

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY  
LAKE COUNTY, INDIANA

January 1, 2011 to December 31, 2011



**FILED**  
01/30/2013



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Airport Director	Steven L. Landry (Interim)	01-01-11 to 12-31-12
Finance Manager/Treasurer Accounting Specialist	Nikki Thorn Kathleen Kurfman	01-01-11 to 09-21-12 09-22-12 to 12-31-12
President of the Airport Board	Nathaniel Williams	01-01-11 to 12-31-12



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statement of the Gary Chicago International Airport Authority (Airport Authority), for the year ended December 31, 2011. This financial statement is the responsibility of the Airport Authority's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Airport Authority's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Airport Authority prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Airport Authority for the year ended December 31, 2011.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Airport Authority for the year ended December 31, 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated October 4, 2012, on our consideration of the Airport Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and

INDEPENDENT AUDITOR'S REPORT  
(Continued)

compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the Airport Authority's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other reports used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects, in relation to the financial statement taken as a whole.

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

STATE BOARD OF ACCOUNTS

October 4, 2012



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

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

We have audited the financial statement of the Gary Chicago International Airport Authority (Airport Authority), for the year ended December 31, 2011, and have issued our report thereon dated October 4, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Airport Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Airport Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Airport Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Airport Authority's internal control over financial reporting.

A 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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

Compliance and Other Matters

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

The Airport Authority's response to the findings identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the Airport Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Airport Authority's management, Airport Board, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

October 4, 2012

## FINANCIAL STATEMENT

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

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
General Fund (007)	\$ 491,075	\$ 2,694,329	\$ 1,930,552	\$ 1,254,852
Levy Excess Fund (018)	4,231	-	4,231	-
Passenger Facility Charges Fund (012)	30,934	1,323,204	1,323,204	30,934
Cumulative Building Fund (009)	16,324,287	3,177,053	7,103,214	12,398,126
Non-Reverting Airport Development Fund (015)	489,522	824	16,269	474,077
ADZ TIF Allocation Fund (014)	15,205,531	7,218,258	1,115,171	21,308,618
Maintenance Hangar Fund (312)	19,388	-	19,388	-
Marketing Fund (310)	295,426	31,322	23,467	303,281
Payroll Fund (300)	12,292	437,238	439,133	10,397
Totals	<u>\$ 32,872,686</u>	<u>\$ 14,882,228</u>	<u>\$ 11,974,629</u>	<u>\$ 35,780,285</u>

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

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

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

The accompanying financial statement presents the financial information for the Airport Authority.

*B. Basis of Accounting*

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

*C. Cash and Investments*

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

*D. Receipts*

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Airport Authority.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable TV receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

*E. Disbursements*

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

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

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

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

*F. Interfund Transfers*

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

*G. Fund Accounting*

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

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 2. Budgets**

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

**Note 3. Property Taxes**

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

**Note 4. Deposits and Investments**

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the Airport Authority to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

**Note 5. Risk Management**

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

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

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 6. Pension Plan**

*Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the Airport Authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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

*Funding Policy and Annual Pension Cost*

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

**Note 7. Special Purpose Facility Revenue Bonds**

On May 23, 2011, the Airport Authority issued \$8,980,000 in variable rate special purpose facility revenue bonds. The Airport Authority does not maintain the records for this debt. The records are maintained and the debt payments are made by the Gary Jet Center (GJC). The debt repayment is backed by an irrevocable letter of credit in the event the debt payments are not made. There is a lease agreement between the Gary Jet Center and the Airport Authority. Rather than making the lease payments to the Airport Authority, the Gary Jet Center makes the principal and interest payments on the outstanding bonds. The principal balance on the outstanding bonds was \$8,980,000 at December 31, 2011.

**Note 8. Subsequent Events**

The Airport Authority is continuing the Runway Expansion Work in 2012. The following bids have been awarded and agreements approved over \$200,000 through August 13, 2012:

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

Amount	Work to be Done	Vendor Name
\$ 632,162	Construction and Engineering to Relocate Existing Utilities	Indiana-American Water
11,497,032	Airport Road Grade Separation	Superior Construction
484,000	Soil Remediation	Gary Material Supply
1,798,432	Clearing, Grubbing & Phase I Grading	Dyer Construction
1,900,000	Contaminated Materials Disposal	Industrial and Environmental Services
831,716	Overhead Electric Relocation	Northern Indiana Public Service Company
364,913	Buried Gas Relocation Protection	Northern Indiana Public Service Company
3,956,485	Grading and Retaining Walls	TJ Lambrecht Construction
619,750	Illini State Facility Site Improvements	Burling Builders
570,250	Relocate Four Water Lines Not Within the Public Right-of-Way	Indiana-American Water
2,706,623	Airfield Grading and Utilities	Dyer Construction

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## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Airport Authority's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

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

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

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011

	General Fund (007)	Levy Excess Fund (018)	Passenger Facility Charges Fund (012)	Cumulative Building Fund (009)	Non-Reverting Airport Development Fund (015)
Cash and investments - beginning	\$ 491,075	\$ 4,231	\$ 30,934	\$ 16,324,287	\$ 489,522
Receipts:					
Taxes	971,948	-	-	152,522	-
Intergovernmental	432,339	-	1,323,204	2,880,329	-
Charges for services	1,185,568	-	-	66,403	-
Other receipts	104,474	-	-	77,799	824
Total receipts	<u>2,694,329</u>	<u>-</u>	<u>1,323,204</u>	<u>3,177,053</u>	<u>824</u>
Disbursements:					
Personal services	976,167	-	-	-	-
Supplies	99,956	-	-	419	-
Other services and charges	852,050	-	942,105	1,206,505	664
Capital outlay	-	-	381,099	5,896,290	15,605
Other disbursements	2,379	4,231	-	-	-
Total disbursements	<u>1,930,552</u>	<u>4,231</u>	<u>1,323,204</u>	<u>7,103,214</u>	<u>16,269</u>
Excess (deficiency) of receipts over disbursements	<u>763,777</u>	<u>(4,231)</u>	<u>-</u>	<u>(3,926,161)</u>	<u>(15,445)</u>
Cash and investments - ending	<u>\$ 1,254,852</u>	<u>\$ -</u>	<u>\$ 30,934</u>	<u>\$ 12,398,126</u>	<u>\$ 474,077</u>

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	ADZ TIF Allocation Fund (014)	Maintenance Hangar Fund (312)	Marketing Fund (310)	Payroll Fund (300)	Totals
Cash and investments - beginning	\$ 15,205,531	\$ 19,388	\$ 295,426	\$ 12,292	\$ 32,872,686
Receipts:					
Taxes	7,211,357	-	-	-	8,335,827
Intergovernmental	-	-	31,322	-	4,667,194
Charges for services	-	-	-	-	1,251,971
Other receipts	6,901	-	-	437,238	627,236
Total receipts	<u>7,218,258</u>	<u>-</u>	<u>31,322</u>	<u>437,238</u>	<u>14,882,228</u>
Disbursements:					
Personal services	-	-	-	-	976,167
Supplies	-	-	155	-	100,530
Other services and charges	-	-	23,312	-	3,024,636
Capital outlay	1,115,171	19,388	-	-	7,427,553
Other disbursements	-	-	-	439,133	445,743
Total disbursements	<u>1,115,171</u>	<u>19,388</u>	<u>23,467</u>	<u>439,133</u>	<u>11,974,629</u>
Excess (deficiency) of receipts over disbursements	<u>6,103,087</u>	<u>(19,388)</u>	<u>7,855</u>	<u>(1,895)</u>	<u>2,907,599</u>
Cash and investments - ending	<u>\$ 21,308,618</u>	<u>\$ -</u>	<u>\$ 303,281</u>	<u>\$ 10,397</u>	<u>\$ 35,780,285</u>

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY  
SCHEDULE OF PAYABLES AND RECEIVABLES  
December 31, 2011

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 15,507,647</u>	<u>\$ 2,485,278</u>

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY  
 SCHEDULE OF LEASES AND DEBT  
 December 31, 2011

Description of Debt		Ending Principal Balance	Principal and Interest (1) Due Within One Year
Type	Purpose		
Governmental activities: Revenue bonds	Special Purpose Facility Revenue Bonds	\$ 8,980,000	\$ 342,500
Totals		<u>\$ 8,980,000</u>	<u>\$ 342,500</u>

(1) The interest rate is variable and the amount for interest can't be computed in advance.

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY  
 SCHEDULE OF CAPITAL ASSETS  
 December 31, 2011

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	Ending Balance
Governmental activities:	
Land	\$ 12,655,376
Infrastructure	15,482,536
Buildings	24,527,653
Improvements other than buildings	12,492,714
Machinery, equipment and vehicles	5,249,547
Construction in progress	10,314,467
Total capital assets	\$ 80,722,293

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY  
AUDIT RESULTS AND COMMENTS

**PUBLIC PURCHASES LAW**

The Airport Authority used geographic purchasing preferences for locally-owned (City of Gary) businesses to award bids on public works projects funded with local revenues. The Airport Authority follows City of Gary Ordinance 6972, Section 6, which states in part:

"(e) in evaluating the price of any vendor's or contractor's bid or proposal for goods or services, the bids or proposals shall be evaluated as though the prices proposed or bid by a Gary business were ten percent (10%) lower than actually proposed or bid. The said preference may not exceed ten percent (10%) of the total amount of the lowest, most responsible and most responsive bid by a Gary business. The Gary Board of Public Works shall adjust the lowest, most responsible, most responsive bid by a Gary business and if after said adjustment, a Gary business is the lowest, most responsible and most responsive bid, the Gary Board of Public Works may award said contract to the said Gary business, at the price originally bid.

(f) Other departments, divisions, components and agencies of the City of Gary letting contracts shall follow the procedures outlined in Section 6(e) above."

The City Ordinance regarding purchasing preferences does not comply with the statutory requirements for public purchases or public works.

Indiana Code 5-22-15-7 states in part:

"(a) An offeror may claim one (1) of the following types of preference for which the offeror is eligible:

- (1) An Indiana business preference under rules adopted under section 20 of this chapter or IC 4-13.6-6-2.5.
- (2) A preference for supplies as provided by sections 16, 18, 19, and 24 of this chapter.
- (3) An Indiana small business preference as provided by section 23 of this chapter.
- (4) An Indiana farm product preference as provided by section 23.5 of this chapter.

(b) An offeror may not claim more than one (1) preference as provided by sections 16, 18, 19, and 24 of this chapter for a given supply item."

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY  
AUDIT RESULTS AND COMMENTS  
(Continued)

A new law was effective July 1, 2011, regarding price preferences for public works. Indiana Code 36-1-12-22 stated in part:

"(a) The definitions in IC 5-22-15, including the definitions in IC 5-22-15-20.9, apply in this section.

(b) The procedures described in IC 5-22-15 for determining adjusted offers, price preference percentage, and total adjusted offers apply in this section.

(c) The price preferences stated in IC 5-22-15-20.9 apply in this section."

Indiana Code 36-1-12-22 has since been repealed, effective July 1, 2012.

***PRESCRIBED FORMS***

The Airport Authority uses QuickBooks Pro for its financial accounting system. The output (printouts) generated by QuickBooks Pro has not been approved for use. The prescribed forms replaced with the computer generated printouts were: General Form 358, Ledger of Receipts, Disbursements and Balances and General Form 359, Ledger of Appropriations, Encumbrances, Disbursements and Balances.

Indiana Code 8-22-3-22(a) states in part: "The State Board of Accounts shall audit the records of the authority and shall prescribe or approve all accounting forms and records used by the authority."

Indiana Code 5-11-1-21 states in part:

"All public officers shall adopt and use the books, forms, records, and systems of accounting and reporting adopted by the state board of accounts, when directed so to do by the board, and all forms, books, and records shall be purchased by those officers in the manner provided by law."

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited Gary Chicago International Airport Authority's (Airport Authority) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended December 31, 2011. The Airport Authority's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Airport Authority's management. Our responsibility is to express an opinion on the Airport Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Airport Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Airport Authority's compliance with those requirements.

In our opinion, the Airport Authority complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2011.

Internal Control Over Compliance

Management of the Airport Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Airport Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Airport Authority's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Airport Authority's management, Airport Board, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

October 4, 2012

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## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For The Year Ended December 31, 2011

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Direct grant			
Airport Improvement Program	20.106		
Runway Extension		AIP 3-18-0028-23	\$ 2,413,911
Runway Extension		AIP 3-18-0028-25	336,896
Total federal awards expended			\$ 2,750,807

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

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

***Basis of Presentation***

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

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unqualified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	no
Significant deficiency identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
20.106	Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

**Section II – Financial Statement Findings**

No matters are reportable.

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

No matters are reportable.



October 4, 2012

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2010-1 SEPARATE ACCOUNTABILITY FOR ARRA FUNDING

Federal Agency: U S Department of Transportation

Federal Program: Airport Improvement Program (AIP)

CFDA Number: 20.106

Federal Award Number and Year: 3-18-0028-24; 2009, 2010

Fiscal Year: 2009 and 2010

Auditee Contact Person: Steven L. Landry, Interim Airport Director

Telephone Number: 219-949-4936

Status of Finding: In the future, if the Airport receives any American Recovery and Reinvestment Act of 2009 (ARRA) grant funds, we will create a separate fund for the ARRA grant funds so the federal receipts and disbursements will be transparent and accountable, as required by law.

Sincerely,

A handwritten signature in black ink, appearing to read 'Steven L. Landry', is written over a light blue horizontal line.

Steven L. Landry

Interim Airport Director

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY  
EXIT CONFERENCE

The contents of this report were discussed on October 4, 2012, with Steven L. Landry, Interim Airport Director; Nikki Thorn, former Finance Manager/Treasurer; Nathaniel Williams, President of the Airport Board; and Kathleen Kurfman, Accounting Specialist.

The officials indicated that they would be responding to the report but no Official Response was received.