



Paul D. Joyce, CPA
State Examiner

INDIANA STATE BOARD OF ACCOUNTS

302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769
Telephone: (317) 232-2513
Fax: (317) 232-4711
www.in.gov/sboa

December 18, 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 Forvis Mazars, LLP, Independent Public Accountants, for the period January 1, 2022 to December 31, 2022. 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, 2022, 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 finding included in the report on page 27. Please see the Schedule of Findings and Questioned Costs for complete details related to the finding. Management's Corrective Action Plan appears on page 29.

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

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

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, 2022



Gary/Chicago International Airport Authority
(A Component Unit of the City of Gary, Indiana)
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December 31, 2022

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Gary/Chicago International Airport Authority
(A Component Unit of the City of Gary, Indiana)
Schedule of Officers
December 31, 2022

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

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 (the Authority), a component unit of the City of Gary, Indiana, as of and for the year ended December 31, 2022, 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, 2022, 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.

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 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities 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 August 26, 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.

Forvis Mazars, LLP

**Indianapolis, Indiana
August 26, 2024**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

**Gary/Chicago International Airport Authority
(A Component Unit of the City of Gary, Indiana)
Management's Discussion and Analysis (Unaudited)
December 31, 2022**

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 statements for the fiscal year ended December 31, 2022 and is intended to complement and accompany the Authority's audited financial statements for the fiscal year ended December 31, 2022.

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 2022 (January 1, 2022 – December 31, 2022). 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, the Statement of Revenues, Expenses and Changes in 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, deferred outflows, liabilities, and deferred inflows, 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 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
(A Component Unit of the City of Gary, Indiana)
Management's Discussion and Analysis (Unaudited)
December 31, 2022

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, 2022 amounted to \$96,971,063, a decrease of \$4,673,083 from the calendar year ended December 31, 2021. 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, \$21,222,053, represents resources that are restricted for use related to capital projects and debt service.

Operating revenue increased by \$250,417 while operating expenses increased, excluding depreciation and amortization, by \$861,956. Depreciation decreased from the prior year by \$1,030,836. The Airport's total operating loss excluding depreciation was (\$2,276,796), a 37% decrease from fiscal year 2021. Nonoperating revenue decreased by \$1,799,886 from the prior year to \$6,276,675 in fiscal year 2022. Nonoperating expenses, consisting of interest expense, decreased to \$5,043 from fiscal year 2021.

The following is a comparative analysis between years for the Statements of Net Position:

	2022	2021
Assets and Deferred Outflows of Resources		
Assets		
Current unrestricted assets	\$ 22,274,944	\$ 23,607,669
Restricted cash and cash equivalents	21,730,553	17,899,830
Noncurrent assets	87,835,261	94,795,716
Total assets	<u>131,840,758</u>	<u>136,303,215</u>
Deferred Outflows of Resources - pensions	<u>27,337</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 131,868,095</u>	<u>\$ 136,303,215</u>
Liabilities, Deferred Inflows of Resources and Net Position		
Liabilities		
Current liabilities	\$ 4,179,868	\$ 3,929,355
Noncurrent liabilities	23,484,174	24,451,856
Total liabilities	<u>27,664,042</u>	<u>28,381,211</u>
Deferred Inflows of Resources - property taxes	<u>7,232,990</u>	<u>6,277,858</u>
Net Position		
Net investment in capital assets	61,447,526	68,881,917
Restricted	21,222,053	17,391,330
Unrestricted	14,301,484	15,370,899
Total net position	<u>96,971,063</u>	<u>101,644,146</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 131,868,095</u>	<u>\$ 136,303,215</u>

Gary/Chicago International Airport Authority
(A Component Unit of the City of Gary, Indiana)
Management's Discussion and Analysis (Unaudited)
December 31, 2022

The following is a comparative analysis between years for the Statements of Revenues, Expenses and Changes in Net Position:

	<u>2022</u>	<u>2021</u>
Revenues and Capital Contributions		
Total operating revenues	\$ 3,258,479	\$ 3,008,062
Total nonoperating revenues	6,276,675	8,076,561
Total grants and capital contributions	<u>1,250,704</u>	<u>5,760,473</u>
Total revenues	<u>10,785,858</u>	<u>16,845,096</u>
Expenses		
Total operating expenses before depreciation	5,535,275	4,673,319
Interest expense	1,176,231	1,181,274
Depreciation expense	<u>8,747,435</u>	<u>9,778,271</u>
Total expenses	<u>15,458,941</u>	<u>15,632,864</u>
Change in Net Position	(4,673,083)	1,212,232
Net Position, Beginning of Year	<u>101,644,146</u>	<u>100,431,914</u>
Net Position, End of Year	<u>\$ 96,971,063</u>	<u>\$ 101,644,146</u>

General Highlights

The statement of revenues, expenses, and changes in 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 (\$4,673,083) was noted.

Since 2016, the Airport has received capital contributions from various government agencies and outside entities to support capital projects. Other grants and capital contributions decreased by \$4,509,769 to \$1,250,704 in fiscal year 2022 or a 78% decrease. This expected decrease was noted due to completion of several capital projects at the beginning of the prior year including the Taxiway A Rehabilitation and Apron Rehab, and no significant projects noted in fiscal year 2022. 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, 2022, the Airport did have employees which participate in the Indiana Public Employees Retirement Fund (PERF) pension plan administered by the Indiana Public Retirement System (INPRS). Participates did not enter the PERF until after the plan's year end of June 30, 2023 so no liability is reported for fiscal year 2022. Total contributions accrued at year end were \$27,337.

**Gary/Chicago International Airport Authority
(A Component Unit of the City of Gary, Indiana)
Management’s Discussion and Analysis (Unaudited)
December 31, 2022**

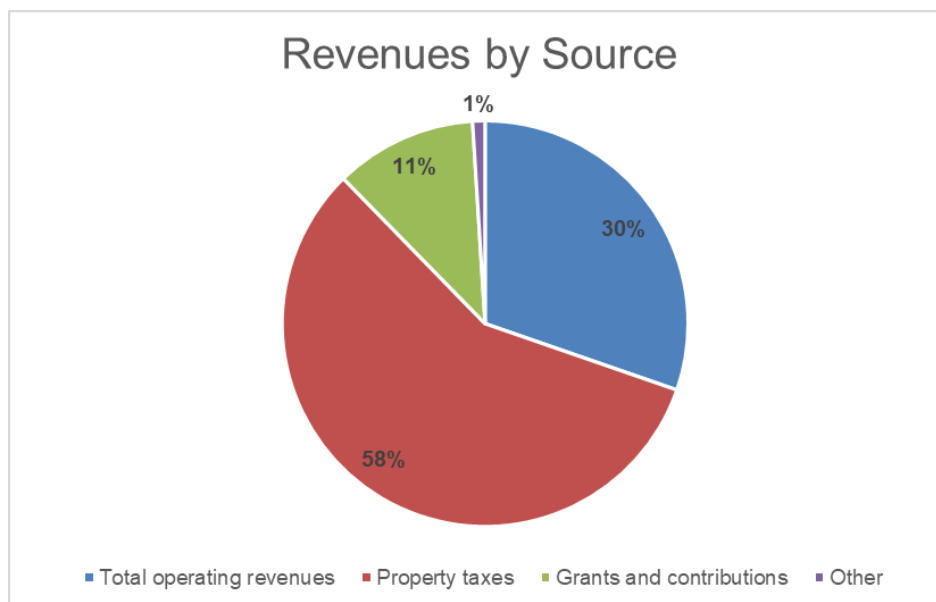
Capital Assets

	<u>2022</u>	<u>2021</u>
Capital Assets		
Land and land improvement	\$ 26,439,193	\$ 26,025,921
Infrastructure	180,963,083	180,953,581
Buildings and improvements	19,516,703	19,516,703
Construction in progress	5,009,519	4,083,219
Furniture, fixtures, and equipment	13,374,117	12,936,211
Total	<u>245,302,615</u>	<u>243,515,635</u>
Less: Accumulated depreciation	<u>(157,467,354)</u>	<u>(148,719,919)</u>
Net Capital Assets	<u>\$ 87,835,261</u>	<u>\$ 94,795,716</u>

Net capital assets decreased by \$6,960,455 in 2022 to \$87,835,261. This can be attributed to the increase in accumulated depreciation. Depreciation cost decreased by \$1,030,836 to \$8,747,435 in fiscal year 2022 when compared to the prior year. Continued construction on the Apron Rehab Phases 4 & 5 and Taxiway A Rehab added approximately \$872,949 in construction in progress. 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 2022. Approximately 88% 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 12% 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
(A Component Unit of the City of Gary, Indiana)
Management's Discussion and Analysis (Unaudited)
December 31, 2022**

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, 2022, the outstanding principal amount was \$23,765,000. GCIAA has maintained very healthy debt service coverage ratios of 1.79 times debt service with \$5.4 million in revenues in fiscal year 2022. 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 Supplementary 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 2022. The Authority is current on all principal and interest payments, as well as its continuing disclosure obligations.

Budget for 2023

The 2023 budget was passed by the Authority's Board on September 14, 2022. The adopted budget included an increase in lease revenue, fuel flowage and landing fees totaling \$207,731 when compared to the 2022 revenues. Expenditure growth of \$55,000 is driven by the direct hiring of all airport personnel, benefits and the termination of the third party agreement.

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.

BASIC FINANCIAL STATEMENTS

Gary/Chicago International Airport Authority
(A Component Unit of the City of Gary, Indiana)
Statement of Net Position
December 31, 2022

Assets and Deferred Outflows of Resources

Current Assets

Cash and cash equivalents	\$ 10,141,086
Restricted cash and cash equivalents	21,730,553
Accounts receivable, net	656,337
Passenger facility charges receivable	3,141,298
Property taxes receivable, net	7,232,990
Grants receivable	1,103,233
Total current assets	<u>44,005,497</u>

Noncurrent Assets

Capital assets, non-depreciable	31,448,712
Capital assets, depreciable, net	56,386,549
Total noncurrent assets	<u>87,835,261</u>

Total assets	<u>131,840,758</u>
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Deferred Outflows of Resources - pensions

27,337

Total assets and deferred outflows of resources	<u>\$ 131,868,095</u>
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Liabilities, Deferred Inflows of Resources, and Net Position

Current Liabilities

Accounts payable and other accrued liabilities	\$ 2,661,651
Accrued payroll liabilities	109,717
Accrued interest on long-term debt	508,500
Current portion of bonds and other long-term debt, net	900,000
Total current liabilities	<u>4,179,868</u>

Noncurrent Liabilities

Bonds and other long-term debt, net	22,865,000
Bonds premium	619,174
Total noncurrent liabilities	<u>23,484,174</u>
Total liabilities	<u>27,664,042</u>

Deferred Inflows of Resources - property taxes

7,232,990

Net Position

Net investment in capital assets	<u>61,447,526</u>
Restricted	
Capital projects	14,699,583
Debt service	6,522,470
Total restricted net position	<u>21,222,053</u>
Unrestricted	<u>14,301,484</u>
Total net position	<u>96,971,063</u>

Total liabilities, deferred inflows of resources and net position	<u>\$ 131,868,095</u>
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Gary/Chicago International Airport Authority
(A Component Unit of the City of Gary, Indiana)
Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2022

Operating Revenues	
Lease revenue	\$ 1,899,593
Fuel flowage	515,009
Landing	456,106
Parking	18,662
Customs facility usage fee	72,350
Utility reimbursements	83,725
Other	213,034
Total revenues	<u>3,258,479</u>
Operating Expenses	
Personnel	943,403
Services	3,873,029
Commodities	498,843
Depreciation	8,747,435
Write off	220,000
Total expenses	<u>14,282,710</u>
Operating Loss	<u>(11,024,231)</u>
Nonoperating Revenues (Expenses)	
Property and other taxes	6,169,981
Interest income	106,694
Interest expense	(1,176,231)
Total nonoperating revenues	<u>5,100,444</u>
Loss Before Capital Contributions	<u>(5,923,787)</u>
Capital Contributions	
Federal grants	788,755
Passenger facility charges	461,949
Total capital contributions	<u>1,250,704</u>
Change in Net Position	(4,673,083)
Net Position, Beginning of Year	<u>101,644,146</u>
Net Position, End of Year	<u>\$ 96,971,063</u>

Gary/Chicago International Airport Authority
(A Component Unit of the City of Gary, Indiana)
Statement of Cash Flows
Year Ended December 31, 2022

Cash Flows From Operating Activities	
Receipts from customers	\$ 5,351,940
Payments to suppliers/servicers	(3,414,682)
Payments to employees	(861,930)
Net cash provided by operating activities	<u>1,075,328</u>
Cash Flows From Noncapital Financing Activities	
Receipts of property and other taxes	6,169,981
Net cash provided by noncapital financing activities	<u>6,169,981</u>
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	(2,647,467)
Interest paid on bonds and other long-term debt	(1,243,913)
Principal paid on bonds and other long-term debt	(855,000)
Capital contribution receipts	5,953,109
Net cash provided by capital and related financing activities	<u>1,206,729</u>
Cash Flows From Investing Activities	
Interest received	106,694
Net cash provided by investing activities	<u>106,694</u>
Net Increase in Cash and Cash Equivalents	8,558,732
Cash and Cash Equivalents, January 1	<u>23,312,907</u>
Cash and Cash Equivalents, December 31	<u>\$ 31,871,639</u>
Noncash Transactions From Capital and Related Financing Activities	
Acquisition of capital assets acquired prior to but paid subsequent to year-end	<u>\$ 2,398,778</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating loss	\$ (11,024,231)
Adjustment to reconcile operating loss to net cash provided by operating activities:	
Depreciation	8,747,435
Changes in operating assets and liabilities:	
Accounts receivable	2,313,461
Deferred outflows	(27,337)
Accounts payable and other accrued liabilities	957,190
Accrued payroll liabilities	108,810
Total adjustments	<u>12,099,559</u>
Net cash provided by operating activities	<u>\$ 1,075,328</u>

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 nonoperating expense.

Gary/Chicago International Airport Authority
(A Component Unit of the City of Gary, Indiana)
Notes to Financial Statements
December 31, 2022

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires estimates and assumptions that affect the reported amount of assets and liabilities and contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting 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 accounts. As of December 31, 2022, the Authority has no investments 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, 2022, receivables totaling \$656,337 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 require 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 2022 net of circuit breaker adjustments is recorded as a receivable with an offset to deferred inflows of resources as the 2022 levy is intended to finance operations in fiscal year 2023.

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, 2022, there is \$7,232,990 of property taxes recorded as a receivable and deferred inflow of resources.

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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 \$3,141,298 as of December 31, 2022.

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:

	<u>Years</u>
Buildings	5 - 50
Infrastructure items	10 - 50
Intangibles	3 - 10
Furniture, fixtures and equipment	3 - 20

Retainage Payable

The Authority has recorded retainage payable of \$52,004 as of December 31, 2022. 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 nonoperating expenses.

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Bond Premiums

Original issue premiums 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 interest expense.

Deferred Outflows and Inflows of Resources

The Authority reports the consumption of net assets that is applicable to a future reporting period as deferred outflows of resources and the acquisition of net assets that is applicable to a future reporting period as deferred inflows of resources in separate sections on its statement of net position.

Net Position

The Authority's resources are classified for accounting and financial reporting purposes into the following net position categories:

- Net investment in capital assets - resources resulting from capital acquisition, 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, contribution, or improvement of those assets or related debt are also included in this component of net position.
- Restricted - net position subject to externally imposed stipulations as to use.
- Unrestricted - net position which are available for use of the Authority.

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

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 2022.

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.

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Adoption of GASB Statement No. 87 Leases

During 2022, the Authority implemented GASB Statement No. 87, *Leases* (GASB 87). This statement requires governments to recognize certain lease assets and liabilities for leases that previously were classified as operating leases and recognize as inflows of resources or outflows of resources based on the payment provisions of the contract. The adoption of GASB 87 did not result in any change to beginning net position or any additional balances being recorded. Additional disclosures were added related to regulated leases that are exempt from being included in the measurement of the above balances. Refer to Note 8 for the additional disclosure.

Note 2. Cash and Cash Equivalents

Cash and cash equivalents included in the statement of net position at December 31, 2022 were as follows:

Cash and cash equivalents	
Unrestricted	\$ 10,141,086
Restricted	<u>21,730,553</u>
 Total current cash and cash equivalents	 <u><u>\$ 31,871,639</u></u>

Deposits with financial institutions at December 31, 2022 amounted to \$24,840,669.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the 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, 2022, the Authority had the following cash equivalents (maturity of three months or less):

Short-term government money market funds	<u><u>\$ 7,030,970</u></u>
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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 the financial institution's name. The Authority's policy is to follow IC 5-13-9-2-5, which requires that repurchase agreements be collateralized with U.S. Government securities.

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, 2022, the Authority's investments met these criteria.

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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.

Note 3. Restricted Assets

Cash and cash equivalents of \$21,730,553 are restricted as of December 31, 2022.

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.

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.

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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, 2022.

Note 4. Capital Assets

Capital assets consist of the following at December 31:

	<u>January 1, 2022</u>	<u>Additions</u>	<u>Disposals</u>	<u>December 31, 2022</u>
Nondepreciable capital assets				
Land	\$ 19,596,175	\$ 413,272	\$ -	\$ 20,009,447
Land improvements	6,429,746	-	-	6,429,746
Construction in progress	4,083,219	1,129,722	(203,422)	5,009,519
Total nondepreciable capital assets	<u>30,109,140</u>	<u>1,542,994</u>	<u>(203,422)</u>	<u>31,448,712</u>
Depreciable capital assets				
Buildings	19,516,703	-	-	19,516,703
Infrastructure	180,953,581	9,502	-	180,963,083
Furniture, fixtures and equipment	12,936,211	437,906	-	13,374,117
Total depreciable capital assets	<u>213,406,495</u>	<u>447,408</u>	<u>-</u>	<u>213,853,903</u>
Accumulated depreciation				
Buildings	(8,655,706)	(394,950)	-	(9,050,656)
Infrastructure	(128,143,531)	(8,222,489)	-	(136,366,020)
Furniture, fixtures and equipment	(11,920,682)	(129,996)	-	(12,050,678)
Total accumulated depreciation	<u>(148,719,919)</u>	<u>(8,747,435)</u>	<u>-</u>	<u>(157,467,354)</u>
Total depreciable capital assets, net	<u>64,686,576</u>	<u>(8,300,027)</u>	<u>-</u>	<u>56,386,549</u>
Capital assets, net	<u>\$ 94,795,716</u>	<u>\$ (6,757,033)</u>	<u>\$ (203,422)</u>	<u>\$ 87,835,261</u>

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Note 5. Property Taxes

The applicable property tax rates and related levies in 2022 are as follows:

	<u>Rate Per \$100</u>	<u>Property Tax Levies</u>
Operating	\$ 0.1029	\$ 2,013,821
Cumulative Building	0.0091	178,093
Total	<u>\$ 0.1120</u>	<u>\$ 2,191,914</u>

Note 6. Bonds Payable

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 5.5% 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.

\$ 23,765,000

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 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, 2022 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 10 for more information about the ADZ. The amount of the pledge remaining as of December 31, 2022 and a comparison of the pledged revenues collected to the related principal and interest paid in fiscal year 2022 is \$105.5 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 \$5.4 million in TIF increment revenues and made debt service payments of \$2.1 million.

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The following are the scheduled amounts of principal and interest payments on bond payable obligations in the five years subsequent to December 31, 2022 and thereafter (all amounts in thousands).

	<u>Principal</u>	<u>Interest</u>
2023	\$ 900,000	\$ 1,195,650
2024	950,000	1,144,775
2025	1,005,000	1,091,013
2026	1,060,000	1,036,875
2027	1,115,000	982,500
2028-2032	6,465,000	3,982,075
2033-2037	8,325,000	2,076,425
2038-2039	3,945,000	199,625
	<u>\$ 23,765,000</u>	<u>\$ 11,708,938</u>

Changes in Bonds and Other Long-Term Obligations

The following are changes in bonds and other long-term obligations of the Authority for the year ended December 31, 2022:

	<u>January 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2022</u>	<u>Due Within One Year</u>	<u>Due Thereafter</u>
Revenue bonds	\$ 24,620,000	\$ -	\$ (855,000)	\$ 23,765,000	\$ 900,000	\$ 22,865,000
Premium on bonds	686,856	-	(67,682)	619,174	-	619,174
Total long-term obligations	<u>\$ 25,306,856</u>	<u>\$ -</u>	<u>\$ (922,682)</u>	<u>\$ 24,384,174</u>	<u>\$ 900,000</u>	<u>\$ 23,484,174</u>

Note 7. 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, Inc. eliminates the risk to the Authority in the case of a default on the 2010 bonds. During 2022, the principal paid was \$455,000, bringing the balance due on the 2010 bonds, as of December 31, 2022, to \$4,230,000, including \$470,000 due within one year. The retirement date of the final principal payment on the bonds is due in 2031.

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Note 8. Regulated Leases

The Authority leases a portion of its property to air carriers and other aeronautical users whose leases meet the definition of a regulated lease as defined in GASB 87 and, therefore, are only subject to the disclosure requirements. The terms of the regulated leases expire 2023 through 2050. Payments for most of the leases increase annually by the Consumer Price Index (Index). The Airport requires other payments from these leases where payments are based on usage. The usage-based payments are not included in the future minimum payments below because they are not fixed in substance. Most of these leases allow the lessee the exclusive use of the premises, however, aircraft and vehicles may traverse the space and the Airport has the right to grant third party privileges at their discretion. The portion of land, buildings and improvements that are exclusive as of December 31, 2022 are \$11,954,375. In addition, all 9 hangars that the Airport has as of December 31, 2022 are for the exclusive use of the leases.

The following is a schedule by year of expected future minimum payments to be received under the Airport's regulated leases as of December 31, 2022:

	<u>Total Future Payments</u>
2023	\$ 1,219,971
2024	1,219,971
2025	1,103,305
2026	866,621
2027	559,920
2028 - 2032	2,123,261
2033 - 2037	1,944,179
2038 - 2042	1,854,203
2043 - 2047	1,443,789
2048 - 2050	129,251
	<u>\$ 12,464,471</u>

Certain aeronautical leases are not included in the regulated lease disclosures as these agreements are considered short-term leases and exempt from disclosure.

Note 9. Retirement Plan

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.

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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 2022, 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, 2022, the Authority had full-time active employees participating in PERF, however, these participants did not join until after the PERF plan's fiscal year of June 30, 2022. Therefore, the Authority is not currently allocated a share of the PERF plan's net pension liability or corresponding pension amounts. Total contributions recorded as deferred outflows and accrued as of December 31, 2022 are \$27,337.

Note 10. Airport Development Zone (ADZ)

A TIF district was 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, these businesses must pay a fee equal to the amount of the fee required for enterprise zone businesses under IC 5028-15-5(a)(4)(A).

Property tax and other collections received within the ADZ amounted to \$5,444,779 for the year ended December 31, 2022, 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 \$2,491,298 for the year ended December 31, 2022.

Gary/Chicago International Airport Authority
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Note 11. Major Customers

During the year ended December 31, 2022, the Authority received significant operating revenue from four customers. Rentals, landing fees, apron fees, and other revenues from these customers aggregated approximately \$2.3 million or 70% of operating revenues for the year ended December 31, 2022.

Note 12. Commitments and Contingencies

Litigation

The Authority is subject to various claims which arise primarily in the ordinary course of conducting its business. In management's opinion, the ultimate resolution of such matters will not have a material adverse effect on the Authority's financial position or its results of operations.

Note 13. Subsequent Events

On December 6, 2023, the Authority purchased the land and buildings of Griffith-Merrillville Airport LLC for \$1,800,000.

On January 18, 2024, the Authority issued the Airport Development Zone Refunding Revenue Bonds, Series 2024 in the amount of \$20,770,000. The funds are being used to refund the outstanding Airport Development Zone Bonds of 2014 including funding a debt service reserve fund and paying costs of selling and issuing the bonds. The bonds have a maturity date of February 1, 2039 and an interest rate of 5% and 4%

COMPLIANCE SECTION

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 the 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 (*Government Auditing Standards*), the financial statements of Gary/Chicago International Airport Authority (the Authority), a component unit of the City of Gary, Indiana, which comprise the Authority's statement of financial position as of December 31, 2022, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 26, 2024.

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 opinion 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 were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2022-001 that we consider to be a material weakness.

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 Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. 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.

Forvis Mazars, LLP

**Indianapolis, Indiana
August 26, 2024**

Gary/Chicago International Airport Authority
(A Component Unit of the City of Gary, Indiana)
Schedule of Findings and Responses
December 31, 2022

Section I – Financial Statement Findings

Reference Number	Finding
2022-001	<p data-bbox="315 464 1466 548">Criteria or specific requirement: Management is responsible for establishing and maintaining effective internal controls over financial reporting to ensure reporting under accounting principles generally accepted in the United States (GAAP) is materially correct.</p> <p data-bbox="315 583 1466 762">Condition: The Authority’s internal control environment over financial reporting did not timely detect certain adjustments that were needed to prevent the financial statements from being misstated. These adjustments related to reversing prior year accruals that were received and recorded as revenue initially, recording passenger facility charge and federal grant receivables for expenditures incurred, and recording accounts payable and related construction in progress. (Material Weakness)</p> <p data-bbox="315 800 1466 884">Context: The Authority’s finance department is responsible for the financial reporting process. Their internal controls over preparing full accrual financial statements in accordance with GAAP did not timely detect the adjustments mentioned previously as of December 31, 2022.</p> <p data-bbox="315 921 1466 1005">Effect: Misstatements in the financial statements. Audit procedures detected adjustments necessary which impacted receivables and revenue by approximately \$5,501,000, and capital assets and accounts payable by approximately \$395,000 as of year-end.</p> <p data-bbox="315 1043 1466 1163">Cause: The Authority’s internal control environment did not identify these adjustments in a timely manner due to there not being a secondary review process in place for all year end reconciliations. In addition, there is not an effective process in place to properly reconcile federal grant and passenger facility charges on a timely basis.</p> <p data-bbox="315 1201 1466 1285">Recommendation: The Authority should establish and maintain an effective secondary review process over financial reporting. In addition, they should continue to develop an effective process to timely reconcile all federal grants and passenger facility charges.</p> <p data-bbox="315 1323 1466 1379">Views of responsible officials and planned corrective actions: For the views of responsible officials, refer to the Corrective Action Plan.</p>

Gary/Chicago International Airport Authority
(A Component Unit of the City of Gary, Indiana)
Schedule of Prior Audit Findings
December 31, 2022

Reference Number	Summary of Finding	Status
2021-001	<p>Inadequate Monitoring and Controls Over Capital Assets</p> <p>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 assets 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 resulted in material errors detected by both management and the auditors.</p>	Resolved
2021-002	<p>Errors in Revenue Recognition for Both Operating and Nonoperating Sources</p> <p>Revenue from nonexchange transactions related to capital grants, passenger facility charges, property taxes and settlements was not properly recognized and resulted in material adjustments being posted to the financial statements.</p>	Not Resolved, See 2022-001
2021-003	<p>Financial Reporting Under U.S. GAAP for Liabilities</p> <p>The Authority is required to maintain books and records under accounting principles generally accepted in 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 auditor relating to bond premiums, principal payments, and accounts payable/retainage for capital assets. These errors resulted in material adjustments being posted to the financial statements.</p>	Partially Resolved, See 2022-001
2021-004	<p>Segregation of Duties and Lack of Adequate Review Processes</p> <p>The Authority posts entries to the general ledger without a second level of review to verify accuracy, completeness and classification. In addition, there appears to be insufficient segregation of duties related to the collecting, recording and accounting for cash.</p>	Partially Resolved, See 2022-001
2021-005	<p>Late Issuance of the 2021 Single Audit Reporting Package</p> <p>The Authority did not file the 2021 data collection form in a timely manner as it was not certified and submitted within the earlier of 30 calendar days of the auditor's report or nine months after the end of the audit period.</p>	Resolved



**CORRECTIVE ACTION PLAN
YEAR ENDED December 31, 2022**

Finding Number: 2022-001

Contact Person Responsible for Corrective Action: Dasha Chandler-Thompson,
Finance Manager

Contact Phone Number: (219) 949-4903

Views of Responsible Official: Many of the errors related to revenue recognition occurred due to lack of appropriate staffing within the finance department. While we have worked diligently to clean up the practices within the finance department, we recognize that additional procedures must be adopted to recognize and reconcile grants receivables & expenditures timely.

Description of Correction Action Plan: We have hired competent staff and have revised our accounting policies & practices to ensure that revenues and expenses are recorded timely. We will implement a new procedure to reconcile grant expenditures and revenues on a quarterly basis. We will also create a year-end plan & timeline to ensure that all revenue & expenditures related to the current year are posted in a timely manner. Staff will complete the financials postings while management will be responsible for reviewing transactions and approving adjustments before the year end close is finalized.

Anticipated Completion Date: 12/31/2024

Signature

Finance Manager

Title

8/19/2024

Date

Airport Road
Gary, Indiana 46406
219-949-4925 Phone
219-949-0573 Fax
www.flyggy.com