue to be prepared by the consultant and forwarded to the Finance Manager for final review and written approval. The Finance Manager will submit the report to the Airport Manager for approval. After the Airport Manager's approval has been received, an e-mail notification will be sent to the consultant notifying them that report can be submitted.
Contact Person: William Outlar (219) 949-4903
Estimated Completion Date: 6/2016

Signed: ______________________, Interim Airport Director

Financial Statement Findings

FINDING 2014-001 – INADEQUATE COMPUTER BACK-UP PROCEDURES AND INADEQUATE CONTROLS OVER NETWORK SERVER SECURITY
Initial Audit Finding Period: January 1, 2014 through December 31, 2014

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.

Status: The Airport Authority has a 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, the files will be saved in an internet cloud based location to ensure security. During the audit fieldwork, it was noted that the network server is still located in an open closet in a small conference room where anyone can have access.

FINDING 2014-002 - INTERNAL CONTROLS AND COMPLIANCE OVER FINANCIAL TRANSACTIONS AND REPORTING
Initial Audit Finding Period: January 1, 2012 through December 31, 2012

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.

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.

Capital Assets

Management has not recorded certain general capital assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general capital assets be capitalized and depreciated, which would increase the assets, net position, and expenses of the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.

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.

(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: During 2015, bank reconciliations were prepared by the Staff Accountant and approved/reviewed by the Finance Manager. However, bank reconciliations for US Bank Revenue account were only performed during the audit fieldwork. Monthly financial statements were not timely submitted to the Board during the 2015 meetings. The Office Manager prepared the receipts, the Accounting Specialist records the receipt in the accounting system and the Finance Manager prepares the deposit ticket and makes the deposit. Some journal entries were still not signed by the preparer and approver.

Federal Award Findings and Questioned Costs

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

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 that the 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.

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"). The Airport Authority did not prepare the SEFA for the year ended December 31, 2014. See Section II for the details of finding 2014-002.

Status: The Airport Authority did prepare the SEFA for the year ended December 31, 2015. However, errors were noted in the balances presented.

FINDING 2014-003 –COMPLIANCE RELATED TO THE AIRPORT IMPROVEMENT PROGRAM REPORTING
Initial Audit Finding Period: January 12, 2012 through December 31, 2012

Federal Agency: Department of Transportation
Federal Program: Airport Improvement Program
CFDA Number: 20.106
Federal Award Number: 3-18-0028-30
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.

49 CFR section18.20 Standards for financial management systems states in part:

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

(2) 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.

Status: This is a repeat finding. Erroneous completion and late submission of report were still noted.

FINDING 2014-004 – COMPLIANCE WITH DAVIS-BACON ACT RELATED TO AIRPORT IMPROVEMENT PROGRAM
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: 3-18-0028-30
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.

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.

Status: During testing, it was noted that the certified payroll was submitted and a certification was attached to the support stating that the wage rates for laborers or mechanics contained therein are not less than the applicable wage rates contained in any wage determination incorporated into the contract.

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
EXIT CONFERNCE
FOR THE YEAR ENDED DECEMBER 31, 2015

The contents of this report were discussed on Tuesday, April 26, 2016 with James Cooper, Member of the Airport Authority's Board of Directors, Dan Vicari, Executive Director, and Michael Zonsius, Airport Manager, Finance Manager/Treasurer. Responses have been made a part of this report and can be found at pages 17 and 18.