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AN EQUAL OPPORTUNITY EMPLOYER

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January 16, 2024

Board of Directors
Gary Chicago International Airport Authority
Lake County, Indiana

We have reviewed the audit report for the Gary Chicago International Airport Authority, which was opined upon by RSM US LLP, Independent Public Accountants, for the period January 1, 2021 to December 31, 2021. Per the *Independent Auditor's Report*, the financial statements included in the audit report present fairly the financial condition of the Gary Chicago International Airport Authority as of December 31, 2021, and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the findings included in the report on pages 37-46. Please see the Schedule of Findings and Questioned Costs for complete details related to the findings. Management's Corrective Action Plan appears on pages 49-51.

In our opinion, RSM US LLP prepared the audit report in accordance with the guidelines established by the Indiana State Board of Accounts.

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

A handwritten signature in cursive script that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

Gary/Chicago International Airport Authority

**(A Component Unit of the City of Gary,
Indiana)**

Financial and Compliance Report
For the Year Ended December 31, 2021

Contents

Schedule of Officials	1
Independent Auditor's Report	2-4
Management's Discussion and Analysis	5-9
Financial Statements	
Statement of Net Position – Proprietary Funds	10
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	11
Statement of Cash Flows – Proprietary Funds	12
Notes to Financial Statements	13-28
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	29-30
Report on Compliance for the Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	31-33
Schedule of Expenditures of Federal Awards	34
Notes to Schedule of Expenditures of Federal Awards	35
Summary Schedule of Findings and Questioned Costs	36-46
Summary Schedule of Prior Audit Findings	47-48
Corrective Action Plan	49-51
Exit Conference	52

Gary/Chicago International Airport Authority

Schedule of Officials

Office	Official	Term	
		From	To
President of the Airport Authority Board	Peter Visclosky	October 1, 2021	September 30, 2025
Vice President of the Airport Authority Board	Trent A. McCain	October 1, 2021	September 30, 2025
Secretary	Millicent Macon	October 1, 2021	September 30, 2025
Commissioner	William Cook	October 1, 2021	September 30, 2025
Commissioner	Tom Collins Jr.	October 1, 2021	September 30, 2025
Commissioner	Gerald Anderson	October 1, 2021	September 30, 2025
Commissioner	Philip J. Mullins	October 1, 2021	September 30, 2025

Independent Auditor's Report

RSM US LLP

Board of Directors
Gary/Chicago International Airport Authority
Gary, Indiana

Report on the Audit of the Financial Statements***Opinion***

We have audited the financial statements of the Gary/Chicago International Airport Authority (Authority), a component unit of the City of Gary, Indiana, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of December 31, 2021, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 14 of the financial statements, the January 1, 2021 net position of the Authority has been restated for the correction of errors in accounting. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Schedule of Officials but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2024 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's 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.

RSM US LLP

Chicago, Illinois
January 5, 2024

Gary/Chicago International Airport Authority

Management's Discussion and Analysis For the Year Ended December 31, 2021

The following discussion and analysis of the Gary/Chicago International Airport Authority's (the "Authority") financial performance provides an overview of the Authority's financial activities for the fiscal year ended December 31, 2021 and is intended to complement and accompany the Authority's audited financial statements for the fiscal year ended December 31, 2021.

Overview of the Financial Statements

Management's discussion and analysis is intended to serve as an introduction to the Authority's audited financial statements and a narrative description of fiscal year 2021 (January 1, 2021 – December 31, 2021). The Authority's audited financial statements are based on generally accepted accounting principles. The MD&A will include discussion on the statement of net position, statement of revenues, expenses, and changes in fund net position and the statement of cash flows. All of the information included in this analysis is presented with the two most recent years to provide the opportunity for comparison.

The **statement of net position** presents all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. However, the consideration of other non-financial factors, such as changes within the airline industry or phasing of the capital program, may be necessary.

The **statement of revenues, expenses, and changes in fund net position** presents information showing how the Authority's net position changed during each year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The **statement of cash flows** is concerned solely with the sources and uses of cash and cash equivalents for the Authority. Transactions are recorded when cash is received or exchanged, without concern of when the underlying event causing the transactions occurred. It is important to recognize that from year to year there may be substantial changes in capital related contributions whether grant or bond funded, as certain major capital programs are either launched or completed. These year-to-year changes in capital contributions are not indicative of the financial health of the Authority but are reflective of the phasing and sequencing of the Authority's capital plan. The Authority must submit a five-year capital plan to the Federal Aviation Administration for approval and it is that plan that sets the course for sources and uses of capital.

These financial statements can be found within this report.

Gary/Chicago International Airport Authority

Management's Discussion and Analysis (Continued) For the Year Ended December 31, 2021

Financial Analysis

The net position serves as an indicator of the Authority's financial position over a calendar year. As mentioned previously, changes in the capital program implementation phase may impact capital contribution receipts and the recording of depreciation.

As shown in the statements below, the Authority's net position at December 31, 2021 amounted to \$101,644,146, an increase of \$1,212,232 after the prior period adjustment of \$656,396, from the calendar year ended December 31, 2020. Net investment in capital assets consists of capital assets, net of accumulated depreciation less any related outstanding debt used to construct or acquire those assets. A portion of the Airport's net position, \$17,391,330, represents resources that are restricted for use related to capital projects and debt service.

Operating revenue increased by \$824,429 while operating expenses increased, excluding depreciation and amortization, by \$216,528. Depreciation increased from the prior year by \$10,520. The Airport's total operating loss excluding depreciation was (\$1,665,257), an 27% increase from fiscal year 2020. Non-operating revenue increased by \$3,403,321 from the prior year to \$8,076,561 in fiscal year 2021. Non-operating expenses, consisting of interest expense, decreased to \$1,181,274, or 9% from fiscal year 2020.

Financial Statements

Statements of Net Position

	2021	2020
Current unrestricted assets	\$ 23,607,669	\$ 10,458,498
Restricted cash and cash equivalents	17,899,830	20,357,474
Noncurrent assets	94,795,716	99,060,816
Total Assets	136,303,215	129,876,788
Current liabilities	3,929,355	3,626,650
Noncurrent liabilities	24,451,856	26,474,620
Total Liabilities	28,381,211	30,101,270
Deferred inflows	6,277,858	-
Total Liabilities and Deferred Inflows	34,659,069	30,101,270
Net investment in capital assets	68,881,917	99,060,816
Restricted for capital projects and debt service	17,391,330	7,623,193
Unrestricted	15,370,899	(6,908,491)
Total Net Position	\$ 101,644,146	\$ 99,775,518

Gary/Chicago International Airport Authority

Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2021

Statements of Revenues, Expenses, and Changes in Net Position

	2021	2020
Revenues and Capital Contributions		
Total operating revenues	\$ 3,008,062	\$ 2,183,633
Total nonoperating revenues	8,076,561	4,673,240
Total grants and capital contributions	5,760,473	4,662,001
Total Revenues and Capital Contributions	16,845,096	11,518,874
Expenses		
Total operating expenses	4,673,319	4,456,791
Interest expense	1,181,274	1,293,962
Depreciation expense	9,778,271	9,767,751
Total Expenses	15,632,864	15,518,504
Change in net position	1,212,232	(3,999,630)
Net position, beginning of year	99,775,518	109,420,083
Prior period adjustments	656,396	(5,644,935)
Net Position, End of Year	\$ 101,644,146	\$ 99,775,518

General Highlights

The statement of revenues, expenses, and changes in fund net position summarizes the revenues and expense for the Authority and illustrates the government contributions over the calendar year. In this statement, a change in the net position of \$1,868,628 was noted when including the restatement.

Since 2016, the Airport has received capital contributions from various government agencies and outside entities to support capital projects. Other contributions increased by \$1,098,472 to \$5,760,473 in fiscal year 2021 or a 24% increase. This expected increase was noted due to completion of several capital projects at the beginning of the year including the Taxiway A Rehabilitation and Apron Rehab. An increase or decrease in capital grants does not impact airport operations as the capital contributions largely support capital projects and not the day-to-day financial operations.

As of December 31, 2021, the Airport did not have employees which participate in the Indiana Public Employees Retirement Fund (PERF) pension plan administered by the Indiana Public Retirement System (INPRS) and therefore no contributions to PERF were made.

Gary/Chicago International Airport Authority

**Management’s Discussion and Analysis (Continued)
For the Year Ended December 31, 2021**

Capital Assets

	2021	2020
Land and land improvement	\$ 26,025,921	\$ 29,228,215
Infrastructure	180,953,581	171,871,718
Buildings and improvements	19,516,703	18,555,482
Construction in progress	4,083,219	3,421,787
Furniture, fixtures, and equipment	12,936,211	12,863,348
Total	243,515,635	235,940,550
Less: Accumulated depreciation	(148,719,919)	(136,879,734)
Net Capital Assets	<u>\$ 94,795,716</u>	<u>\$ 99,060,816</u>

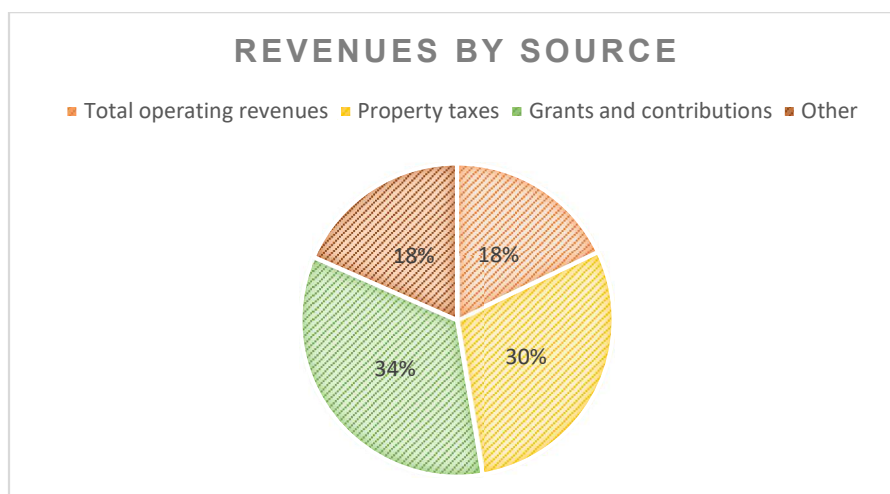
Capital Assets

Net capital assets decreased by \$4,265,100 in 2021 to \$94,795,716. This can be attributed to the increase in the depreciation and several adjustments from the prior period. Depreciation cost increased by \$10,520 to \$9,778,271 in fiscal year 2021 when compared to the prior year. The completion of Apron Rehab Phases 4 & 5 and Taxiway A Rehab added \$6,173,800 in infrastructure.

With over \$16 million in reserves, GCIAA is in the enviable position of having substantial local funds for matching federal grant projects, as well as providing local funding for non-FAA eligible capital improvements.

Revenues by Source

The following table depicts the Authority’s sources of revenue, both for operating and capital for fiscal year 2021. Approximately 60% of total revenues, including revenue described as operating revenues and property and other taxes, are used to fund the Airport’s operations or day-to-day activity, including for debt service. The remaining 40% of total revenue was derived from capital grants and contributions that were ultimately used to fund capital projects at the Airport. Notably, capital grants fluctuate annually depending on the timing and phase of capital project implementation and completion.



Gary/Chicago International Airport Authority

Management's Discussion and Analysis (Continued) For the Year Ended December 31, 2021

Debt Outstanding

The Authority's long-term liabilities include Airport Development Zone Revenue Bonds, Series 2014 issued by the Authority during the 2014 calendar year. The Series 2014 Bonds were issued by the Authority for the principal purposes of constructing improvements to the airport facilities. These improvements included an extension (8,900 feet) of the existing runway and other related site improvements. The original par amount at issuance was \$29,860,000. As of December 31, 2021, the outstanding principal amount was \$24,620,000. GCIAA has maintained very healthy debt service coverage ratios of 1.79 times debt service with \$4.21 million in revenues in fiscal year 2021. TIF revenues increasing due to the casino construction and collection levels improving, with a five-year average collection rate of 92.2%.

The Bonds are secured by a pledge and security interest in the tax increment funds received through the Airport Development Zone. The TIF funds are received twice a year in the June and December property tax distributions from the County Auditor and the entire amount of the TIF revenues are deposited with the Trustee and held by the Trustee until the principal payment is made on February 1 of the following calendar year. The excess funds are then returned to the GCIAA and held in the ADZ TIF Allocation Fund. The bond indenture provides for a Debt Service Reserve Fund and a Supplemental Reserve both funded at the Maximum Annual Debt Services (MADS) amount. The Supplemental Reserve is funded through the tax deposits received from the tax increments through February 1, 2020, the requirement lapsed at that time, but the Authority has determined to continue to maintain the Supplemental Reserve Fund in an abundance of caution through 2023. The pledged revenue provided for 179% of debt service coverage during 2021. The Authority is current on all principal and interest payments, as well as its continuing disclosure obligations.

Budget for 2022

The 2022 budget was passed by the Authority's Board on September 9, 2021. The adopted budget included an increase in lease revenue, fuel flowage and landing fees starting in 2022 totaling an increase of \$290,129 when compared to the 2021 revenues. The new lease agreement of our Refax property is the largest portion of this increase. Expenditure growth is driven by increased professional services and the removal of management services to support the transition of staff as employees of the Authority as well as the full operation of the ARFF facility.

Request for Information

This financial report is designed to provide a general overview the Authority's finances for all those with an interest in the Authority's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional information should be directed to the Executive Director, Gary/Chicago International Airport Authority, 6001 West Airport Road, Gary, Indiana 46406.

Gary/Chicago International Airport Authority

Statement of Net Position

December 31, 2021

Assets

Current assets

Cash and cash equivalents (Note 2)	\$ 5,413,077
Restricted cash and cash equivalents (Note 2 and 3)	17,899,830
Accounts receivable, net	2,969,798
Passenger facility charges, receivable	4,841,661
Property taxes receivable, net	6,277,858
Grants receivable	4,105,275
Total current assets	<u>41,507,499</u>

Noncurrent asset

Capital assets, non-depreciable (Note 4)	30,109,140
Capital assets, depreciable, net (Note 4)	64,686,576
Total noncurrent assets	<u>94,795,716</u>

Total assets

\$ 136,303,215

Liabilities

Current liabilities

Payable from unrestricted:	
Accounts payable and other accrued liabilities	\$ 2,112,740
Accrued payroll liabilities	907
Total unrestricted	<u>2,113,647</u>

Payable from restricted:

Retainage payable	452,208
Accrued interest on long-term debt	508,500
Bonds and other long-term debt, net (Note 7)	855,000
Total restricted	<u>1,815,708</u>
Total current liabilities	<u>3,929,355</u>

Noncurrent liabilities

Bonds and other long-term debt, net (Note 7)	23,765,000
Bonds premium	686,856
Total noncurrent liabilities	<u>24,451,856</u>
Total liabilities	<u>28,381,211</u>

Deferred Inflows of Resources

Deferred inflows related to property taxes	6,277,858
Total liabilities and deferred inflows of resources	<u>34,659,069</u>

Net Position

Net investment in capital assets	68,881,917
Restricted for capital projects	13,151,882
Restricted for debt service	4,239,448
Unrestricted	15,370,899
Total net position	<u>101,644,146</u>

Total liabilities and net position

\$ 136,303,215

See Notes to Financial Statements.

Gary/Chicago International Airport Authority

**Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended December 31, 2021**

Operating Revenues	
Lease revenue	\$ 1,447,665
Fuel flowage	717,937
Landing	607,953
Parking	17,146
Customs facility usage fee	49,300
Utility reimbursements	103,667
Other	64,394
Total operating revenues	<u>3,008,062</u>
Operating Expenses	
Personnel	150,885
Services	4,147,542
Commodities	374,892
Total operating expenses	<u>4,673,319</u>
Operating loss before depreciation	(1,665,257)
Depreciation	9,778,271
Loss from operations after depreciation	<u>(11,443,528)</u>
Nonoperating Revenues	
Property and other taxes	4,975,422
Settlements	3,100,040
Interest income	1,099
Total nonoperating revenues	<u>8,076,561</u>
Nonoperating Expense	
Interest expense	1,181,274
Net nonoperating income	<u>6,895,287</u>
Loss before capital contributions	(4,548,241)
Capital contributions	
Federal grants	4,482,812
State grants	19,646
Passenger facility charges	1,258,015
Total capital contributions	<u>5,760,473</u>
Change in net position	1,212,232
Net position	
Total net position, beginning of period as previously reported	99,775,518
Prior period adjustments (Note 14)	656,396
Total net position, beginning of period as restated	<u>100,431,914</u>
Total net position, end of period	<u>\$ 101,644,146</u>

See Notes to Financial Statements.

Gary/Chicago International Airport Authority

Statement of Cash Flows
For the Year Ended December 31, 2021

Cash Flows from Operating Activities

Receipts from customers	\$ 2,639,144
Payments to suppliers/servicers	(6,341,138)
Payments to employees	(151,382)
Net cash used in operating activities	<u>(3,853,376)</u>

Cash Flows from Noncapital Financing Activities

Settlements	900,040
Receipts of property and other taxes	4,975,422
Net cash provided by noncapital financing activities	<u>5,875,462</u>

Cash Flows From Capital and Related Financing Activities

Acquisition and construction of capital assets	(7,448,258)
Interest paid on bonds and other long-term debt	(1,219,430)
Principal paid on bonds and other long-term debt	(810,000)
Capital grant receipts	4,199,107
Net cash used in capital and related financing activities	<u>(5,278,581)</u>

Cash Flows From Investing Activity

Interest received	1,099
Net cash provided by investing activity	<u>1,099</u>

Net decrease in cash and cash equivalents	(3,255,396)
Cash and cash equivalents, beginning of year	26,568,303
Cash and cash equivalents, end of year	<u>\$ 23,312,907</u>

Reconciliation of operating loss to net cash used in operating activities:

Loss from operations	\$ (11,443,528)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	9,778,271
Changes in assets and liabilities:	
Accounts receivable	(369,415)
Accounts payable	(1,818,704)
Net cash used in operating activities	<u>\$ (3,853,376)</u>

Noncash activities

Acquisition of capital assets acquired prior to but paid subsequent to year-end	<u>\$ 1,086,082</u>
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See Notes to Financial Statements.

Gary/Chicago International Airport Authority

Notes to Financial Statements For the Year Ended December 31, 2021

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.

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.

Financial 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 GASB, the Authority is considered to be a component unit of the City of Gary (City). In reaching the conclusion, the Authority considered the fact that in order for the Authority to adopt a budget and the tax levy, an approval from the Gary Common Council is required to determine the allowable cost for levy of the Authority's units. The existence of this condition indicates that the City has the authority to impose its will on the Authority.

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. Internally, for operating purposes, the Authority utilizes separate accounts or funds which are combined into the single enterprise fund for reporting purposes. These accounts or funds are established, maintained, and tracked by the Authority to account for money received from specific sources and used for specific purposes as determined by various regulations or agreements. Restrictions on some funds are set by statute while other funds are restricted by the Authority through contractual agreements.

The Authority reports revenues and expenses as operating or non-operating. Operating revenues and expenses result from providing services in connection with the Authority's ongoing activities.

The Authority classifies revenues from tenants, fixed based operators, customs facility usage fee, 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, settlements, and interest income are considered non-operating revenues while revenues from grants and passenger facility charges are considered capital contributions. Interest expense is reported as non-operating expense.

Gary/Chicago International Airport Authority

Notes to Financial Statements (Continued) For the Year Ended December 31, 2021

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

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 deferred inflows of resources 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.

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. The Authority has no investments as of December 31, 2021 other than short-term money market funds which are considered cash equivalents.

Accounts receivable: The Authority records revenue that has been earned but not yet received as accounts receivable. As of December 31, 2021, receivables totaling \$2,969,798 are presented in the financial statements.

Property taxes: Property taxes levied for all governmental entities located within Lake County are collected by the Lake County Treasurer. State statutes required the State of Indiana Department of Local Government Finance (DLGF) to establish property tax rates and levies by January 15 annually. Part of the budget certification process is to finalize the rates, which in turn gives units the ability to accurately project revenue loss due to the circuit breaker impact. These rates are based upon the preceding year's January 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the DLGF). Property taxes may be paid in two equal installments that become delinquent if not paid by May 10 and November 10, respectively. Delinquent property taxes outstanding at year-end are reported, net of allowance for uncollectible accounts. The current period levy finalized during fiscal year 2021 net of circuit breaker adjustments is recorded as a receivable with an offset to deferred inflows of resources as the 2021 levy is intended to finance operations in fiscal year 2022.

Circuit breakers were enacted by the Indiana General Assembly in 2008 and are better known as property tax caps. The cap guarantees that property tax rates in overlapping districts cannot exceed a certain capped percent of the parcel's gross assessed value. The circuit breaker amount represents property tax liability waived because the parcel is above the level allowed under the property tax caps.

As of December 31, 2021, there is \$6,277,858 of property taxes recorded as a receivable and deferred inflow of resources.

Passenger Facility Charges (PFC): Through a 1995 compact agreement between the City of Chicago and the City of Gary the Chicago/Gary Regional Airport Authority was formed. Through this agreement, the 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. The related Passenger facility charge receivable was \$4,841,661 as of December 31, 2021.

Gary/Chicago International Airport Authority

Notes to Financial Statements (Continued) For the Year Ended December 31, 2021

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

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 when the eligibility requirements of the program are met which is generally as the related approved capital improvement expenditures are incurred.

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, some items of 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
Infrastructure items	10-50
Intangibles	3-10
Equipment	3-20

The Authority adopted GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, as required in fiscal year 2021, noting that all interest costs incurred were expensed as required in the year ended December 31, 2021.

Retainage payable: The Authority has recorded retainage payable of \$452,208 as of December 31, 2021. This consists of payments owed to contractors for the Authority's runway expansion project. These liabilities are expected to be paid when the runway expansion project is complete and all other contractor requirements are met.

Long-term debt: Bonds payable are reported at par value, net of the unamortized premium. Bond issuance costs are recognized when paid and reported under other services and charges.

Bond discounts and premiums: Original issue discounts and/or premium on bonds are amortized using the effective interest method over the life of the bonds to which it relates and recognized as an increase to or a reduction of interest expense.

Deferred inflows of resources: Deferred inflows of resources are an acquisition of net assets by the government that is applicable to a future reporting period.

Gary/Chicago International Airport Authority

Notes to Financial Statements (Continued) For the Year Ended December 31, 2021

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

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.

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.

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*.

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 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 2021.

Intrafund 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. All internal activity is eliminated for financial reporting purposes.

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.

Gary/Chicago International Airport Authority

Notes to Financial Statements (Continued) For the Year Ended December 31, 2021

Note 2. Cash and Cash Equivalents

Cash and cash equivalents included in the statement of net position at December 31, 2021.

Cash and cash equivalents	
Current, unrestricted	\$ 5,413,077
Current, restricted	<u>17,899,830</u>
 Total	 <u>\$ 23,312,907</u>

Deposits with financial institutions at December 31, 2021 amounted to \$15,017,794.

Custodial credit risk for deposits is the risk that in the event of a bank failure, Authority's deposit may not be returned. The Authority's deposit policy for custodial credit risk requires compliance with provisions of Indiana Code (IC) 5-13-8-1. The Authority's cash deposit and CD's are insured by 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 Deposit 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, 2021, the Authority had the following cash equivalents (maturity of three months or less):

Short-term government money market funds	\$ 8,295,113
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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 insured and held in 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.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize the 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 Investor Service, Inc. repurchase agreements fully collateralized by U.S. Government securities, and U.S. Treasury obligations (or other U.S. Agency obligations). As of December 31, 2021, 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 decline 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.

Gary/Chicago International Airport Authority

**Notes to Financial Statements (Continued)
For the Year Ended December 31, 2021**

Note 3. Restricted Assets

Cash and cash equivalents:

Cash, cash equivalents and investments are restricted as follows as of December 31, 2021:

Pursuant to the Airport Development Zone Bonds of 2014 Trust Indentures	<u>\$ 17,899,830</u>
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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.

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.

Gary/Chicago International Airport Authority

**Notes to Financial Statements (Continued)
For the Year Ended December 31, 2021**

Note 3. Restricted Assets (Continued)

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, 2021.

Gary/Chicago International Airport Authority

**Notes to Financial Statements (Continued)
For the Year Ended December 31, 2021**

Note 4. Capital Assets

Capital assets consist of the following at December 31:

	Beginning Balance	(Note 16) Restatement	Additions	Disposals/ Transfers	Ending Balance
Capital assets, non depreciable:					
Land	\$ 18,512,002	\$ (2,034,151)	\$ 3,118,324	\$ -	\$ 19,596,175
Land improvements	6,392,400	(182,967)	220,313	-	6,429,746
Construction in progress	3,421,787	1,495,794	4,614,013	(5,448,375)	4,083,219
Total	28,326,189	(721,324)	7,952,650	(5,448,375)	30,109,140
Capital assets, depreciable:					
Land improvements	4,323,813	(4,323,813)	-	-	-
Buildings	18,555,482	961,221	-	-	19,516,703
Infrastructure	171,871,716	3,062,800	570,690	5,448,375	180,953,581
Furniture, fixtures and equipment	12,863,348	61,863	11,000	-	12,936,211
Total	207,614,359	(237,929)	581,690	5,448,375	213,406,495
Accumulated depreciation:					
Buildings	(8,230,141)	(25,640)	(399,925)	-	(8,655,706)
Depreciable land improvements	(202,312)	202,312	-	-	-
Infrastructure	(116,695,768)	(2,180,040)	(9,267,723)	-	(128,143,531)
Furniture, fixtures and equipment	(11,751,511)	(58,549)	(110,622)	-	(11,920,682)
Total	(136,879,732)	(2,061,917)	(9,778,270)	-	(148,719,919)
Net capital assets	\$ 99,060,816	\$ (3,021,170)	\$ (1,243,930)	\$ -	\$ 94,795,716

Note 5. Property Taxes

The applicable property tax rates and related levies in 2021 are as follows:

	Rate Per \$100	Property Tax Levies
Operating	\$ 0.0998	\$ 1,917,585
Cumulative Building	0.0091	174,850
Total	\$ 0.1089	\$ 2,092,435

Gary/Chicago International Airport Authority

Notes to Financial Statements (Continued) For the Year Ended December 31, 2021

Note 6. Employee Retirement

Public Employees' Retirement Fund ("PERF")

The Authority's employees are eligible to participate in PERF, a cost-sharing, multiple-employer defined-benefit pension plan established in accordance with IC 5-10.3. PERF is administered by the Indiana Public Retirement System ("INPRS") and is governed by the INPRS Board of Trustees ("INPRS Board"). PERF provides retirement, disability and survivor benefits to full-time employees of the State of Indiana not covered by another plan, those political subdivisions that elect to participate in the retirement plan and certain INPRS employees. All full-time Authority employees are eligible to participate in this plan. INPRS issues a publicly available financial report that includes financial statements and required supplementary information for PERF, and can be found at <http://www.inprs.in.gov/>. This report may also be obtained by writing to Indiana Public Retirement System, 1 North Capitol, Suite 001, Indianapolis, Indiana 46204, or by calling 888-526-1687.

Plan Description - There are two tiers to the PERF plan. The first is the Public Employee's Defined Benefit Plan ("PERF Hybrid Plan") and the second is the My Choice: Retirement Savings Plan for Public Employees ("My Choice Plan").

There are two aspects to the PERF Hybrid Plan defined-benefit structure. The first portion is the monthly defined-benefit pension that is funded by the employer. The second portion of the PERF Hybrid Plan benefit structure is the Public Employees' Hybrid Members Defined Contribution Account, a defined-contribution plan that supplements the defined-benefit at retirement.

Effective January 1, 2018, funds previously known as annuity savings accounts (which were reported within defined-benefit funds) were re-categorized as defined-contribution funds based on Internal Revenue Private Letter Rulings PLR-193-2016 and PLR-110249-18. PERF Defined Contribution member balances (previously known as annuity savings accounts) reported within PERF DB were transferred to the appropriate defined-contribution fund as of January 1, 2018.

Funding Policy – The funding policy of INPRS provides for actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due.

PERF Hybrid Plan - The employer defined-benefit contribution rate is based on an actuarial valuation and is adopted, and may be amended, by the INPRS Board. For 2021, the employer contribution rate was 11.2% of eligible employee compensation. The Defined Contribution Account consists of the employee contribution, which is 3% of compensation as defined by Indiana statutes, plus the interest/earnings or losses credited to the employee's account. The employer may choose to make the contributions on behalf of its participating employees. In addition, under certain circumstances, employees may elect to make additional voluntary contributions of up to 10% of their compensation into their Defined Contribution Account. An employee's contribution and interest credits belong to the employee and do not belong to the state or the Airport.

My Choice Plan - For the My Choice Plan, member contributions are set by statute at 3% of compensation, plus these members may receive additional employer contributions in lieu of the Public Employees' Defined Benefit Account. In addition, for the My Choice Plan, all participating employers were Required to make a 7.0% supplemental contribution toward the fund's actuarial unfunded liability.

As of December 31, 2021, the Authority has no full-time active employees participating in the PERF. Therefore, although eligible to participate, the Authority has no eligible employee compensation to report to PERF and therefore employer contributions to PERF were \$0. Based on this fact, the Authority is currently not allocated a share of the PERF plan's net pension liability or corresponding pension amounts.

Gary/Chicago International Airport Authority

**Notes to Financial Statements (Continued)
For the Year Ended December 31, 2021**

Note 7. Bonds and Other Long-Term Debt

Revenue Bonds

Airport Development Zone Bonds of 2014; total final principal of \$29,860,000 is payable on February 1, 2039. Interest of 5.0% to 5.50% is due through 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. Term bonds for the period 2022-2025 will be due February 1, 2025.

\$ 24,620,000

The Authority has a statutory legal debt limit which represents 2% 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 statutory legal debt limit of the Authority as of December 31, 2021 has not been calculated.

Airport Development Zone Bonds of 2014

The Series 2014 bonds were issued to fund runway expansion and other on-airport projects and 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, refer to Note 9 for more information about the ADZ. The amount of the pledge remaining as of December 31, 2021 and a comparison of the pledged revenues collected to the related principal and interest paid in fiscal year 2021 is \$96.4 million through 2039 and will be available to cover the remaining debt service obligations of the Series 2014 Bonds. This pledge will remain until all the Series 2014 bonds have been retired. During the period, the Authority recognized \$4.2 million in TIF increment revenues and made debt service payments of \$2.1 million.

Debt Service Schedule

Annual debt service requirements to maturity for revenue bonds are as follows as of December 31, 2021.

Year Ending December 31,	Principal	Interest	Total
2022	\$ 855,000	\$ 1,243,913	\$ 2,098,913
2023	900,000	1,195,650	2,095,650
2024	950,000	1,144,775	2,094,775
2025	1,005,000	1,091,013	2,096,013
2026	1,060,000	1,036,875	2,096,875
2027-2031	6,155,000	4,305,969	10,460,969
2032-2036	7,915,000	2,491,906	10,406,906
2037-2039	5,780,000	442,750	6,222,750
Total	<u>\$ 24,620,000</u>	<u>\$ 12,952,851</u>	<u>\$ 37,572,851</u>

Gary/Chicago International Airport Authority

Notes to Financial Statements (Continued) For the Year Ended December 31, 2021

Note 7. Bonds and Other Long-Term Debt (Continued)

Changes in Bonds and Long-Term Liabilities

Bonds and long-term liability activity for the year ended December 31, 2021 are as follows:

	Revenue Bonds	Premium on Bonds	Total
Beginning balances	\$ 25,430,000	\$ 757,126	\$ 26,187,126
Addition	-	-	-
Reductions	(810,000)	(70,270)	(880,270)
Ending balances	<u>\$ 24,620,000</u>	<u>\$ 686,856</u>	<u>\$ 25,306,856</u>
Due in one year	\$ 855,000	\$ -	\$ 855,000

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 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 Authority in the case of a default on the 2010 bonds. During 2021, the principal paid was \$445,000, bringing the balance due on the 2010 bonds, as of December 31, 2021, to \$4,685,000, including \$455,000 due within one year. The retirement date of the final principal payment on the bonds is due in 2031.

Note 9. Airport Development Zone (ADZ)

There is a TIF district created to fund runway expansion and other on-airport projects. Businesses located in the ADZ are entitled to the benefits provided by certain statutes as if located within an enterprise zone. Before June 1, of each year, businesses located within the ADZ must pay a fee equal to the amount of the fee that is required for enterprise zone businesses under IC 5028-15-5(a)(4)(A).

Property tax and other collections received within the ADZ amounted to \$4,180,786 for the year ended December 31, 2021 and were utilized to fund the reserves and make debt payments related to the Airport Development Zone Bonds of 2014. The ADZ/TIF allocation debt service cash reserve fund balance was \$12,958,634 for the year ended December 31, 2021.

Note 10. Major Customers

During the year ended December 31, 2021, the Authority received significant operating revenue from four customers. Rentals, landing fees, apron fees and other revenues from these customers aggregated approximately \$2.5 million or 83.3% of operating revenues for the years ended December 31, 2021.

Gary/Chicago International Airport Authority

Notes to Financial Statements (Continued) For the Year Ended December 31, 2021

Note 11. Rental Income Under Operating Lease

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:

<u>Years Ending December 31,</u>	<u>Amount</u>
2022	\$ 1,065,131
2023	1,054,877
2024	1,072,823
2025	<u>1,091,076</u>
Total	<u>\$ 4,283,907</u>

The schedule above includes changes in rental rates that became effective on January 1, 2021. 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 12. 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.

In 2016, the Authority and the Indiana Department of Environmental Management (“IDEM”) entered into an agreement related to environmental contamination at a site known as the Boeing Ditch area. The contamination occurred at the site prior to the Authority acquiring the land. To date, the Airport has incurred approximately \$1.1 million in costs for the remediation area and has filed completion records with IDEM for approval to close the matter. To recover some of the costs associated with remediation efforts, the Authority has entered into a settlement agreement with a private entity with ties to the site which resulted in the receipt of \$900,000 pursuant to that agreement. In addition, In December 2021, the Authority entered into a settlement with a former insurance provider covering claims associated with the environmental claims noted above which resulted in the receipt of \$2.2 million pursuant to that agreement. These settlements were recorded as nonoperating revenues for the year ended December 31, 2021.

In 2021, the Authority paid \$1.5 million to obtain a property needed for potential expansion of the Airport’s runway. This is related to a claim against the Authority related to an eminent domain situation. The matter was settled and all claims have been resolved.

Gary/Chicago International Airport Authority

Notes to Financial Statements (Continued) For the Year Ended December 31, 2021

Note 13. Effect of New Accounting Standards

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The Statement was effective immediately upon issuance in May 2020. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. Management has yet to determine the impact on the following statements that have been approved by the GASB:

GASB Statement No. 87, *Leases*, will be effective for the Authority with its year ended December 31, 2022. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB Statement No. 91, *Conduit Debt Obligations*, will be effective for the Authority with its year ended December 31, 2022. The primary objective of this Statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. There was no impact to the current financial statements.

GASB Statement No. 92, *Omnibus 2020*, the primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement were effective on different timelines as some were effective upon issuance, the remaining items are effective for reporting periods beginning after June 15, 2021.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, will be effective for the Authority with its year ending December 31, 2022. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR was expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The objective of this Statement is to address this and other accounting and financial reporting implications that result from the replacement of LIBOR.

Gary/Chicago International Airport Authority

Notes to Financial Statements (Continued) For the Year Ended December 31, 2021

Note 13. Effect of New Accounting Standards (Continued)

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, will be effective for the Authority with its year ending December 31, 2023. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infra-structure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, will be effective for the Authority with its year ending December 31, 2023. This Statement defines a SBITA; establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement will improve financial reporting by establishing a definition for a SBITA and providing uniform guidance for accounting and financial reporting for transactions that meet that definition.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32, will be effective for the Authority with its year ending December 31, 2022. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

GASB Statement No. 99, *Omnibus 2022*. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to more easily locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements. The requirements of this Statement were effective on different timelines as requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance, requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022 and requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023.

Gary/Chicago International Airport Authority

**Notes to Financial Statements (Continued)
For the Year Ended December 31, 2021**

Note 13. Effect of New Accounting Standards (Continued)

GASB Statement No. 100, *Accounting Changes and Error Corrections*, will be effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections.

GASB Statement No. 101, *Compensated Absences*, will be effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences.

Note 14. Prior Period Adjustments

During fiscal year ended December 31, 2021 various errors associated with prior periods were identified and as a result, the January 1, 2021 net position was restated for the following adjustments:

Net position - December 31, 2020 (as previously reported)	\$ 99,775,518
Adjustments to capital assets and accumulated depreciation	(3,021,170)
Adjustments to grant receivables	1,364,877
Adjustments to passenger facility charge receivables	2,183,792
Adjustments to bond premium	287,494
Adjustments to accounts payable	(56,666)
Adjustment to retainage payable	<u>(101,931)</u>
Net position - December 31, 2020 (as restated)	<u>\$ 100,431,914</u>

The impact of the errors noted above on the change in net position during the fiscal year ended December 31, 2020 is an increase of \$3,779,497.

Gary/Chicago International Airport Authority

Notes to Financial Statements (Continued) For the Year Ended December 31, 2021

Note 15. Subsequent Events

Subsequent events are events or transactions which occur after December 31, 2021, but before the issuance of the financial statements and auditor's report that have a material effect on the financial statements and require adjustment in the financial statements. Management has evaluated subsequent events through issuance date.

In June 2022, the Authority moved to eliminate the contract with their third-party management company and hire employees to operate the airport. Over the course of the next few months the Authority hired employees, adopted a personnel policy, adopted an ordinance adopting salaries for employees and passed a resolution to officially provide pension benefits to qualified full-time employees through the Public Employee Retirement Fund as administered by the Indiana Public Retirement System. The change will result in the Authority needing to evaluate potential liabilities for all applicable employee benefits, including compensated absences, net pension liability and possible other postemployment benefit liabilities as required under the applicable GASB standards related to these benefits. The impact of these changes on the net position of the Authority in future reporting periods is currently unknown.

In December 2022, the Authority agreed to pay an additional \$1.1 million in addition to \$417 thousand previously paid for a total of \$1.5 million to settle an eminent domain case claim for property acquired by the Authority for the potential expansion of the airport. The additional \$1.1 million was accrued as an other accrued liability and increased capital assets - non-depreciable land as of fiscal year end.

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With Government Auditing Standards**

Independent Auditor's Report

Board of Directors
Gary/Chicago International Airport Authority
Gary, Indiana

We have audited, 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, the financial statements of Gary/Chicago International Airport Authority (the Authority) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 5, 2024. Our report contains an emphasis of matter paragraph for the restatement of January 1, 2021 net position to correct errors in accounting. Our opinion is not modified with respect to this matter.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001, 2021-002, 2021-003 and 2021-004 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Authority's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

RSM US LLP

Chicago, Illinois
January 5, 2024

**Report on Compliance for the 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

Board of Directors
Gary/Chicago International Airport Authority
Gary, Indiana

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the Gary/Chicago International Airport Authority's (the Authority) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended December 31, 2021. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended December 31, 2021.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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 item 2021-005. Our opinion on the major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 have audited the financial statements of the Authority as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon, dated January 5, 2024, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. 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 basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

RSM US LLP

Chicago, Illinois
January 5, 2024

Gary/Chicago International Airport Authority

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021**

Federal Grantor Agency/Program Title	Pass-Through or Direct Grant	Federal Assistance Listing Number (ALN)	Pass Through Entity (or Other) Identifying Number	Total Federal Expenditures
Department of Transportation				
Airport Improvement Program	Direct Grant	20.106	3-18-0028-038-2018	\$ 234,000
Airport Improvement Program	Direct Grant	20.106	3-18-0028-039-2019	2,127,773
Airport Improvement Program	Direct Grant	20.106	3-18-0028-043-2021	3,466,579
Total - Department of Transportation				\$ 5,828,352
Total - Federal Awards Expended				\$ 5,828,352

The accompanying notes are an integral part of this schedule.

Gary/Chicago International Airport Authority

Notes to Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2021

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Authority under programs of the federal government for the year ended December 31, 2021. The information in the Schedule is presented in accordance with the 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). Because the SEFA presents only a select portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in financial position or cash flows of the Authority.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the cash basis of accounting. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. There were no federal awards expended for non-cash assistance, insurance or any loans or loan guarantees outstanding at year-end. Of the federal expenditures presented in the Schedule, the Authority did not provide any amounts to subrecipients.

Note 3. Indirect Cost Recovery

The Authority has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Gary/Chicago International Airport Authority

**Schedule of Findings and Questioned Costs
Year Ended December 31, 2021**

I. SUMMARY OF AUDITOR'S RESULTS

A. Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified
2. Internal control over financial reporting:
 - Material weakness(es) identified? X Yes No
 - Significant deficiency(ies) identified? Yes X None reported
3. Noncompliance material to the financial statements noted? Yes X No

B. Federal Awards

1. Internal control over federal major programs:
 - Material weakness(es) identified? Yes X No
 - Significant deficiency(ies) identified? Yes X None reported
2. Type of auditor's report issued on compliance for the major federal program: Unmodified
 - Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? X Yes No

3. Identification of major program:

<u>Federal Assistance Listing Number (ALN)</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as a low-risk auditee? Yes X No

(Continued)

Gary/Chicago International Airport Authority

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2021

II. FINANCIAL STATEMENT FINDINGS

Finding 2021-001: Inadequate Monitoring and Controls over Capital Assets

Condition and Context followed by Criteria

The Authority is required to maintain books and records under accounting principles generally accepted in the United States of America (U.S. GAAP). The monitoring, tracking and reporting of capital asset records is essential in order to maintain the books and records in accordance with U.S. GAAP. While the Authority has a system of internal controls in place over accounting and financial reporting of capital assets, there have been inconsistencies in their application over the years due to turnover and changes in auditors. These inconsistencies have resulted in material errors detected by both management, as well as the auditors and corrected by management associated with the capital asset records as noted below:

- Historically, the Authority's capital asset records have been maintained in a Microsoft Excel file which is updated for the annual audit each year. The records include a detailed asset listing by asset type based on a full capital asset appraisal performed by the Authority in 2016. Since 2016, it appears that the annual changes, additions to and deletions from the detailed asset listing were made using a summarized form based on the annual adjusting entries identified during the fiscal year-end closing and audit process. The use of this summarized process resulted in insufficiently detailed records which resulted in errors in reporting additions, depreciation and accumulated depreciation in the years since 2016. These issues were identified jointly by management and the audit team as we worked to identify discrepancies in the records as of the beginning of the year. From there, management performed a detailed review and updated the records to include the details of additions in 2017 – 2020 resulting in a restatement of capital assets and net position.
 - The impact of the issues identified above include a restatement to reduce total capital assets, both depreciable and non-depreciable by \$3,021,170.
- Certain accruals related to accounts payable and retainage payable associated with construction in progress impacted both the beginning and ending capital asset records and resulted in accruals not being properly reflected in the proper period.
 - The impact of the accrual issues identified above include a restatement of accounts payable and retainage payable to increase accruals by \$56,666 and \$101,931 respectively.

The impact of the capital asset and accrual restatements decreased opening net position as of January 1, 2021 by \$3,179,767.

Governmental Accounting Standards Board (GASB) Codification section 1400, *Reporting Capital Assets*, requires that capital assets should be reported at historical cost when the related liability is incurred and should be depreciated over their estimated useful lives. Additionally capital assets acquired through grants, contributions or other nonexchange transactions should be reported at historical cost or acquisition value and depreciated.

GASB Codification Section 1600, *Basis of Accounting*, requires a government to record accounts payable, retainage payable and related expenses/asset additions when the related liability transaction is incurred, or the period the transaction relates to.

Cause

The Authority stated that historically, there has been an overreliance on the auditor to assist with the recording of the journal entries to report capital additions, deletions and depreciation expense annually. The Authority then posted updates to the capital asset records annually based on the summarized year-end capital asset entries resulting in inadequate detail and errors within the detail due to inadequate reviews.

Gary/Chicago International Airport Authority

**Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2021**

II. FINANCIAL STATEMENT FINDINGS (CONTINUED)

Finding 2021-001: Inadequate Monitoring and Controls over Capital Assets (Continued)

Effect

The Authority's financial statements would be materially misstated without recording of the adjustments identified by management and the auditors.

Recommendation

We recommend that the Authority continue to refine their existing controls over financial reporting for capital assets and the year-end close process, including steps taken to ensure the completeness and accuracy of year-end general ledger account balances, supporting reconciliations, closing entries, schedules, footnotes and other documentation.

Views of Responsible Officials

The Authority accepts the finding, please refer to the Corrective Action Plan for more information.

Gary/Chicago International Airport Authority

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2021

II. FINANCIAL STATEMENT FINDINGS (CONTINUED)

Finding 2021-002: Errors in Revenue Recognition for Both Operating and Nonoperating Revenue Sources

Condition and Context followed by Criteria

Special purpose governments engaged in business-type activities, such as the Authority, should report and present financial statements required for enterprise funds. In accordance with GASB Codification 2200, enterprise funds consist of a statement of net position, statement of revenues, expenses and changes in fund net position and a statement of cash flows. Specifically, within the statement of revenues, expenses and changes in fund net position, the Authority should present operating revenues, operating expenses and nonoperating revenues. During our audit of the Authority's operating revenues, we identified control deficiencies over all significant operating revenue accounts:

- There is a lack of review of the invoices generated within QuickBooks before they are sent to the Authority's customers.
- Invoices associated with various revenue streams were generated in QuickBooks, but were never actually sent to the customer, and resulted in significant outstanding receivables at December 31, 2021. The Authority finance team, in conjunction with reconciling the balances as noted above, worked to follow-up with the customers in 2022 to catch up on payments.
- For lease revenue, late fees are not often charged although lease agreements have a stated late fee assessment of 5% if the payment due (on the first of the month) is not paid by the 5th of the month. These late fees were never added to the invoices in QuickBooks and were never billed/invoiced to the customer.
- CPI increases for leases, which were approved by the Authority Board were never implemented in QuickBooks. Customers were often never properly billed the increased CPI rates or were not sent new invoices for the updated CPI amount.

Based on the issues noted above, the operating revenue related accounts receivable subledger at December 31, 2021, contained multiple errors and incorrect customer balances for each of the Authority's customer accounts. The detailed errors are as follows:

- Customs facility charges were not properly calculated or billed, during the fiscal year which resulted in the operating revenues and receivables in total to be understated in 2021.
- Certain invoices for gross revenue, parking fees, and landing fees were not entered into QuickBooks, which resulted in the revenue to be understated. However, the customers did continue to pay these balances which caused the subledger to be misstated by customer with unapplied or misapplied payments.
- Certain invoices for fuel flowage were coded to the incorrect customer, which resulted in the receivable subledger to be misstated by customer and causing the customers to be incorrectly charged for other customers' charges.
- Payments were applied to the incorrect invoices and applied to the incorrect customers within QuickBooks, which resulted in the receivable subledger to be misstated by customer and the receivable subledger showing the incorrect invoices outstanding or having unapplied payments. This caused the Airport and customers to not understand what invoices were truly outstanding in order to follow-up on open invoices.

The Authority's finance team has subsequently worked to correct these errors and customer accounts as of December 31, 2021. The overall corrections resulted in adjustments to increase accounts receivable and operating revenues by \$48 thousand as of December 31, 2021.

Gary/Chicago International Airport Authority

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2021

II. FINANCIAL STATEMENT FINDINGS (CONTINUED)

Finding 2021-002: Errors in Revenue Recognition for Both Operating and Nonoperating Revenue Sources (Continued)

GASB Codification Section 1600 requires governments to recognize revenue/receivables in the proprietary fund statements of net position and revenues, expenses, and changes in fund net position using the economic resources measurement focus and the accrual basis of accounting. Revenue from exchange transactions generally should be recognized when an exchange, in the ordinary course of operations, occurs unless the circumstances are such that the collection of the amount is not reasonable assured. Accordingly, revenues from exchange transactions should generally be accounted for at the time a transaction is completed, with appropriate provisions for uncollectible accounts.

In addition to operating revenues, governmental entities like the Authority also receive significant amounts of nonoperating revenues, such as grants, property taxes and other capital contributions to supplement the costs of operations. Since the Authority receives significant amounts of federal, state, and local funding they should have controls in place to meet specific internal control objectives and compliance requirements. Sound internal controls over revenue recognition should include the following:

- Policies, procedures and controls in place to ensure the Authority accurately identifies if revenue is both measurable and available as defined by GASB Codification N50, *Nonexchange Transactions*.
- Effective grant monitoring at interim periods, including expenditures and revenues in comparison to budget and status of cash receipts and outstanding receivables.
- Policies and procedures for regularly reviewing receivable balances to assess the collectability of balances (and sufficiency of the allowance) and policies over the approval of customer balance write-offs. All receivables should be measured net of estimated uncollectible amounts. Charges for uncollectible revenues should reduce receivables and recognize a bad debt expense or deferred inflows of resources for the reported allowance for uncollectible accounts, as applicable.
- Procedures to track federal funds received that allows for the timely determination of federal funds received and expended for each individual assistance listing number for each fiscal year.

During our audit, we identified the following issues related to revenue recognition for nonexchange transactions (grants):

- Capital grant revenues were not properly recognized, specifically we identified the following:
 - There was \$2,053,039 received during fiscal year 2021 which was reported as revenue when received, however this amount was accrued as revenue in 2020 as part of an audit adjustment. This amount was not properly reversed in 2021 resulting in the double counting of revenues when the cash was received. An audit adjustment was recorded to correct the 2021 revenues.
 - There was \$1,364,875 received during fiscal year 2021 which was reported as revenue when received but based on the related expenditures and program requirements, the revenue related to fiscal year 2020. A restatement adjustment was recorded to correct the accruals and 2021 revenues.
 - There was \$4,105,275 in eligible qualifying expenditures incurred in fiscal year 2021 which was not properly recognized and accrued for as revenue and receivable as of fiscal year end. An audit adjustment was recorded to correct the accrual.

Gary/Chicago International Airport Authority

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2021

II. FINANCIAL STATEMENT FINDINGS (CONTINUED)

Finding 2021-002: Errors in Revenue Recognition for Both Operating and Nonoperating Revenue Sources (Continued)

- Passenger facility charges (PFC) disbursements were not properly monitored, tracked, and invoiced to seek reimbursement timely via the agreement with the Chicago Gary Regional Airport Authority (CGRAA), hereafter referred to as the “Compact”. Specifically, we identified the following:
 - There was \$1,298,201 reported as revenue in 2021 which related to costs incurred in 2020 which should have been accrued as revenue and receivable in fiscal year 2020. A restatement adjustment was recorded to correct the error.
 - There was \$228,423 in denied reimbursement requests identified, including \$130,415 related to FY 2018 and \$98,007 which related to FY 2021. These items were denied because they were not eligible PFC costs and were improperly reported to CGRAA. A restatement was reported to correct the prior balances and an adjustment was recorded in the current year to correct the activity.
 - There was \$1,016,005 in eligible PFC costs incurred in prior periods but not processed for reimbursement until 2022 resulting in an understatement of receivables as of the beginning of the year. A restatement was recorded to correct the error.
 - There was \$125,650 in eligible PFC costs incurred in 2021 but not processed for reimbursement until 2022 resulting in an understatement of receivables as of the end of FY 2021. An adjustment was recorded to correct the error in the current period.
- The Authority did not recognize the effects of the 2021 property tax levy approved in 2021 to finance the operations of 2022. An audit adjustment was recorded to correct the error and record the impact of the property tax levy which increased tax receivables and deferred inflows of resources by \$6,277,858.
- The Authority entered into a settlement agreement in December 2021 which resulted in proceeds of \$2,200,000 to be paid to the Authority from an external party. The proceeds were received in January 2022. The effects of this agreement were not accrued as of December 31, 2021 in error. An audit adjustment was recorded to correct the error and record revenue and a corresponding receivable for the \$2,200,000 related to the agreement.

GASB Codification N50, *Nonexchange Transactions*, states that governmental entities should recognize revenues when all applicable eligibility requirements have been met and that the recognition of assets and revenues should not be delayed pending completion of purely routine requirements, such as the filing of claims for allowable costs or filing of progress reports with the provider.

Cause

The Authority experienced significant turnover within the finance department which resulted in inexperienced staff falling behind in monitoring, tracking, reporting and completing assigned responsibilities over the customer billing process. In addition to issues related to the billing process, the same lack of experienced personnel resulted in significant gaps in monitoring, tracking, reporting and processing requests for reimbursement related to non-operating revenues.

Effect

The Authority's financial statements would be materially misstated without recording of the adjustments identified by management and the auditors.

Gary/Chicago International Airport Authority

**Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2021**

II. FINANCIAL STATEMENT FINDINGS (CONTINUED)

Finding 2021-002: Errors in Revenue Recognition for Both Operating and Nonoperating Revenue Sources (Continued)

Recommendation

We understand that the Authority has a new finance manager in place which was vital in relation to performing the required review, monitoring and clean-up necessary to resolve the various issues identified above. In addition, we recommend that the Authority continue to refine their existing controls over the operating revenue process as well as the nonoperating revenue process. Steps must be taken to ensure the completeness, accuracy, and processing of customer invoices on a regular basis as well as monitoring, tracking and requesting funding related to nonoperating revenues. Detailed reviews should be documented and supporting reconciliations, closing accrual entries, support schedules, and other documentation should be prepared, reviewed and maintained.

Views of Responsible Officials

The Authority accepts the finding, please refer to the Corrective Action Plan for more information.

Gary/Chicago International Airport Authority

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2021

II. FINANCIAL STATEMENT FINDINGS (CONTINUED)

Finding 2021-003: Financial Reporting under U.S. GAAP for Liabilities

Condition and Context followed by Criteria

The Authority is required to maintain books and records under accounting principles generally accepted within the United States of America (U.S. GAAP). While the Authority has a system of internal controls in place over accounting and financial reporting, there were material errors detected by the auditors and corrected by management associated with the financial statements as noted below:

- During our testing of the long-term debt obligations, it was identified that the Authority did not have adequate controls in place to ensure proper reporting of debt transactions. In summary we identified that:
 - Bond premiums, which were recorded, were being amortized using the straight-line method over the life of the bonds, however, these balances are required to be amortized utilizing the effective interest method. A restatement adjustment of \$287,494 was recorded to correct the error.
 - The Authority improperly recorded \$810,000 expense for principal payments made during the year instead of reducing the outstanding long-term debt liability. Furthermore, the Airport did not adjust for accrued interest expense as of fiscal year end. Audit adjustments were recorded to reclassify the bond payment to reduce the bonded debt and to reverse the prior year accrual of \$546,656 and record the current period accrual for interest expense of \$508,500.

GASB Codification Section 130, *Interest Costs-Imputation*, requires the imputation, the difference between the present value and face amount should be treated as a discount or premium and amortized as interest expense or revenue over the life of the note in such a way as to result in a constant rate of interest when applied to the amount outstanding at the beginning of any given period, which is known as the interest method.

In addition, GASB Codification Sp20, *Special Purpose Governments*, require that governments engaged only in business-type activities should present only the financial statements required for enterprise funds. From there, a reference to GASB Codification 1600, *Basis of Accounting*, notes that enterprise funds should be prepared using the economic resources measurement focus and the accrual basis of accounting which requires all liabilities, including long-term debt be reported at the time the liability is incurred, or the period for which the transaction relates to.

- As reported in Finding 2021-001, certain accruals related to accounts payable and retainage payable associated with construction in progress impacted both the beginning and ending capital asset records and resulted in accruals not being properly reflected in the proper period. The impact of the accrual issues identified above include a restatement of accounts payable and retainage payable to increase accruals by \$56,666 and \$101,931, respectively.

GASB Codification Section 1600, *Basis of Accounting*, requires a government to record accounts payable, retainage payable and related expenses/asset additions should be recorded when the transaction is incurred, or the period for which the transaction relates to.

Cause

As previously stated within Findings 2021-001, 2021-002 and the items included above, the Authority has inadequate controls over the closing of the books, preparing the financial statements and rolling forward the general ledger from year-to-year. There has historically been an overreliance on the Authority's auditor to prepare journal entries and the financial statements and a lack of reconciliation and roll-forward of the general ledger in prior periods.

Gary/Chicago International Airport Authority

**Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2021**

II. FINANCIAL STATEMENT FINDINGS (CONTINUED)

Finding 2021-003: Financial Reporting under U.S. GAAP for Liabilities (Continued)

Effect

The Authority's financial statements would be materially misstated without recording of the adjustments identified by management and the auditors.

Recommendation

We recommend that the Authority continue to refine their existing controls over financial reporting and the year-end close process as well as the general ledger roll-forward process. This includes taking steps to ensure the completeness and accuracy of year-end general ledger account balances, supporting reconciliations, closing entries, schedules, footnotes and other documentation.

Views of Responsible Officials

The Authority accepts the finding, please refer to the Corrective Action Plan for more information.

Gary/Chicago International Airport Authority

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2021

II. FINANCIAL STATEMENT FINDINGS (CONTINUED)

Finding 2021-004: Segregation of Duties and Lack of Adequate Review Processes

Condition and Context followed by Criteria

During our audit, which included risk assessment procedures as well as substantive testing of various balances and classes of transactions, we noted that entries posted to the general ledger are entered by an individual without a second level of review to verify accuracy, completeness and classification. The lack of reviews include entries related to revenues, capital asset transactions, recording of depreciation and various receivable accruals, including operating revenues and non-operating revenues. In addition, due to turnover within the finance area, there appears to be insufficient segregation of duties related to the collecting, recording, and accounting for cash. Based on the details noted during the audit period, we noted that one individual can prepare for the deposit slips, take the deposit slips to the bank, enter the deposit information into the general ledger with no formal level of review documented. In addition, we noted the same individual performed the bank reconciliations without a formal level of review documented.

Indiana Code 5-11-1-27 requires each political subdivision to maintain a system of internal control to promote government accountability and transparency. An integral part of the control activity component is segregation of duties. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same action. Separating the ability to record, authorize, and approve the transactions along with the handling of the related asset reduces the risk of error or fraudulent actions. It also reduces the risk of management override.

Cause

The Authority's operations have historically been administered by AvPorts, a third-party management company and there has been a limited number of resources within the finance area given the Authority's operations. The size of the team coupled with experiencing significant turnover within the finance area during the period, specifically the departure of the Chief Financial Officer as well as the bookkeeper thereafter resulted in the lack of adequate segregation of duties.

Effect

The lack of adequate segregation of duties and experienced review over significant transaction cycles could result in material errors in the financial reporting process and also result in a higher risk of potential fraud impacting the organization.

Recommendation

We understand that the Authority has taken steps to alleviate several of the concerns identified above with the formal hiring of the new Finance Manager as well as the elimination of the contract with AvPorts and the hiring of employees to maintain operations. However, we continue to recommend that the Authority review historical processes and update where necessary to ensure adequate segregation of duties are addressed over all significant transaction cycles, especially the cash management process.

Views of Responsible Officials

The Authority accepts the finding, please refer to the Corrective Action Plan for more information.

Gary/Chicago International Airport Authority

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2021

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Internal Control over Federal Awards

No matters to report.

Compliance Findings

Finding 2021-005 Late Issuance of the 2021 Single Audit Reporting Package

Federal Programs

All assistance living numbers (ALN's) included on the schedule of expenditures of federal awards for the year ended December 31, 2021.

Condition and Context Followed by Criteria

The Authority's submission of the 2021 single audit report package was formally due to the Federal Audit Clearinghouse by September 30, 2022, but was not submit by the due date.

Under the Uniform Grant Guidance, Section 200.512, *Report Submission*, the audit must be completed and the data collection form must be submitted within the earlier of 30 calendar days of the auditor's report or nine months after the end of the audit period.

Questioned Costs

None noted.

Cause

The audit of the Authority's financial statements as of December 31, 2021 was not completed until January 2024 for multiple reasons, including multiple restatements and other audit adjustments identified by management and auditors, which delayed the timeliness of the auditors in completing and finalizing audit procedures and reviews.

Effect

The Federal reporting package was not received timely by the Federal Audit Clearinghouse which could impact granting agencies.

Recommendation

We recommend that the Authority ensure timely filing of the single audit reporting package with the Federal Audit Clearinghouse.

Views of Responsible Officials

The Authority accepts the finding, please refer to the Corrective Action Plan for more information.



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED December 31, 2021**

Identifying Number: 2020-001

Audit Finding: Inadequate Monitoring and Control over Capital Assets

The Authority did not maintain adequate monitoring on its capital assets evidenced by a variance of \$5.6M upon comparison of the balances per book vs. the balances in the capital asset listing provided.

Corrective Action Taken: We revised our capital asset management policy and completed a full audit of the current capital assets which are tracked using an excel spreadsheet. During the 2021 audit, we addressed the variances, made the appropriate corrections to the assets values and provided all supporting documentation to the auditor in support of those changes. Internal control changes will occur to insure that capital projects will be tracked timely and quarterly reconciliations of the capital assets will be completed. We will revise our year- end closing procedures to ensure that our entire general ledger is complete and accurate. Our goal will be to discontinue tracking assets in using an outside excel spreadsheet and move the tracking and depreciation calculations to a fixed asset module in our new ERP software system.

Identifying Number: 2020-002

Audit Finding: Non-Accrual of Capital Grants, Expenditures and Retainage Fees

Non-accrual of specific transactions pertaining to income from capital grants, expenditures billed at the end of the year, and retainage fees from capital asset expenditures were noted.

Corrective Action Taken: We are revising our accounting policies & practices to ensure that all revenues and expenses are recorded timely. We are transitioning to a new accounting system (NetSuite Oracle) and anticipate tracking all capital grants & expenditures in the new software in the near future. These changes combined with the revisions to the capital assets as well as timely reporting and tracking will eliminate these errors going forward. We plan to continue coordinating with the Capital Program Manager to ensure that all information is reported to the finance staff in a timely manner moving forward.

Identifying Number: 2020-003

Audit Finding: Internal Control Deficiencies over Cash Receipts and Disbursements

During testing, issues on completeness and proper approval of documentation for transactions were noted.

Corrective Action Taken: Corrective action was taken.



Identifying Number: 2020-004

Audit Finding: Inadequate Control over the Preparation of the Financial Statements Including Compliance

An inadequate control over the preparation and reporting of financial statements in compliance with generally accepted accounting principles (GAAP) and other applicable compliance standards was noted.

Corrective Action Taken: We will establish procedures to ensure that long-term debt obligations, retainage and accounts payable accruals are properly recorded at year-end as well as ensure that the general ledger reflects accurately at the beginning of each subsequent year. We are currently providing financial statements to the GCIA Authority on a timely basis as well as providing ongoing training and support to finance staff to ensure that all transactions are recorded with minimal error. The finance manager reviews all reports monthly to ensure its accuracy.

Identifying Number: 2020-005

Audit Finding: Inadequate Control over Closing the Books

An inadequate control on the closing of the books as evidenced by the beginning balances per books vs. audited financial report noted

Corrective Action Taken: The finance manager has identified a new fund accounting system and we are working to transition to the new system in its entirety by January 1, 2024. We have reviewed and posted all adjusting entries from prior years as well as made corrections for errors found in the prior year. With the new system, financial data will be lock so that no changes can occur without proper approvals. Current financial software has been locked to ensure that no changes can be made to prior year transactions.

Identifying Number: 2020-006

Audit Finding: Lack of Performance Review on Management and Development Functions & Approval Documentation on the 2019 Financial Statements.

Corrective Action Taken: Corrective action was taken.



**CORRECTIVE ACTION PLAN
YEAR ENDED December 31, 2021**

Identifying Number: 2021-001

Audit Finding: Inadequate Monitoring and Control over Capital Assets

Corrective Action Taken: We revised our capital asset management policy and completed a full audit of the current capital assets which are tracked using an excel spreadsheet. During the 2021 audit, we addressed the variances, made the appropriate corrections to the assets values and provided all supporting documentation to the auditor in support of those changes. Internal control changes will occur to insure that capital projects will be tracked timely and quarterly reconciliations of the capital assets will be completed. We will revise our year- end closing procedures to ensure that our entire general ledger is complete and accurate. Our goal will be to discontinue tracking assets using an outside excel spreadsheet and move the tracking and depreciation calculations to a fixed asset module in our new ERP software system.

Responsible Parties: Dasha Chandler-Thompson, Finance Manager

Anticipated Completion Date: 06/30/2024

Identifying Number: 2021-002

Audit Finding: Errors in Revenue Recognition for Both Operating and Non-operating Revenue

Corrective Action Taken: Many of the errors related to revenue recognition occurred due to lack of appropriate staffing within the finance department. We have hired competent staff and have revised our accounting policies & practices to ensure that all revenues and expenses are recorded timely. We currently review revenues on a monthly basis and invoice customers based on a schedule created to capture all operating revenues. We have also reconciled all outstanding non-operating revenue and made adjustments for uncollectible revenues. All current charges are being recorded and tracked properly. Aging reports are reviewed on an on-going basis. We are currently working with all customers to ensure that payments will be applied to the appropriate open invoices moving forward. We are also transitioning to a new accounting system (NetSuite Oracle) and anticipate that this change will assist with streamlining the invoicing process. With these steps in place, we anticipate eliminating these errors and misstatements moving forward. The executive director and the board will also be notified of outstanding receivables moving forward. We are currently reviewing all leases, rates and charges to implement a new schedule for CPI increases for the 2024 calendar year. We also plan to implement a late penalty for past due receivables beginning in 2024.



Responsible Parties: Dasha Chandler-Thompson, Finance Manager; Patience Towns, Accounting Clerk; Daniel Vicari, Executive Director

Anticipated Completion Date: 3/30/2024

Identifying Number: 2021-003

Audit Finding: Financial Reporting under US GAAP

Corrective Action Taken: We will establish procedures to ensure that long-term debt obligations, retainage and accounts payable accruals are properly recorded at year-end as well as ensure that the general ledger reflects accurately at the beginning of each subsequent year. We are currently providing financial statements to the GCI Authority on a timely basis as well as providing ongoing training and support to finance staff to ensure that all transactions are recorded with minimal error. The finance manager reviews all reports monthly to ensure its accuracy. We will create supporting documents and schedules to document entries as needed.

Responsible Parties: Dasha Chandler-Thompson, Finance Manager

Anticipated Completion Date: 12/31/2023

Identifying Number: 2021-004

Audit Finding: Segregation of Duties and Lack of Adequate Review Processes

Corrective Action Taken: We have taken the necessary steps to ensure segregation of duties with cash handling as well as with all financial transactions. The cash handling procedure has been revised so that one person (administrative assistant) collects and receipts cash, a second individual (accounting clerk), reviews and prepares the deposit and a third individual makes the deposit to the bank (finance manager). In addition, as we are transitioning to the new financial software, purchase orders, vendor bills, journal entries and payments all require separate reviewers, approvers, and processors. We will continue to monitor all financial procedures to ensure that we remain compliant. We also continue to report all expenditures to the authority board for approval each month.

Responsible Parties: Dasha Chandler-Thompson, Finance Manager; Patience Towns, Accounting Clerk; Elizabeth Valle, Administrative Assistant; and Daniel Vicari, Executive Director.

Anticipated Completion Date: 12/31/2023



Identifying Number: 2021-005

Audit Finding: Late Issuance of the 2021 Single Audit Reporting Package.

Corrective Action Taken: We have taken the necessary steps to ensure timeliness of the financial close each year moving forward. Due to multiple restatements from the 2020 audit as well as adjustments/corrections to the financials, it delayed the completion and issuance of the 2021 single audit. The authority understands and takes accountability for moving the audit forward in a timely manner. The late issuance of the 2021 audit will also effective the issuance of the 2022 audit however, we are confident that the 2023 audit will close timely and subsequent single audit filings. Responsible Parties: Dasha Chandler-Thompson, Finance Manage and Daniel Vicari, Executive Director.

Anticipated Completion Date: 09/30/2024

Gary/Chicago International Airport Authority

Exit Conference

Year Ended December 31, 2021

The results of the audit and the contents of this report were discussed on June 23, 2023, with members of the Authority's Board of Directors, including Peter Visclosky, the Executive Director, Daniel Vicari, the Finance Manager, Dasha Chandler-Thompson, the Authority's General Counsel, Darnail Lyles and External Financial Advisor, Steve Dalton.