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June 3, 2019

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

We have reviewed the financial statement audit and federal single audit reports which were opined upon by Whittaker & Company, PLLC, Independent Public Accountants, for the period January 1, 2018 to December 31, 2018. Per the *Independent Auditor's Report*, the financial statements included in the financial audit report present fairly the financial condition of the Gary Chicago International Airport Authority as of December 31, 2018, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Whittaker & Company, PLLC prepared the audit reports in accordance with the guidelines established by the State Board of Accounts.

The reports are filed with this letter in our office as a matter of public record.


Paul D. Joyce, CPA
State Examiner

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
Gary, Indiana

FINANCIAL STATEMENT AUDIT REPORT
For the Years Ended December 31, 2018 and 2017

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
Gary, Indiana

ANNUAL FINANCIAL REPORT
For the Years Ended December 31, 2018 and 2017

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GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
Gary, Indiana

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Daniel Vicari	January 1, 2018 to January 9, 2018
Executive Director	Duane Hayden	January 9, 2018 to December 31, 2018
Finance Manager/Treasurer	William Outlar	January 1, 2018 to December 31, 2018
President of the Airport Authority Board	Stephen Mays	January 1, 2018 to January 31, 2018
President of the Airport Authority Board	Timothy Fesko	February 9, 2018 to December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying basic financial statements, as listed in the Table of Contents, of the Gary Chicago International Airport Authority (the "Authority") as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements. These financial statements collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audits 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 statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements 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 organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Gary Chicago International Airport Authority, as of December 31, 2018 and 2017, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2019 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Emphasis of a Matter – Prior Period Adjustments

As discussed in Note 15, adjustments were made to beginning balances at January 1, 2018 due to an adjustment in accrued liabilities.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The combining schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Whittaker & Company, PLLC



Gary, IN

April 23, 2019

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets		
Unrestricted assets:		
Cash and cash equivalents (Note 2)	\$ 7,292,234	\$ 4,299,413
Accounts receivable, net of allowance	226,197	262,744
Passenger facility charge receivable	2,690,076	-
Prepaid items	<u>73,855</u>	<u>75,427</u>
Total unrestricted assets	<u>10,282,362</u>	<u>4,637,584</u>
Restricted assets:		
Cash and cash equivalents (Note 2 and 3)	<u>23,915,280</u>	<u>29,585,368</u>
Total restricted assets	<u>23,915,280</u>	<u>29,585,368</u>
Total current assets	<u>34,197,642</u>	<u>34,222,952</u>
Non-current assets		
Capital assets, net (Note 4)	<u>107,280,772</u>	<u>99,331,309</u>
Total noncurrent assets	<u>107,280,772</u>	<u>99,331,309</u>
Total assets	<u>\$ 141,478,414</u>	<u>\$ 133,554,261</u>
LIABILITIES AND NET POSITION		
Current liabilities		
Payable from unrestricted:		
Accounts payable	\$ 2,619,463	\$ 1,003,211
Retainage payable	<u>995,461</u>	<u>36,223</u>
Total unrestricted	<u>3,614,924</u>	<u>1,039,434</u>
Payable from restricted:		
Retainage payable	66,228	1,275,945
Accrued interest on long-term debt (Note 7)	563,532	600,407
Current portion of bonds and other long-term debt (Note 7)	<u>860,000</u>	<u>885,000</u>
Total restricted	<u>1,489,760</u>	<u>2,761,352</u>
Total current liabilities	<u>5,104,684</u>	<u>3,800,786</u>
Non-current liabilities		
Bonds and other long-term debt, net (Note 7)	26,265,000	27,125,000
Bonds premium	<u>1,115,642</u>	<u>1,148,582</u>
Total noncurrent liabilities	<u>27,380,642</u>	<u>28,273,582</u>
Total liabilities	<u>32,485,326</u>	<u>32,074,368</u>
Net position		
Net investment in capital assets	107,280,772	99,331,309
Restricted for:		
Capital projects	25,954,339	29,243,598
Marketing and development	555,187	574,111
Unrestricted	<u>(24,797,210)</u>	<u>(27,669,125)</u>
Total net position	<u>108,993,088</u>	<u>101,479,893</u>
Total liabilities and net position	<u>\$ 141,478,414</u>	<u>\$ 133,554,261</u>

See accompanying notes to financial statements.

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Operating revenues		
Lease Revenue - Building/Land, T Hanger, Terminal	\$ 1,183,655	\$ 1,100,290
Fuel Flowage	367,163	395,433
Landing	216,311	228,494
Parking	11,801	19,870
Other operating	16,152	64,068
Total operating revenues	1,795,082	1,808,155
Operating expenses		
Personnel	137,142	77,768
Services	4,193,810	4,373,480
Commodities	75,498	35,838
Other	123,594	69,762
Total operating expenses	4,530,044	4,556,848
Operating loss before depreciation	(2,734,962)	(2,748,693)
Depreciation	9,009,383	8,022,217
Loss from operations after depreciation	(11,744,345)	(10,770,910)
Non-operating revenues		
Property and other taxes	4,874,454	5,067,294
Settlements	-	1,486,789
Interest income	40,136	38,212
Net nonoperating revenues	4,914,590	6,592,295
Non-operating expenses		
Interest expense	1,349,036	1,444,767
Non-operating income	3,565,554	5,147,528
Loss before capital contributions	(8,178,791)	(5,623,382)
Capital contributions		
Federal grants	11,871,425	4,623,156
State grants	822,472	90,315
Local grants	2,970,455	4,140,865
Total capital contributions	15,664,352	8,854,336
Change in net position	7,485,561	3,230,954
Net position		
Total net position, beginning of period as previously reported	101,479,893	98,331,734
Prior period adjustments (Note 15)	27,634	(82,795)
Total net position, beginning of period as restated	101,507,527	98,248,939
Total net position, end of period	\$ 108,993,088	\$ 101,479,893

See accompanying notes to financial statements.

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Receipts from customers	\$ 1,898,369	\$ 1,938,987
Payments to suppliers	(4,450,631)	(6,197,381)
Payments to employees	<u>(125,448)</u>	<u>(71,578)</u>
Net cash used in operating activities	<u>(2,677,710)</u>	<u>(4,329,972)</u>
Cash flows from non-capital financing activity		
Settlements	-	1,486,789
Receipts of property and other taxes	<u>4,874,454</u>	<u>5,064,597</u>
Net cash provided by noncapital financing activities	<u>4,874,454</u>	<u>6,551,386</u>
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(15,576,632)	(7,250,299)
Interest paid on bonds and other long-term debt	(1,418,851)	(1,493,536)
Bonds payable premium	(32,940)	(29,811)
Principal paid on bonds and other long-term debt	(860,000)	(885,000)
Capital grant receipts	<u>12,974,276</u>	<u>8,854,336</u>
Net cash used in capital and related financing activities	<u>(4,914,147)</u>	<u>(804,310)</u>
Cash flows from investing activities		
Interest received on investments	<u>40,136</u>	<u>38,213</u>
Net cash provided by investing activities	<u>40,136</u>	<u>38,213</u>
Net increase (decrease) in cash and cash equivalents	(2,677,267)	1,455,317
Cash and cash equivalents, beginning of year	<u>33,884,781</u>	<u>32,429,464</u>
Cash and cash equivalents, end of year	<u>\$ 31,207,514</u>	<u>\$ 33,884,781</u>
Reconciliation of operating loss to net cash used in operating activities:		
Loss from operations	\$ (11,744,345)	\$ (10,770,910)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	9,009,383	8,022,217
Changes in assets and liabilities:		
Accounts receivable	36,547	130,832
Retainage payable	(1,197,839)	(184,856)
Accounts payable	1,216,972	(1,529,433)
Prepaid items	<u>1,572</u>	<u>2,178</u>
Net cash used in operating activities	<u>\$ (2,677,710)</u>	<u>\$ (4,329,972)</u>

See accompanying notes to financial statements.

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

A. Fiscal Dependency

1. The Authority's budget and the tax levy to meet it requires approval from the Gary Common Council to adopt the final budget and any tax levy for the Authority's units.
2. The Authority may issue general obligation bonds or revenue bonds at the Board's discretion.

B. Financial Benefit or Burden Relationship

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

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

- The General Fund is the primary operating fund. It accounts for all finances of the general government, except those required to be accounted for in another fund.
- The Cumulative Building Fund accounts for expansion programs: building, structures and equipment.
- The Passenger Facility Charges Fund accounts for passengers facility charges collected by the City of Chicago Airports for financing certain capital projects.
- The Compact Fund accounts for expenditures of the Authority for certain approved operating expenditures.
- The Airport Development Zone (ADZ) TIF (tax increment financing) Allocation Fund accounts for airport construction projects within the airport development zone.
- The Non-Reverting Airport Development fund accounts for the marketing and development expenditures of the Authority. The account was established as a not-for-profit entity under the tax exempt code 501(c)3 with the Internal Revenue Service and is presented as a blended component unit, as the Authority Board is the same governing body as the Non-Reverting Airport Development fund, the ability to impose will is deemed present and there is a financial benefit/burden relationship between the Authority and the Non-Reverting Airport Development fund. There are no separate financial statements available for the blended component unit.
- The Payroll Trust Fund accounts for receipts and disbursements related to payroll withholdings.
- The Marketing Fund accounts for marketing expenditures of the Authority.

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

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

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

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

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

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

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

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

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

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

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

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

In accordance with GASB Statement No. 34, interest during construction periods, when significant, is capitalized and included in the cost of capital assets. The Authority incurred and capitalized no interest cost for the year ended December 31, 2018.

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

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

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

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

Passenger Facility Charge (PFC) Revenue: Through a 1995 compact agreement between the City of Chicago and the City of Gary the Chicago/Gary Regional Airport Authority was formed. Gary Chicago International Airport Authority receives a small percentage of the PFC revenue collected at O'Hare and Midway Airports. This revenue goes into a separate PFC account and can only be used to support FAA-approved projects which include, but are not limited to, safety, runways/taxiways, and noise reduction. Passenger facility charge receivable was \$2,690,076 and \$ as of December 31, 2018 and 2017, respectively.

Accounts Receivable: The Authority records revenue that has been earned but not yet received as accounts receivable. As of December 31, 2018 and 2017, receivables totaling \$226,197 and \$262,744 are presented in the financial statements.

Retainage Payable: The Authority has recorded retainage payable of \$1,061,689 and \$1,312,168 as of the years ended December 31, 2018 and 2017. This consists of payments owed to contractors for the Authority's runway expansion project. These liabilities are expected to be paid within the next fiscal year when the runway expansion project is complete and all other contractor requirements are met.

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

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

Lien date	March 1, 2017
Levy date	January 1, 2018
Tax bills mailed	April 1 and October 1, 2018
First installment payment due	May 10, 2018
Second installment payment due	November 10, 2018
Authority collection dates	June and December, 2018
Tax sale - 2017 delinquent property taxes	August, 2020

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

Property tax and other collections received and recognized as revenue was \$4,874,454 and \$5,067,294 for the years ended December 31, 2018 and 2017.

Risk Management: The Authority may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illness or injuries to employees; and natural disasters. The Authority carries commercial insurance to protect against all of these risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the past three years. There was no reduction in insurance coverage during 2018.

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

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

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

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of net position at December 31, 2017 and 2016 consist of the following:

	<u>2018</u>	<u>2017</u>
Cash and Cash Equivalents:		
Current	\$ 7,292,234	\$ 4,299,413
Current, restricted	<u>23,915,280</u>	<u>29,585,368</u>
	<u>\$ 31,207,514</u>	<u>\$ 33,884,781</u>

Deposits with financial institutions and petty cash at December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Cash deposits	\$ 24,749,290	\$ 24,227,698
Petty cash	-	-
Total deposits	<u>\$ 24,749,290</u>	<u>\$ 24,227,698</u>

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

At December 31, 2018 and 2017, the Authority had the following cash equivalents (maturity of three months or less):

	<u>2018</u>	<u>2017</u>
Short-term government money market funds	\$ 6,458,224	\$ 9,657,083

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

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

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 2 – CASH AND CASH EQUIVALENTS - CONTINUED

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize credit risks associated with investments, the Authority's policy is to follow IC 5-13-9-2.5, which limits investments to money market funds rated AAAM by Standard and Poor's Corporation or Aaa by Moody's Investors Service, Inc., repurchase agreements fully collateralized by U.S. Government securities, and U.S. Treasury obligations (or other U.S. Agency obligations). As of December 31, 2018 and 2017 the Authority's investments met these criteria.

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

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

NOTE 3 – RESTRICTED ASSETS

Cash and Cash Equivalents: Cash, cash equivalents and investments are restricted as follows as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Pursuant to the Airport Development Zone Bonds of 2014 Trust Indenture:		
Bond Revenue Fund	\$ 982,814	\$ 780,378
Bond Construction Fund	302,345	3,719,726
Bond Reserve Fund	2,258,989	2,475,550
Bond Principal and Interest Fund	430,414	442,834
Supplemental Reserve Fund	2,483,654	2,065,269
Bond Excess Fund	8	4
Pursuant to the activities of the Non-Reverting Airport Development Fund	555,187	574,111
Pursuant to the Cumulative Building Fund Established in 2000	4,747,003	6,049,229
Pursuant to the ADZ/TIF Allocation Fund	<u>12,154,866</u>	<u>13,478,267</u>
Total	<u>\$ 23,915,280</u>	<u>\$ 29,585,368</u>

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

NOTE 3 – RESTRICTED ASSETS - CONTINUED

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

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

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

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

The Authority is in compliance with all significant financial bond covenants as of December 31, 2018 and 2017.

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 4 – CAPITAL ASSETS

Capital asset activity consists of the following at December 31:

	For the Year Ended December 31, 2018			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/Transfers</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land and Land Improvements	\$ 20,090,011	\$ 2,156,624	\$ -	\$ 22,246,635
Construction in progress	5,510,087	3,714,045	(3,240,356)	5,983,776
Total capital assets not being depreciated	<u>25,600,098</u>	<u>5,870,669</u>	<u>(3,240,356)</u>	<u>28,230,411</u>
Capital assets, being depreciated:				
Buildings	15,578,000	2,495,800	(1,755,906)	16,317,894
Furniture and Fixtures	1,378,597	-	-	1,378,597
Infrastructure	155,849,607	12,639,035	-	168,488,642
Equipment	12,231,396	597,852	-	12,829,248
Total capital assets, being depreciated	<u>185,037,600</u>	<u>15,732,687</u>	<u>(1,755,906)</u>	<u>199,014,381</u>
Less accumulated depreciation for:				
Buildings	(7,437,600)	(384,828)	351,751	(7,470,677)
Land Improvements (Depreciable)	-	(31,022)	-	(31,022)
Furniture and Fixtures	(1,384,597)	-	-	(1,378,597)
Infrastructure	(90,959,842)	(8,435,467)	-	(99,395,309)
Equipment	(11,524,350)	(158,065)	-	(11,688,415)
Total accumulated depreciation	<u>(111,306,389)</u>	<u>(9,009,382)</u>	<u>351,751</u>	<u>(119,964,020)</u>
Net capital assets	<u>\$ 99,331,309</u>	<u>\$ 12,593,974</u>	<u>\$ (4,644,511)</u>	<u>\$ 107,280,772</u>
	For the Year Ended December 31, 2017			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/Transfers</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land and Land Improvements	\$ 16,406,000	\$ 3,684,011	\$ -	\$ 20,090,011
Construction in progress	6,155,630	1,069,003	(1,714,546)	5,510,087
Total capital assets not being depreciated	<u>22,561,630</u>	<u>4,753,014</u>	<u>(1,714,546)</u>	<u>25,600,098</u>
Capital assets, being depreciated:				
Buildings	15,578,000	-	-	15,578,000
Furniture and Fixtures	1,378,597	-	-	1,378,597
Infrastructure	151,826,568	2,308,493	1,714,546	155,849,607
Equipment	12,227,460	3,936	-	12,231,396
Total capital assets, being depreciated	<u>181,010,625</u>	<u>2,312,429</u>	<u>1,714,546</u>	<u>185,037,600</u>
Less accumulated depreciation for:				
Buildings	(7,091,610)	(345,990)	-	(7,437,600)
Furniture and Fixtures	(1,378,597)	(6,000)	-	(1,384,597)
Infrastructure	(83,316,390)	(7,643,452)	-	(90,959,842)
Equipment	(11,497,575)	(26,775)	-	(11,524,350)
Total accumulated depreciation	<u>(103,284,172)</u>	<u>(8,022,217)</u>	<u>-</u>	<u>(111,306,389)</u>
Net capital assets	<u>\$ 100,288,083</u>	<u>\$ (956,774)</u>	<u>\$ -</u>	<u>\$ 99,331,309</u>

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 5 – PROPERTY TAXES

The applicable property tax rates and related levies in 2017 and 2016 are as follows:

	<u>2018</u>		<u>2017</u>	
	<u>Rate Per \$100</u>	<u>Property Tax Levies</u>	<u>Rate Per \$100</u>	<u>Property Tax Levies</u>
Operating	\$ 0.0905	\$ 1,648,735	\$ 0.0838	\$ 1,585,038
Cumulative Building	<u>0.0095</u>	<u>173,072</u>	<u>0.0095</u>	<u>179,688</u>
Total	<u>\$ 0.1000</u>	<u>\$ 1,821,807</u>	<u>\$ 0.0933</u>	<u>\$ 1,764,726</u>

NOTE 6 – PENSION PLAN

Plan Description – The Indiana Public Employees’ Retirement Fund (“PERF”) is a defined benefit pension plan. PERF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement Systems (“INPRS”) Board, most requirements of the system, and gives the Airport Authority a mandate to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member’s annuity savings account. The annuity savings account consists of member’s contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member’s account. At December 31, 2018, the employer may elect to make the contributions on behalf of the member. The reporting and disclosures in accordance with GASB 68 and 71 are not presented due to the immateriality of the items as permitted.

Funding Policy and Annual Pension Costs – The contribution requirements of the plan members for PERF are established by the board of Trustees of INPRS. As of January 1, 2018, the INPRS approved an employer contribution rate of 11.2%. The amount the Airport Authority contributed to employee’s pension was \$0. INPRS administers the plan and issue a publicly available financial report that includes financial statement and required supplementary information for the plan as a whole and its participants. That report may be obtained by contacting:

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

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 7 – BONDS AND OTHER LONG-TERM DEBT

Bonds and Other Long-Term Debt consist of:

Revenue Bonds

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

\$ 27,125,000

Total bonds

27,125,000

Less: Current portion

(860,000)

Total bonds, Long-Term

\$ 26,265,000

The Authority has a statutory legal debt limit which represents 2 percent of the adjusted value of Lake County property. Adjusted value is calculated by multiplying one-third times assessed value as certified by the State Department of Local Government Finance. Since the Authority has no general obligation debt outstanding, the statutory legal debt limit of the Authority as of December 31, 2018 has not been calculated.

Airport Development Zone Bonds of 2014

The Series 2014 bonds are secured by a pledge and security interest in the Tax Increment, which are revenues received under the Airport Development Zone (“ADZ”) Act pursuant to Indiana Code 8-22-3.5.

Debt Defeasance

The Authority has no outstanding defeased debt.

Debt Service Requirements

Annual debt service requirements to maturity for revenue bonds are as follows as of December 31, 2018:

Years ending December 31:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 860,000	\$ 1,396,725	\$ 2,256,725
2020	835,000	1,353,725	2,188,725
2021	810,000	1,311,975	2,121,975
2022	855,000	1,267,425	2,122,425
2023	900,000	1,220,400	2,120,400
2024-2028	5,300,000	5,317,925	10,617,925
2029-2033	6,795,000	3,815,363	10,610,363
2034-2038	8,750,000	1,864,450	10,614,450
2039	<u>2,020,000</u>	<u>101,000</u>	<u>2,121,000</u>
	<u>\$ 27,125,000</u>	<u>\$ 17,648,988</u>	<u>\$ 44,773,988</u>

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 7 – BONDS AND OTHER LONG-TERM DEBT - CONTINUED

Changes in Bonds and Long-Term Liabilities

Bonds and long-term liability activity for the years ended December 31, 2018 and 2017 were as follows:

	Beginning Balance January 1, 2018	Additions	Reductions	Ending Balance December 31, 2018	Due Within One Year
Long-term liabilities:					
Compensated absences	\$ -	\$ -	\$ -	\$ -	\$ -
Bonds and other long- term debt:					
Revenue bonds	28,010,000	-	885,000	27,125,000	860,000
Plus premiums	<u>1,148,582</u>	-	<u>32,940</u>	<u>1,115,642</u>	<u>34,625</u>
Total bonds and other long-term debt	<u>29,158,582</u>	-	<u>917,940</u>	<u>28,240,642</u>	<u>894,625</u>
Total bonds and long- term liabilities	<u>\$ 29,158,582</u>	<u>\$ -</u>	<u>\$ 917,940</u>	<u>\$ 28,240,642</u>	<u>\$ 894,625</u>

	Beginning Balance January 1, 2017	Additions	Reductions	Ending Balance December 31, 2017	Due Within One Year
Long-term liabilities:					
Compensated absences	\$ -	\$ -	\$ -	\$ -	\$ -
Bonds and other long- term debt:					
Revenue bonds	28,860,000	-	910,000	28,010,000	885,000
Plus premiums	<u>1,178,393</u>	-	<u>29,811</u>	<u>1,148,582</u>	<u>31,337</u>
Total bonds and other long-term debt	<u>30,098,393</u>	-	<u>939,811</u>	<u>29,158,582</u>	<u>916,337</u>
Total bonds and long- term liabilities	<u>\$ 30,098,363</u>	<u>\$ -</u>	<u>\$ 939,811</u>	<u>\$ 29,158,582</u>	<u>\$ 916,337</u>

NOTE 8 – CONDUIT DEBT OBLIGATIONS

The 2010 bonds are revenue obligations of the Authority that are paid solely from pledged debt rent revenues paid by the Gary Jet Center, Inc., pursuant to the 2010 lease. The 2010 bonds do not constitute a claim or pledge on any other revenues of the Airport Authority. The bonds have no impact on the ability of the Authority to issue property tax backed obligations of the Authority as they are secured only by the debt rent. The 2010 bonds are not supported by either the general revenue of the Authority or by a general obligation pledge of property tax revenues by the Authority. The Authority has no obligation to repay the 2010 bonds. As additional security to guaranty the repayment of the 2010 bonds, the Gary Jet Center, Inc. provided a letter of credit stating it is fully capable of paying the outstanding principal and interest on the 2010 bonds. The provision of the letter of credit by Gary Jet Center eliminates the risk to the Airport Authority in the case of a default on the 2010 bonds. During 2018 and 2017, the principal paid was \$400,000 and \$390,000, respectively. The balance due on the 2010 bonds was \$5,795,000 and \$6,375,000 as of December 31, 2018 and 2017, respectively. The bonds are due on June 1, 2031, and the total amount of rent revenues pledged by Gary Jet Center, Inc. is \$8,980,000.

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 9 – COMMITMENTS AND CONTINGENCIES

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

a) Breach of contract claim filed by Gary Jet Center

This case involves a FAA Part 13 complaint against the Authority for alleged violations of Federal Grant Assurances. On November 6, 2017, the Authority filed its response to Gary Jet Center's Part 13 Complaint with the FAA. To date, the FAA is still investigating the claims made by Gary Jet Center. In the Part 13 Complaint, Gary Jet Center lawyers have indicated that if they are not successful, they will file another lawsuit in state court. A Part 13 claim is mostly injunctive and there is not a monetary award claim for relief. Should the FAA find that the Authority is in violation, there would not be a monetary judgement owed to Gary Jet Center. If Gary Jet Center prevails in a state court action, the potential loss to the Authority will be between \$300,000 to \$500,000.

b) Tortious Interference

This case involves a claim against the Authority for alleged tortious interference with a contract by the Industrial Highway Corporation. The Industrial Highway Corporation claims that the Authority and the City of Gary planned to take their property without just compensation while interfering with all attempts to by the landowner to sell to other interested parties. To date, the Authority and the City of Gary have filed Motions to Dismiss the Complaint and all matters have been stayed. If the Industrial Highway Corporation were to prevail in state court actions, the potential loss to the Authority could be approximately \$1,200,000.

NOTE 10 – DEFICIT BALANCES

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end. As of December 31, 2018, there were no individual funds with cumulative deficit balances.

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 11 – INTERFUND ADVANCES AND TRANSFERS

The following is a schedule of interfund advances as of December 31, 2018:

Receivable Fund	Payable Fund	Amount
ADZ TIF Allocation Fund	Passenger Facility Charges Fund	\$ 2,603,417
General Fund	Compact Fund	13,638
Total - Fund Financial Statements		2,617,055
Less: Fund Eliminations		(2,617,055)
Total Internal Balances		<u>\$ -</u>

The following is a schedule of interfund advances as of December 31, 2017:

Receivable Fund	Payable Fund	Amount
General Fund	Cumulative Building Fund	\$ 328,142
ADZ TIF Allocation Fund	Cumulative Building Fund	45,799
Total - Fund Financial Statements		373,941
Less: Fund Eliminations		(373,941)
Total Internal Balances		<u>\$ -</u>

All amounts are due after one year. Balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. For the statement of net position, interfund balances are netted and eliminated.

The following is a schedule of significant interfund transfers during fiscal 2018:

Funds Transferred To	Funds Transferred From	Amount	Principal Purpose
ADZ TIF Allocation Fund	Passenger Facility Charges Fund	\$ 2,603,417	Temporary interfund loan
Cumulative Building Fund	General Fund	4,906,500	Transfer FAA payments to LOI fund
Total - Fund Financial Statements		7,509,917	
Less: Fund Eliminations		(7,509,917)	
Total Transfers		<u>\$ -</u>	

The following is a schedule of significant interfund transfers during fiscal 2017:

Funds Transferred To	Funds Transferred From	Amount	Principal Purpose
ADZ TIF Allocation Fund	Passenger Facility Charges Fund	2,186,343	Temporary interfund loan
Compact Fund	Cumulative Building Fund	110,180	Temporary interfund loan
Total - Fund Financial Statements		2,296,523	
Less: Fund Eliminations		(2,296,523)	
Total Transfers		<u>\$ -</u>	

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 11 – INTERFUND ADVANCES AND TRANSFERS - CONTINUED

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the Bond fund, and (3) use revenues collected in the certain funds to finance various programs accounted for in other funds in accordance with budgetary authorizations. For the statement of revenues, expenses and changes in net position, interfund transfers are netted and eliminated.

NOTE 12 – RENTAL INCOME UNDER OPERATING LEASES

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

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

<u>Years ending December 31:</u>	
2019	\$1,167,247
2020	1,192,419
2021	1,222,230
2022	1,252,785
2023	1,284,105
Later Years	<u>1,289,026</u>
Total	<u>\$7,407,812</u>

The schedule above includes changes in rental rates that became effective on January 1, 2019. These rates are adjusted annually based on the operating lease agreements.

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

NOTE 13 – MAJOR CUSTOMERS

During the years ended December 31, 2018 and 2017, the Authority received significant operating revenue from five customers. Rentals, landing fees, apron fees and other revenues from these customers aggregated approximately \$1,778,000 or 98% and \$1,744,000 or 96% of operating revenues for the years ended December 31, 2018 and 2017.

NOTE 14 – EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

The Authority has adopted the following statements by the Governmental Accounting Standards Board (GASB), the result of which has not materially impacted the Authority's financial statements as of December 31, 2018:

- Statement No. 85, Omnibus 2017, effective for the Authority for the year ending December 31, 2018.

NOTE 14 – EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS - CONTINUED

- Statement No. 86, Certain Debt Extinguishment Issues, effective for the Authority for the year ending December 31, 2018.

Management has yet to determine the impact on the following statements that have been approved by the Government Accounting Standards Board.

- Statement No. 83, Certain Asset Retirement Obligations, effective for the Authority for the year ending December 31, 2019.
- Statement No. 84, Fiduciary Activities, effective for the Authority for the year ending December 31, 2019.
- Statement No. 87, Leases, effective for the Authority for the year ending December 31, 2020.
- Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, effective for the Authority for the year ending December 31, 2019.
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, effective for the Authority for the year ending December 31, 2020.
- Statement No. 90, Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61, effective for the Authority for the year ending December 31, 2019.

NOTE 15 – PRIOR PERIOD ADJUSTMENTS

The Authority restated its net position balance as of December 31, 2018 from \$101,479,893 to \$101,507,527 due to the following:

- a) The Authority recognized a net adjustment (\$27,634) of accruals.

The Authority restated its net position balance as of December 31, 2017 from \$98,331,734 to \$98,248,939 due to the following:

- a) The Authority recognized a net adjustment (\$82,795) of accruals.

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
 COMBINING SCHEDULE OF NET POSITION
 AS OF DECEMBER 31, 2018

	<u>General Fund</u>	<u>Bond Fund</u>	<u>Cumulative Building Fund</u>
ASSETS			
Current assets			
Unrestricted assets:			
Cash and cash equivalents	\$ 7,292,234	\$ -	\$ -
Accounts receivable, net of allowance	221,540	-	-
Passenger facility charge receivable	-	-	-
Due from other funds	341,779	-	735,892
Prepaid items	73,855	-	-
Total unrestricted assets	<u>7,929,408</u>	<u>-</u>	<u>735,892</u>
Restricted assets:			
Cash and cash equivalents	-	6,458,224	4,747,003
Total restricted assets	<u>-</u>	<u>6,458,224</u>	<u>4,747,003</u>
Total current assets	<u>7,929,408</u>	<u>6,458,224</u>	<u>5,482,895</u>
Non-current assets			
Capital assets, net	<u>3,782,088</u>	<u>46,189,139</u>	<u>34,931,499</u>
Total noncurrent assets	<u>3,782,088</u>	<u>46,189,139</u>	<u>34,931,499</u>
Total assets	<u>11,711,496</u>	<u>52,647,363</u>	<u>40,414,394</u>
LIABILITIES AND NET POSITION			
Current liabilities			
Payable from unrestricted:			
Accounts payable	\$ 1,714,191	-	\$ 109,929
Retainage payable	11,878	-	766,884
Due to other funds	-	-	1,064,033
Total unrestricted	<u>1,726,069</u>	<u>-</u>	<u>1,940,846</u>
Payable from restricted:			
Retainage payable	-	66,228	-
Accrued interest on long-term debt	-	563,532	-
Current portion of bonds and other long-term debt	-	860,000	-
Total restricted	<u>-</u>	<u>1,489,760</u>	<u>-</u>
Total current liabilities	<u>1,726,069</u>	<u>1,489,760</u>	<u>1,940,846</u>
Non-current liabilities			
Bonds and other long-term debt, net	-	26,265,000	-
Bonds premium	-	1,115,642	-
Total noncurrent liabilities	<u>-</u>	<u>27,380,642</u>	<u>-</u>
Total liabilities	<u>1,726,069</u>	<u>28,870,402</u>	<u>1,940,846</u>
Net position			
Net investment in capital assets	3,782,088	46,189,139	34,931,499
Restricted for:			
Capital projects	-	6,458,224	4,747,003
Marketing and development	-	-	-
Unrestricted	<u>6,203,339</u>	<u>(28,870,402)</u>	<u>(1,204,954)</u>
Total net position	<u>9,985,427</u>	<u>23,776,961</u>	<u>38,473,548</u>
Total liabilities and net position	<u>\$ 11,711,496</u>	<u>\$ 52,647,363</u>	<u>\$ 40,414,394</u>

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
 COMBINING SCHEDULE OF NET POSITION
 AS OF DECEMBER 31, 2018

Passenger Facility Charges Fund	Compact Fund	ADZ TIF Allocation Fund	Non-Reverting Airport Development Fund	Payroll Fund	Marketing Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,292,234
-	3,196	1,461	-	-	-	226,197
2,690,076	-	-	-	-	-	2,690,076
-	-	2,603,417	-	-	-	3,681,088
-	-	-	-	-	-	73,855
<u>2,690,076</u>	<u>3,196</u>	<u>2,604,878</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,963,450</u>
-	-	12,154,866	555,187	-	-	23,915,280
-	-	12,154,866	555,187	-	-	23,915,280
<u>2,690,076</u>	<u>3,196</u>	<u>14,759,744</u>	<u>555,187</u>	<u>-</u>	<u>-</u>	<u>37,878,730</u>
<u>8,775,238</u>	<u>16,995</u>	<u>13,585,813</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>107,280,772</u>
<u>8,775,238</u>	<u>16,995</u>	<u>13,585,813</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>107,280,772</u>
<u>11,465,314</u>	<u>20,191</u>	<u>28,345,557</u>	<u>555,187</u>	<u>-</u>	<u>-</u>	<u>145,159,502</u>
\$ 795,153	\$ -	\$ 190	\$ -	\$ -	\$ -	\$ 2,619,463
216,699	-	-	-	-	-	995,461
<u>2,603,417</u>	<u>13,638</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,681,088</u>
<u>3,615,269</u>	<u>13,638</u>	<u>190</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,296,012</u>
-	-	-	-	-	-	66,228
-	-	-	-	-	-	563,532
-	-	-	-	-	-	860,000
-	-	-	-	-	-	1,489,760
<u>3,615,269</u>	<u>13,638</u>	<u>190</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,785,772</u>
-	-	-	-	-	-	26,265,000
-	-	-	-	-	-	1,115,642
-	-	-	-	-	-	27,380,642
<u>3,615,269</u>	<u>13,638</u>	<u>190</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,166,414</u>
8,775,238	16,995	13,585,813	-	-	-	107,280,772
-	(10,442)	14,759,554	-	-	-	25,954,339
-	-	-	555,187	-	-	555,187
(925,193)	-	-	-	-	-	(24,797,210)
<u>7,850,045</u>	<u>6,553</u>	<u>28,345,367</u>	<u>555,187</u>	<u>-</u>	<u>-</u>	<u>108,993,088</u>
<u>\$ 11,465,314</u>	<u>\$ 20,191</u>	<u>\$ 28,345,557</u>	<u>\$ 555,187</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 145,159,502</u>

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED DECEMBER 31, 2018

	General Fund	Bond Fund	Cumulative Building Fund
Operating revenues			
Lease Revenue - Building/Land	\$ 1,183,655	\$ -	\$ -
Fuel Flowage	367,163	-	-
Landing	216,311	-	-
Parking	11,801	-	-
Other operating	<u>16,152</u>	<u>-</u>	<u>-</u>
Total operating revenues	<u>1,795,082</u>	<u>-</u>	<u>-</u>
Operating expenses			
Personnel	137,142	-	-
Services	3,164,870	261,543	64,412
Commodities	72,633	-	2,460
Other	1,344	-	122,250
Total operating expenses	<u>3,375,989</u>	<u>261,543</u>	<u>189,122</u>
Operating income (loss) before depreciation	(1,580,907)	(261,543)	(189,122)
Depreciation	<u>-</u>	<u>-</u>	<u>9,009,383</u>
Operating income (loss)	<u>(1,580,907)</u>	<u>(261,543)</u>	<u>(9,198,505)</u>
Non-operating revenues			
Property and other taxes	688,580	-	72,269
Interest income	<u>-</u>	<u>19,734</u>	<u>20,402</u>
Net nonoperating revenues	688,580	19,734	92,671
Non-operating expenses			
Interest expense	<u>-</u>	<u>1,349,036</u>	<u>-</u>
Non-operating income	<u>688,580</u>	<u>(1,329,302)</u>	<u>92,671</u>
Income (loss) before capital contributions	<u>(892,327)</u>	<u>(1,590,845)</u>	<u>(9,105,834)</u>
Capital contributions			
Federal grants	-	-	11,871,425
State grants	822,472	-	-
Local grants	92,500	-	-
Total capital contributions	<u>914,972</u>	<u>-</u>	<u>11,871,425</u>
Gain (loss) before transfers	<u>22,645</u>	<u>(1,590,845)</u>	<u>2,765,591</u>
Transfers			
Transfers in	7,230,902	-	152,819
Transfers out	<u>(1,695,362)</u>	<u>2,681,658</u>	<u>(5,661,638)</u>
Total transfers	<u>5,535,540</u>	<u>2,681,658</u>	<u>(5,508,819)</u>
Increase (decrease) in net position	5,558,185	1,090,813	(2,743,228)
Net position			
Total net position, beginning of period as previously reported	4,390,592	22,686,148	41,225,792
Prior period adjustments	<u>36,650</u>	<u>-</u>	<u>(9,016)</u>
Total net position, beginning of period as restated	<u>4,427,242</u>	<u>22,686,148</u>	<u>41,216,776</u>
Total net position, end of period	<u>\$ 9,985,427</u>	<u>\$ 23,776,961</u>	<u>\$ 38,473,548</u>

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED DECEMBER 31, 2018

Passenger Facility Charges Fund	Compact Fund	ADZ TIF Allocation Fund	Non-Reverting Airport Development Fund	Payroll Fund	Marketing Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,183,655
-	-	-	-	-	-	367,163
-	-	-	-	-	-	216,311
-	-	-	-	-	-	11,801
-	-	-	-	-	-	16,152
-	-	-	-	-	-	1,795,082
-	-	-	-	-	-	137,142
257,249	356,490	70,322	18,924	-	-	4,193,810
-	405	-	-	-	-	75,498
-	-	-	-	-	-	123,594
257,249	356,895	70,322	18,924	-	-	4,530,044
(257,249)	(356,895)	(70,322)	(18,924)	-	-	(2,734,962)
-	-	-	-	-	-	9,009,383
(257,249)	(356,895)	(70,322)	(18,924)	-	-	(11,744,345)
-	-	4,113,605	-	-	-	4,874,454
-	-	-	-	-	-	40,136
-	-	4,113,605	-	-	-	4,914,590
-	-	-	-	-	-	1,349,036
-	-	4,113,605	-	-	-	3,565,554
(257,249)	(356,895)	4,043,283	(18,924)	-	-	(8,178,791)
-	-	-	-	-	-	11,871,425
-	-	-	-	-	-	822,472
2,690,076	187,879	-	-	-	-	2,970,455
2,690,076	187,879	-	-	-	-	15,664,352
2,432,827	(169,016)	4,043,283	(18,924)	-	-	7,485,561
-	-	(2,681,658)	-	-	-	4,702,063
-	(26,721)	-	-	-	-	(4,702,063)
-	(26,721)	(2,681,658)	-	-	-	-
2,432,827	(195,737)	1,361,625	(18,924)	-	-	7,485,561
5,417,218	202,290	26,983,742	574,111	-	-	101,479,893
-	-	-	-	-	-	27,634
5,417,218	202,290	26,983,742	574,111	-	-	101,507,527
\$ 7,850,045	\$ 6,553	\$ 28,345,367	\$ 555,187	\$ -	\$ -	\$ 108,993,088

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
 COMBINING SCHEDULE OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2018

	General Fund	Bond Fund	Cumulative Building Fund
Cash flows from operating activities			
Receipts from customers	\$ 1,795,082	\$ -	\$ -
Payments to suppliers	(2,102,535)	(1,545,430)	(94,193)
Payments to employees	(125,448)	-	-
Net cash provided by (used in) operating activities	<u>(432,901)</u>	<u>(1,545,430)</u>	<u>(94,193)</u>
Cash flows from non-capital financing activity			
Interfund transfers	5,521,903	2,681,658	(5,554,619)
Receipts of property and other taxes	688,580	-	72,269
Net cash provided by (used in) noncapital financing activities	<u>6,210,483</u>	<u>2,681,658</u>	<u>(5,482,350)</u>
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	(3,615,862)	(1,869,708)	(7,617,510)
Interest paid on bonds and other long-term debt	-	(1,418,851)	-
Bonds payable premium	-	(32,940)	-
Principal paid on bonds and other long-term debt	-	(860,000)	-
Capital grant receipts	914,972	-	11,871,425
Net cash provided by (used in) capital and related financing activities	<u>(2,700,890)</u>	<u>(4,181,499)</u>	<u>4,253,915</u>
Cash flows from investing activities			
Interest received	-	19,734	20,402
Net cash provided by investing activities	<u>-</u>	<u>19,734</u>	<u>20,402</u>
Net increase (decrease) in cash and cash equivalents	3,076,692	(3,025,537)	(1,302,226)
Cash and cash equivalents, beginning of year	4,215,542	9,483,761	6,049,229
Cash and cash equivalents, end of year	<u>\$ 7,292,234</u>	<u>\$ 6,458,224</u>	<u>\$ 4,747,003</u>
Reconciliation of operating loss to net cash used in operating activities:			
Loss from operations	\$ (1,580,907)	\$ (261,543)	\$ (9,198,505)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	-	-	9,009,383
Changes in assets and liabilities:			
Accounts receivable	(66,740)	-	-
Retainage payable	11,878	(1,209,717)	-
Accounts payable	1,201,296	(74,170)	94,929
Prepaid items	1,572	-	-
Net cash provided by (used in) operating activities	<u>\$ (432,901)</u>	<u>\$ (1,545,430)</u>	<u>\$ (94,193)</u>

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
 COMBINING SCHEDULE OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2018

Passenger Facility Charges Fund	Compact Fund	ADZ TIF Allocation Fund	Non-Reverting Airport Development Fund	Payroll Fund	Marketing Fund	Total
\$ -	\$ 103,287	\$ -	\$ -	\$ -	\$ -	\$ 1,898,369
(257,249)	(361,954)	(70,346)	(18,924)	-	-	(4,450,631)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(125,448)</u>
<u>(257,249)</u>	<u>(258,667)</u>	<u>(70,346)</u>	<u>(18,924)</u>	<u>-</u>	<u>-</u>	<u>(2,677,710)</u>
2,603,417	(13,083)	(5,239,276)	-	-	-	-
<u>-</u>	<u>-</u>	<u>4,113,605</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,874,454</u>
<u>2,603,417</u>	<u>(13,083)</u>	<u>(1,125,671)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,874,454</u>
(2,346,168)	-	(127,384)	-	-	-	(15,576,632)
-	-	-	-	-	-	(1,418,851)
-	-	-	-	-	-	(32,940)
-	-	-	-	-	-	(860,000)
<u>-</u>	<u>187,879</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,974,276</u>
<u>(2,346,168)</u>	<u>187,879</u>	<u>(127,384)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,914,147)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,136</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,136</u>
-	(83,871)	(1,323,401)	(18,924)	-	-	(2,677,267)
<u>-</u>	<u>83,871</u>	<u>13,478,267</u>	<u>574,111</u>	<u>-</u>	<u>-</u>	<u>33,884,781</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,154,866</u>	<u>\$ 555,187</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,207,514</u>
\$ (257,249)	\$ (356,895)	\$ (70,322)	\$ (18,924)	\$ -	\$ -	\$ (11,744,345)
-	-	-	-	-	-	9,009,383
-	103,287	-	-	-	-	36,547
-	-	-	-	-	-	(1,197,839)
-	(5,059)	(24)	-	-	-	1,216,972
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,572</u>
<u>(257,249)</u>	<u>(258,667)</u>	<u>(70,346)</u>	<u>(18,924)</u>	<u>-</u>	<u>-</u>	<u>(2,677,710)</u>

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
 COMBINING SCHEDULE OF NET POSITION
 AS OF DECEMBER 31, 2017

	General Fund	Bond Fund	Cumulative Building Fund
ASSETS			
Current assets			
Unrestricted assets:			
Cash and cash equivalents	\$4,215,542	\$ -	\$ -
Accounts receivable, net of allowance	154,800	-	-
Due from other funds	328,142	-	-
Prepaid items	75,427	-	-
Total unrestricted assets	<u>4,773,911</u>	<u>-</u>	<u>-</u>
Restricted assets:			
Cash and cash equivalents	-	9,483,761	6,049,229
Total restricted assets	<u>-</u>	<u>9,483,761</u>	<u>6,049,229</u>
Total current assets	<u>4,773,911</u>	<u>9,483,761</u>	<u>6,049,229</u>
Non-current assets			
Letter of Credit	-	-	-
Capital assets, net	129,576	44,311,491	35,565,504
Total noncurrent assets	<u>129,576</u>	<u>44,311,491</u>	<u>35,565,504</u>
Total assets	<u>4,903,487</u>	<u>53,795,252</u>	<u>41,614,733</u>
LIABILITIES AND NET POSITION			
Current liabilities			
Payable from unrestricted:			
Accounts payable	\$ 512,895	74,170	\$ 15,000
Retainage payable	-	-	-
Due to other funds	-	-	373,941
Total unrestricted	<u>512,895</u>	<u>74,170</u>	<u>388,941</u>
Payable from restricted:			
Retainage payable	-	1,275,945	-
Accrued interest on long-term debt	-	600,407	-
Current portion of bonds and other long-term debt	-	885,000	-
Total restricted	<u>-</u>	<u>2,761,352</u>	<u>-</u>
Total current liabilities	<u>512,895</u>	<u>2,835,522</u>	<u>388,941</u>
Non-current liabilities			
Bonds and other long-term debt, net	-	27,125,000	-
Bonds premium	-	1,148,582	-
Total noncurrent liabilities	<u>-</u>	<u>28,273,582</u>	<u>-</u>
Total liabilities	<u>512,895</u>	<u>31,109,104</u>	<u>388,941</u>
Net position			
Net investment in capital assets	129,576	44,311,491	35,565,504
Restricted for:			
Capital projects	-	9,483,761	6,049,229
Marketing and development	-	-	-
Unrestricted	<u>4,261,016</u>	<u>(31,109,104)</u>	<u>(388,941)</u>
Total net position	<u>4,390,592</u>	<u>22,686,148</u>	<u>41,225,792</u>
Total liabilities and net position	<u>\$4,903,487</u>	<u>\$53,795,252</u>	<u>\$ 41,614,733</u>

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
 COMBINING SCHEDULE OF NET POSITION
 AS OF DECEMBER 31, 2017

Passenger Facility Charges Fund	Compact Fund	ADZ TIF Allocation Fund	Non-Reverting Airport Development Fund	Payroll Fund	Marketing Fund	Total
\$ -	\$ 83,871	\$ -	\$ -	\$ -	\$ -	\$ 4,299,413
-	106,483	1,461	-	-	-	262,744
-	-	45,799	-	-	-	373,941
-	-	-	-	-	-	75,427
-	<u>190,354</u>	<u>47,260</u>	-	-	-	<u>5,011,525</u>
-	-	<u>13,478,267</u>	<u>574,111</u>	-	-	<u>29,585,368</u>
-	-	<u>13,478,267</u>	<u>574,111</u>	-	-	<u>29,585,368</u>
-	<u>190,354</u>	<u>13,525,527</u>	<u>574,111</u>	-	-	<u>34,596,893</u>
-	-	-	-	-	-	-
<u>5,849,314</u>	<u>16,995</u>	<u>13,458,429</u>	-	-	-	<u>99,331,309</u>
<u>5,849,314</u>	<u>16,995</u>	<u>13,458,429</u>	-	-	-	<u>99,331,309</u>
<u>5,849,314</u>	<u>207,349</u>	<u>26,983,956</u>	<u>574,111</u>	-	-	<u>133,928,202</u>
\$ 395,873	\$ 5,059	\$ 214	\$ -	\$ -	\$ -	\$ 1,003,211
36,223	-	-	-	-	-	36,223
-	-	-	-	-	-	373,941
<u>432,096</u>	<u>5,059</u>	<u>214</u>	-	-	-	<u>1,413,375</u>
-	-	-	-	-	-	1,275,945
-	-	-	-	-	-	600,407
-	-	-	-	-	-	885,000
-	-	-	-	-	-	2,761,352
<u>432,096</u>	<u>5,059</u>	<u>214</u>	-	-	-	<u>4,174,727</u>
-	-	-	-	-	-	27,125,000
-	-	-	-	-	-	1,148,582
-	-	-	-	-	-	28,273,582
<u>432,096</u>	<u>5,059</u>	<u>214</u>	-	-	-	<u>32,448,309</u>
5,849,314	16,995	13,458,429	-	-	-	99,331,309
-	185,295	13,525,313	-	-	-	29,243,598
-	-	-	574,111	-	-	574,111
<u>(432,096)</u>	-	-	-	-	-	<u>(27,669,125)</u>
<u>5,417,218</u>	<u>202,290</u>	<u>26,983,742</u>	<u>574,111</u>	-	-	<u>101,479,893</u>
<u>\$ 5,849,314</u>	<u>\$ 207,349</u>	<u>\$ 26,983,956</u>	<u>\$ 574,111</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 133,928,202</u>

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED DECEMBER 31, 2017

	General Fund	Bond Fund	Cumulative Building Fund
Operating revenues			
Lease Revenue - Building/Land	\$ 1,100,290	\$ -	\$ -
Fuel Flowage	395,433	-	-
Landing	228,494	-	-
Parking	19,870	-	-
Other operating	<u>32,837</u>	<u>31,231</u>	<u>-</u>
Total operating revenues	<u>1,776,924</u>	<u>31,231</u>	<u>-</u>
Operating expenses			
Personnel	77,768	-	-
Services	2,874,690	1,000	458,067
Commodities	35,258	-	-
Other	<u>-</u>	<u>-</u>	<u>7,900</u>
Total operating expenses	<u>2,987,716</u>	<u>1,000</u>	<u>465,967</u>
Operating income (loss) before depreciation	(1,210,792)	30,231	(465,967)
Depreciation	<u>-</u>	<u>-</u>	<u>8,022,217</u>
Operating income (loss)	<u>(1,210,792)</u>	<u>30,231</u>	<u>(8,488,184)</u>
Non-operating revenues			
Property and other taxes	5,059,740	-	7,554
Settlements	1,006,250	-	-
Interest income	<u>-</u>	<u>19,358</u>	<u>18,855</u>
Net nonoperating revenues	6,065,990	19,358	26,409
Non-operating expenses			
Interest expense	<u>-</u>	<u>1,444,767</u>	<u>-</u>
Non-operating income	<u>6,065,990</u>	<u>(1,425,409)</u>	<u>26,409</u>
Income (loss) before capital contributions	<u>4,855,198</u>	<u>(1,395,178)</u>	<u>(8,461,775)</u>
Capital contributions			
Federal grants	-	-	4,623,156
State grants	-	-	90,315
Local grants	<u>-</u>	<u>-</u>	<u>-</u>
Total capital contributions	<u>-</u>	<u>-</u>	<u>4,713,471</u>
Gain (loss) before transfers	<u>4,855,198</u>	<u>(1,395,178)</u>	<u>(3,748,304)</u>
Transfers			
Transfers in	1,661,668	(963,821)	3,590,094
Transfers out	<u>(2,142,212)</u>	<u>4,291,430</u>	<u>(7,330,209)</u>
Total transfers	<u>(480,544)</u>	<u>3,327,609</u>	<u>(3,740,115)</u>
Increase (decrease) in net position	4,374,654	1,932,431	(7,488,419)
Net position			
Total net position, beginning of period as previously reported	112,413	20,753,717	49,210,585
Prior period adjustments	<u>(96,475)</u>	<u>-</u>	<u>(496,374)</u>
Total net position, beginning of period as restated	<u>15,938</u>	<u>20,753,717</u>	<u>48,714,211</u>
Total net position, end of period	<u>\$ 4,390,592</u>	<u>\$ 22,686,148</u>	<u>\$ 41,225,792</u>

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED DECEMBER 31, 2017

Passenger Facility Charges Fund	Compact Fund	ADZ TIF Allocation Fund	Non-Reverting Airport Development Fund	Payroll Fund	Marketing Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,100,290
-	-	-	-	-	-	395,433
-	-	-	-	-	-	228,494
-	-	-	-	-	-	19,870
-	-	-	-	-	-	64,068
-	-	-	-	-	-	1,808,155
-	-	-	-	-	-	77,768
309,815	287,412	439,703	2,793	-	-	4,373,480
-	580	-	-	-	-	35,838
-	61,862	-	-	-	-	69,762
309,815	349,854	439,703	2,793	-	-	4,556,848
(309,815)	(349,854)	(439,703)	(2,793)	-	-	(2,748,693)
-	-	-	-	-	-	8,022,217
(309,815)	(349,854)	(439,703)	(2,793)	-	-	(10,770,910)
-	-	-	-	-	-	5,067,294
-	-	480,539	-	-	-	1,486,789
-	-	-	-	-	-	38,212
-	-	480,539	-	-	-	6,592,295
-	-	-	-	-	-	1,444,767
-	-	480,539	-	-	-	5,147,528
(309,815)	(349,854)	40,836	(2,793)	-	-	(5,623,382)
-	-	-	-	-	-	4,623,156
-	-	-	-	-	-	90,315
3,756,882	383,983	-	-	-	-	4,140,865
3,756,882	383,983	-	-	-	-	8,854,336
3,447,067	34,129	40,836	(2,793)	-	-	3,230,954
3,604,926	(6,141)	1,012,397	-	-	-	8,899,124
(3,344,095)	110,180	(494,962)	-	(1,916)	12,660	(8,899,124)
260,831	104,039	517,435	-	(1,916)	12,660	-
3,707,898	138,168	558,271	(2,793)	(1,916)	12,660	3,230,954
1,709,320	57,942	25,929,097	576,904	1,916	(20,160)	98,331,734
-	6,180	496,374	-	-	7,500	(82,795)
1,709,320	64,122	26,425,471	576,904	1,916	(12,660)	98,248,939
\$ 5,417,218	\$ 202,290	\$ 26,983,742	\$ 574,111	\$ -	\$ -	\$ 101,479,893

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
 COMBINING SCHEDULE OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2017

	General Fund	Bond Fund	Cumulative Building Fund
Cash flows from operating activities			
Receipts from customers	\$ 1,907,756	\$ 31,231	\$ -
Payments to suppliers	(2,852,669)	78,819	(757,769)
Payments to employees	(71,578)	-	-
Net cash provided by (used in) operating activities	<u>(1,016,491)</u>	<u>110,050</u>	<u>(757,769)</u>
Cash flows from non-capital financing activity			
Interfund transfers	(1,120,942)	3,326,771	(3,561,863)
Settlements	1,006,250	-	-
Receipts of property and other taxes	5,057,043	-	7,554
Net cash provided by (used in) noncapital financing activities	<u>4,942,351</u>	<u>3,326,771</u>	<u>(3,554,309)</u>
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	(119,371)	(3,822,597)	(2,393,527)
Interest paid on bonds and other long-term debt	-	(1,493,536)	-
Bonds payable premium	-	(29,811)	-
Principal paid on bonds and other long-term debt	-	(885,000)	-
Capital grant receipts	-	-	4,713,471
Net cash provided by (used in) capital and related financing activities	<u>(119,371)</u>	<u>(6,230,944)</u>	<u>2,319,944</u>
Cash flows from investing activities			
Interest received	-	19,358	18,855
Net cash provided by investing activities	<u>-</u>	<u>19,358</u>	<u>18,855</u>
Net increase (decrease) in cash and cash equivalents	3,806,489	(2,774,765)	(1,973,279)
Cash and cash equivalents, beginning of year	409,053	12,258,526	8,022,508
Cash and cash equivalents, end of year	<u>\$ 4,215,542</u>	<u>\$ 9,483,761</u>	<u>\$ 6,049,229</u>
Reconciliation of operating loss to net cash used in operating activities:			
Loss from operations	\$ (1,210,792)	\$ 30,231	\$ (8,488,184)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	-	-	8,022,217
Changes in assets and liabilities:			
Accounts receivable	130,832	-	-
Retainage payable	-	5,649	(190,505)
Accounts payable	61,291	74,170	(101,297)
Prepaid items	2,178	-	-
Accrued payroll liabilities	-	-	-
Accrued compensated absences	-	-	-
Security deposits	-	-	-
Net cash provided by (used in) operating activities	<u>\$ (1,016,491)</u>	<u>\$ 110,050</u>	<u>\$ (757,769)</u>

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
 COMBINING SCHEDULE OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2017

Passenger Facility Charges Fund	Compact Fund	ADZ TIF Allocation Fund	Non-Reverting Airport Development Fund	Payroll Fund	Marketing Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,938,987
(1,792,104)	(410,522)	(440,183)	(2,793)	-	(20,160)	(6,197,381)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(71,578)</u>
<u>(1,792,104)</u>	<u>(410,522)</u>	<u>(440,183)</u>	<u>(2,793)</u>	<u>-</u>	<u>(20,160)</u>	<u>(4,329,972)</u>
(1,925,512)	110,410	3,152,892	-	(1,916)	20,160	-
-	-	480,539	-	-	-	1,486,789
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,064,597</u>
<u>(1,925,512)</u>	<u>110,410</u>	<u>3,633,431</u>	<u>-</u>	<u>(1,916)</u>	<u>20,160</u>	<u>6,551,386</u>
(39,266)	-	(875,538)	-	-	-	(7,250,299)
-	-	-	-	-	-	(1,493,536)
-	-	-	-	-	-	(29,811)
-	-	-	-	-	-	(885,000)
<u>3,756,882</u>	<u>383,983</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,854,336</u>
<u>3,717,616</u>	<u>383,983</u>	<u>(875,538)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(804,310)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,213</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,213</u>
-	83,871	2,317,710	(2,793)	(1,916)	-	1,455,317
<u>-</u>	<u>-</u>	<u>11,160,557</u>	<u>576,904</u>	<u>1,916</u>	<u>-</u>	<u>32,429,464</u>
<u>\$ -</u>	<u>\$ 83,871</u>	<u>\$ 13,478,267</u>	<u>\$ 574,111</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,884,781</u>
\$ (309,815)	\$ (349,854)	\$ (439,703)	\$ (2,793)	\$ -	\$ -	\$ (10,770,910)
-	-	-	-	-	-	8,022,217
-	-	-	-	-	-	130,832
-	-	-	-	-	-	(184,856)
(1,482,289)	(60,668)	(480)	-	-	(20,160)	(1,529,433)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,178</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(1,792,104)</u>	<u>(410,522)</u>	<u>(440,183)</u>	<u>(2,793)</u>	<u>-</u>	<u>(20,160)</u>	<u>(4,329,972)</u>

**GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
FEDERAL SINGLE AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2018**

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Daniel Vicari	January 1, 2018 to January 9, 2018
Executive Director	Duane Hayden	January 9, 2018 to December 31, 2018
Finance Manager/Treasurer	William Outlar	January 1, 2018 to December 31, 2018
President of the Airport Authority Board	Stephen Mays	January 1, 2018 to January 31, 2018
President of the Airport Authority Board	Timothy Fesko	February 9, 2018 to December 31, 2018

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Gary/Chicago International Airport Authority (the "Airport Authority"), as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statement, and have issued our report thereon dated April 23, 2019.

Internal Control over Financial Reporting

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

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 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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

The Purpose of this Report

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

Whittaker & Company, PLLC



Gary, IN 46402

April 23, 2019

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited Gary/Chicago International Airport Authority (the "Airport Authority")'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Airport Authority's major federal programs for the year ended December 31, 2018. The Airport Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Airport Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Airport

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

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

Opinion on Each Major Federal Program

In our opinion, Airport Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Report on Internal Control over Compliance

Management of the Airport Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Airport Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Airport Authority's internal control over compliance.

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

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

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

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

We have audited the financial statements of the business-type activities of the Gary Chicago International Airport Authority (the "Authority") as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report dated April 23, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Whittaker & Company, PLLC

Whittaker & Company, PLLC

Gary, Indiana
April 23, 2019

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

**GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

<u>Federal Grantor Agency</u>	<u>Pass-Through or Direct Grant</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity (or Other) Identifying Number</u>	<u>Total Federal Awards Expended</u>
Department of Transportation				
Airport Improvement Program	Direct Grant	20.106	3-18-0028-035	3,532,500
Airport Improvement Program	Direct Grant	20.106	3-18-0028-037	2,887,784
Airport Improvement Program	Direct Grant	20.106	3-18-0028-038	270,000
Total-Department of Transportation				<u>\$ 6,690,284</u>
Total Federal Awards Expended				<u>\$ 6,690,284</u>

**GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Airport Authority has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

There were no federal awards expended for non-cash assistance, insurance or any loans or loan guarantees outstanding at year-end.

Of the federal expenditures presented in the Schedule, the Airport Authority did not provide any amounts to subrecipients.

**GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Section I – Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for Major program:	Unmodified
Any audit findings disclosed that are required to be reported In accordance with Section CFR 200.516 (a)?	No

Identification of Major Program:

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

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

Auditee qualified as low-risk auditee?	No
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**GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Section II – Financial Statement Findings

No findings.

Section III – Findings and Questioned Costs for Federal Awards

No findings.

**GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
SUMMARY SCHEDULE OF PRIOR YEAR
FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Financial Statement Findings

FINDING 2017-001, 2016-001 – PROPER RECORDING OF FINANCIAL TRANSACTIONS

- Condition – The Airport Authority has instituted a process whereby bank reconciliations are prepared by staff on a monthly basis. However, upon our observation and review, the bank reconciliations that were prepared for the JPMorgan checking account at December 2017 was inaccurate and overstated, thus necessitating audit adjusting journal entries for correction. Journal entries lacked documentation and analysis to support recording in the general ledger.

- Status: Corrective action was taken. Finding not repeated in current year.

FINDING 2017-002, 2016-002 – INTERNAL CONTROLS OVER THE PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (“SEFA”)

- Condition – The Effective controls have not been established to allow for review and verification of the Financial Statements and preparation of the Schedule of Expenditures of Federal Awards (“SEFA”). The Airport Authority did prepare the SEFA for the year ended December 31, 2017. However, errors were noted in the balances presented. The SEFA originally presented by management, although correct in total, we were not able to tie out the federal funds according to each project.

- Status: Corrective action was taken. Finding not repeated in current year.

Findings and Questioned Costs for Federal Awards

No findings.

**GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
EXIT CONFERENCE
FOR THE YEAR ENDED DECEMBER 31, 2018**

The contents of this report were discussed on Tuesday April 23, 2019 with members of the Airport Authority's Board of Directors – Chairman Timothy Fesko and Vice Chairman Denise Dillard, Airport Management - Duane Hayden, Executive Director, Curt Ulmen, Airport Operations Manager, Daniel Vicari, Airport Consultant and William Outlar, Finance Manager/Treasurer.

