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December 29, 2021

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

We have reviewed the audit report for the Gary Chicago International Airport Authority which was opined upon by CR Williams & Associates LLC, Independent Public Accountants, for the period January 1, 2020 to December 31, 2020. Per the *Independent Auditor's Report*, the financial statements included in the audit report present fairly the financial condition of the Gary Chicago International Airport Authority as of December 31, 2020, and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the findings included in the report on pages 49-63. Please see the Schedule of Findings and Questioned Costs for complete details related to the findings. Management's Corrective Action Plan appears on pages 66-70.

In our opinion, CR Williams & Associates LLC prepared the audit report in accordance with the guidelines established by the State Board of Accounts.

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

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY
Gary, Indiana

ANNUAL FINANCIAL REPORT
For the Year Ended December 31, 2020

PREPARED BY:
CRWilliams & Associates LLC
Certified Public Accountants
1257 N. Hornsby
St. Louis, MO 63147
(219)-944-1615 (ofc)/(866)-834-4294 (fax)
www.crwilliams.net

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY
Gary, Indiana

ANNUAL FINANCIAL REPORT
For the Year Ended December 31, 2020

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INDEPENDENT AUDITORS` REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the Gary Chicago International Airport Authority, (the “Authority”) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority`s basic financial statements as listed in the table of contents.

Management`s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statement in accordance with the 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*. 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 entity`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 entity`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 audit opinion.

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Opinion

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, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Material Uncertainty Relating to Going Concern

The Authority generated a substantial loss or change in the net position of \$3,999,630 during the year ended December 31, 2020, directly attributed to the substantial decrease in the capital grants and a slight increase in the depreciation expense for the year. These capital grants referred to as AIP grants funded by the FAA are provided through the issuance of a letter of intent “LOI” subject to adjustment and revocation upon certain events, including failure to meet certain requirements including levels of passenger boardings, congressional reallocation or change in total appropriations for the AIP. A continued decrease in capital grants and increase in depreciation due to the continued investment in capital assets without a corresponding increase in operating profit will impose uncertainty about the Authority’s ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Authority’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basis financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide an assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards on page 40 to 42, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. The combining schedule on page 28 to 33 is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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Other Information - Continued

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2021, 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 grants agreement 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 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.

CRWilliams & Associates LLC

Gary, IN

August 31, 2021

MANAGEMENT’S DISCUSSION AND ANALYSIS

The Gary/Chicago International Airport Authority (the “Authority”) management discussion and analysis provides an overview of the Authority’s financial activities for the fiscal year ended December 31, 2020 and is intended to complement and accompany the Authority's audited financial statements for the fiscal year ended December 31, 2020.

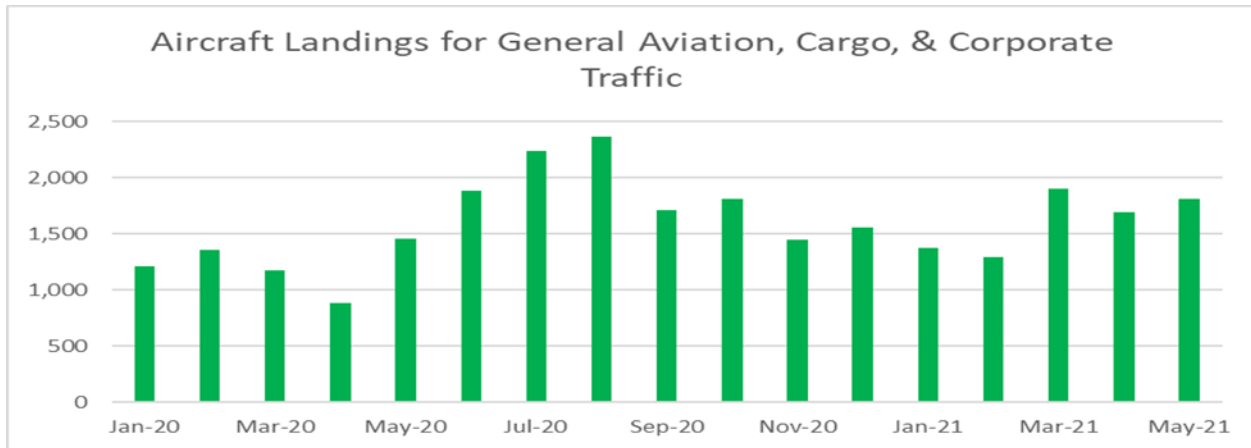
Impact of COVID-19 on the Authority

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. Many state and local governments in the United States issued “stay at home” or “shelter in place” orders, which severely restricted movement and limited businesses and activities to essential functions. The COVID-19 pandemic and resulting restriction have severely disrupted, and continue to disrupt, the economies of the United States and other countries. The outbreak has adversely affected domestic and international travel and travel-related industries. Specific to GCIAA, the Executive Director was called up for active military duty from March 13 to June 30, 2020.

The United States government, the Federal Reserve Board, and foreign governments took regulatory actions and implemented other measures to mitigate the broad disruptive effects of the COVID-19 outbreak on the U.S. and global economies.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act, approved by the United States Congress and signed by the President on March 27, 2020, is one of the federal actions taken to address the crisis created by the COVID-19 pandemic. The Act provided \$10 billion of assistance to U.S. commercial airports, which was apportioned among such airports based on various formulas. The Airport received \$157,000 of CARES Act funds during 2020. In addition, all Airport Improvement Program Capital Projects through the FAA will be funded at 100% rather than the typical 90%. The remaining 10% is typically funded by a joint effort of INDOT and local funds. The Airport received \$213,062.00 in COVID relief funds under this program.

While 2020 air traffic at the Authority represented a 9.8% decline versus 2019 traffic counts this is a comparatively modest decline given the COVID-19 pandemic year impact. COVID-19 delayed the start-up of United Parcel Service (UPS) operations from June 2020 to October 2020. Overall, the Authority does not believe that the current public health emergency will have a significant long-term negative impact on the airport and air cargo is expected to continue to maintain strong demand.



MANAGEMENT’S DISCUSSION AND ANALYSIS

Overview of the Financial Statements

Management’s discussion and analysis is intended to serve as an introduction to the Authority’s audited financial statements and a narrative description of Fiscal Year 2020 (January 1, 2020 — December 31, 2020). The Authority's financial statements and audits are based on Generally Accepted Accounting Principles. This MD&A will include discussion of the Statement of Net Position, Statement of Revenues, Expenses, and Change in Fund Net Position and the Statement of Cash Flows. All of the information included in this analysis is presented with the two most recent years to provide the opportunity for comparison.

The *Statement of Net Position* presents information on all of the Authority’s assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. However, the consideration of other non-financial factors, such as changes within the airline industry or phasing of the capital program, may be necessary. Interestingly, the advent of COVID-19 spurred dramatic growth in air cargo shipments nationally and helped propel the UPS start up at GCIAA in the fourth quarter of 2020, leading to significant increases in landed weight and an acceleration of the capital program to accommodate cargo facilities. The immediate impact of UPS’ operations on GCIAA is illustrated in the graph below:



The *Statement of Revenues, Expenses, and Changes in Fund Net Position* presents information showing how the Authority's Net Position changed during each year. All changes in Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

These financial statements can be found within this report.

Financial Analysis

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

As shown in the statements below, the Authority's net position at December 31, 2020 amounted to \$99,775,518, a decrease of \$9,644,565 after the prior period adjustment of \$5,644,935, from the calendar year ended December 31, 2019. The decrease was driven by net investment in capital assets declining by \$9,438,449 to \$99,060,816. Net investment in capital assets consists of capital assets, net of accumulated depreciation less any related outstanding debt used to construct or acquire those assets. Non-depreciable capital assets increased by \$1,609,500 to \$28,378,490 in FY20. A portion of the Airport's net position, \$7,623,123, represents resources that are restricted for use related to capital projects. The restricted amount decreased \$530,000 from the prior year.

Operating revenue increased by \$280,048 while operating expenses decreased, excluding depreciation and amortization, by \$401,849. Depreciation increased from the prior year by \$777,361. The Airport's total operating loss was \$12,040,909, a 0.8% increase from FY19. Non-operating revenue decreased by \$252,634 from the prior year to \$4,673,240 in FYE20. Non-operating expenses, consisting of interest expense, decreased slightly to \$1,293,962, or 2.4% from FY19.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL STATEMENTS

STATEMENTS OF NET POSITION

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Current unrestricted assets	\$10,458,498	\$9,271,772	\$10,282,362
Restricted cash and cash equivalents	20,357,474	20,516,296	23,915,280
Noncurrent assets	99,060,816	108,499,265	107,280,772
Total Assets	129,876,788	138,287,333	141,478,414
Current liabilities	3,626,650	2,356,233	5,104,684
Noncurrent liabilities	26,474,620	26,511,017	27,380,642
Total Liabilities	30,101,270	28,867,250	32,485,326
Net investment in capital assets	99,060,816	108,499,265	107,280,772
Restricted for capital projects	7,623,193	8,153,193	25,954,339
Restricted for marketing and development	-	-	555,187
Unrestricted	(6,908,491)	(7,232,375)	(24,797,210)
Total Net Position	\$99,775,518	\$109,420,083	\$108,993,088

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Revenues and Capital Contributions			
Total operating revenues	\$2,183,633	\$1,903,585	\$1,795,082
Total non-operating revenues	4,673,240	4,925,874	4,914,590
Total capital contributions	4,662,001	8,771,634	15,664,352
Total Revenues & Capital Contributions	11,518,874	15,601,093	22,374,024
Expenses			
Total operating expenses	4,456,791	4,858,640	4,530,044
Interest expense	1,293,962	1,326,215	1,349,036
Depreciation expense	9,767,751	8,990,390	9,009,383
Total Expenses	15,518,504	15,175,245	14,888,463
Change in net position	(3,999,630)	425,848	7,485,561
Net position, beginning of year	109,420,083	108,993,089	101,479,893
Prior period adjustments	(5,644,935)	1,146	27,634
Net Position, End of Year	\$99,775,518	\$109,420,083	\$108,993,088

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

STATEMENTS OF CASH FLOWS

	2020	2019	2018
Cash Flows From:			
Operating activities	(\$ 150,674)	(\$ 4,736,915)	(\$ 2,677,710)
Non-capital financing activities	4,666,121	4,888,732	4,874,454
Capital and related financing activities	(3,041,346)	(6,309,392)	(4,914,147)
Investing activities	7,120	37,142	40,136
Net decrease in cash and cash equivalents	1,481,221	(6,120,433)	(2,677,267)
Cash and cash equivalents, beg. of year	25,087,082	31,207,514	33,884,781
Cash and Cash Equivalents, End of Year	\$26,568,303	\$25,087,081	\$31,207,514

CAPITAL ASSETS

	2020	2019	2018
Land and land improvements	\$29,228,215	\$26,768,990	\$22,246,635
Infrastructure	171,871,718	177,785,301	168,488,642
Buildings and improvements	18,555,482	18,657,440	16,317,894
Construction in progress	3,421,787	-	5,983,776
Furniture, fixtures, and equipment	12,863,348	14,241,945	14,207,845
Total	235,940,550	237,453,676	227,244,792
Less: Accumulated depreciation	(136,879,734)	(128,954,411)	(119,964,020)
Net Capital Assets	\$99,060,816	\$108,499,265	\$107,280,772

General Highlights

The Statement of Revenues, Expenses, and Changes in Fund Net Position summarizes the revenues and expense for the Authority and illustrates the government contributions over the calendar year. In this statement, a change in the net position of \$3,999,630 was noted. In 2020, an expected decrease in capital grants was noted due to the completion of several capital projects over the last several years, including notably the Runway Extension Project to bring the main runway (12-30) into compliance with FAA standards and the completion of the Customs facility. The decline in capital grants does not impact Airport operations as the capital contributions largely support capital projects and not the day-to-day financial operations.

Since 2016, the Airport has received capital contributions from various government agencies and outside entities to support capital projects. Other contributions declined by \$4,109,633 to \$4,662,001 in FY20 or a 46.9% decrease. The decrease in capital grants does not impact operational capability as they are used to fund capital projects not operations.

The Authority entered into a new lease agreement that increased rental income for the year and revenue recovery from Gary Jet Center was approximately \$221,922 which helped offset the cancelation of the annual airshow. Like other airports, GCIAA experienced a dramatic change in operations because of COVID and airport operations including corporate travel were reduced pursuant to federal and state guidelines. However, the Authority implemented expense reduction measures.

The Airport does not have employees which participate in the Indiana PERS pension plan and therefore makes no contributions to PERS.

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

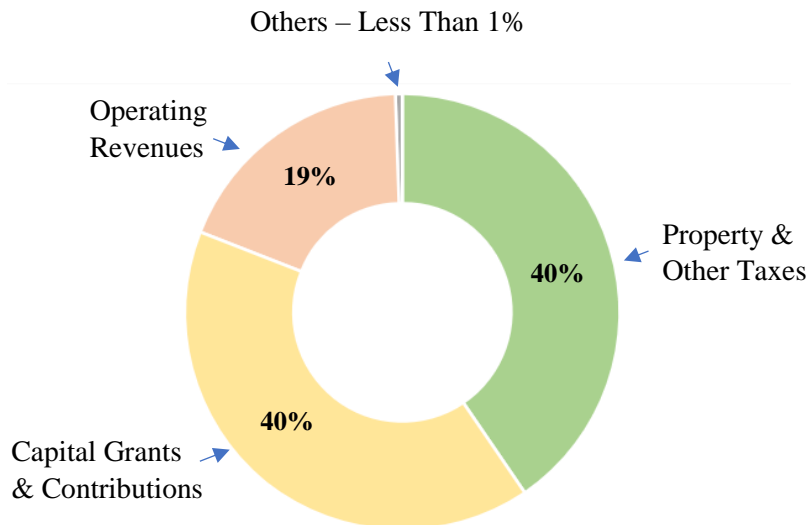
Capital Assets

Net Capital Assets decreased by \$9,438,449 in 2020. This can be attributed to the decrease in construction costs, increase in the depreciation and prior period adjustment. Depreciation cost increased by \$777,360 to \$9,767,751 in FY20 when compared to the prior year as the Reconstruction for the Terminal Ramp Phase II and III were concluded, adding \$7.754 million in infrastructure and about \$387,725 in annual depreciation. While depreciable infrastructure remained the same as the prior year. The runway extension certificate of completion was filed in March of 2019 for extension of the main runway (12-30) which added over \$16 million in capital improvements and \$800,721 in additional depreciation. \$ During the last quarter of 2020, Taxiway “A” Rehabilitation project (\$2.348 million), funded through federal grants also started its construction activities (see Note 4, Capital Assets) as did the Sand Dome (\$11,890) and Phase IV of the Terminal Ramp (\$1.042 million).

With over \$26.568 million in reserves, \$25.760 million of which is restricted for airport capital improvement projects, GCIAA is in the enviable position of having substantial local funds for matching federal grant projects, as well as providing local funding for non-FAA eligible capital improvements.

Revenue by Source

The following table graphically depicts the Authority’s sources of revenue, both for operating and capital, for FY2020. Approximately 60% of total revenues, including revenue described as operating revenues and property & other taxes, are used to fund the Airport’s operations or day to day activity, including for debt service. The remaining 40% of total revenue was derived from capital grants and contributions that were ultimately used to fund capital projects at the Airport. Notably, capital grants fluctuate annually depending on the timing and phase of capital project implementation and completion.



MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Debt Outstanding

The Authority's long-term liabilities include Airport Development Zone Revenue Bonds, Series 2014 issued by the Authority during the 2014 calendar year. The Series 2014 Bonds were issued by the Authority for the principal purposes of constructing improvements to the airport facilities. These improvements included an extension (8,900 feet) of the existing runway and other related site improvements. The original par amount at issuance was \$29,860,000. As of December 31, 2020, the outstanding principal amount was \$25,430,000. The GCIAA has maintained very healthy debt service coverage ratios of 1.89 times debt service (\$2.122 million in FY2020) in recent years, with TIF revenues stabilizing at levels in excess of \$4.0 million annually and collection levels improving, with a five-year average collection rate of 92.6%.

The Bonds are secured by a pledge and security interest in the tax increment funds received through the Airport Development Zone. The TIF funds are received twice a year in the June and December property tax distributions from the County Auditor and the entire amount of the TIF revenues are deposited with the Trustee and held by the Trustee until the principal payment is made on February 1st of the following calendar year. The excess funds are then returned to the GCIAA and held in the ADZ TIF Allocation Fund. The bond indenture provides for a Debt Service Reserve Fund and a Supplemental Reserve both funded at the Maximum Annual Debt Service (MADS) amount. The Supplemental Reserve is funded through the tax deposits received from the tax increments through December February 1, 2020, if the debt service coverage ratio of 150% of the MADS for the prior three consecutive years. The Authority has exceeded this coverage requirement but have determined to continue to maintain the Supplemental Reserve Fund in an abundance of caution through 2022. The pledged revenue provided for 188% of debt service coverage during 2020. The Authority is current on all principal and interest payments as well as its continuing disclosure obligations.

Budget for 2021

The 2021 budget was passed by the Authority's Board on September 9, 2020. The Adopted Budget included an increase in lease revenue, fuel flowage and landing fees starting in 2021 totally an increase of \$951,000 when compared to the 2020 Revenues. The new agreement with UPS drives the largest portion of this increase with projections for an increase of \$274,600 of additional landing fee revenue compared to the pre-COVID 2020 year budget. Expenditure growth is driven by increased professional service and management fees and the full operation of the ARFF facility. The Adopted FY2021 Budget is projected to yield a surplus to be used in future years.

Requests for Information

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

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2020

	<u>Business-Type Activities</u>
Assets	
Current assets	
Unrestricted assets:	
Cash and cash equivalents (note 2)	\$ 6,210,829
Accounts receivable, net of allowance	2,463,805
Passenger facility charge receivable	1,783,864
Total unrestricted assets	10,458,498
Restricted asset:	
Cash and cash equivalents (note 2 and 3)	20,357,474
Total restricted assets	20,357,474
Total current assets	30,815,972
Non-current asset	
Capital assets, net (note 4)	99,060,816
Total assets	\$ 129,876,788
Liabilities	
Current liabilities	
Payable from unrestricted:	
Accounts payable	\$ 2,662,869
Accrued payroll liabilities	1,482
Total unrestricted	2,664,351
Payable from restricted:	
Retainage payable	415,643
Accrued interest on long-term debt (note 7)	546,656
Total restricted	962,299
Total current liabilities	3,626,650
Non-current liabilities	
Bonds and other long-term debt, net (note 7)	25,430,000
Bonds premium	1,044,620
Total noncurrent liabilities	26,474,620
Total liabilities	30,101,270
Net Position	
Net investment in capital assets	99,060,816
Restricted for:	
Capital projects	7,623,193
Unrestricted	(6,908,491)
Total net position	99,775,518
Total liabilities and net position	\$ 129,876,788

See Notes to Financial Statements

**GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020**

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes In Net Position</u>
<u>Expenses</u>	<u>Charges for Services</u>	<u>Capital Grants</u>	<u>Business-Type Activities</u>	
Business-type activities:				
Airport Services	\$14,224,542	\$2,183,633	\$4,662,001	(\$7,378,908)
Interest on long-term debt	1,293,962	-	-	(1,293,962)
Total Business-Type Activities	\$15,518,504	\$2,183,633	\$4,662,001	(\$8,672,870)
		General Revenues		
		Property and other taxes		\$4,664,788
		Settlements		1,333
		Interest income		7,119
		Changes in net position		(3,999,630)
		Net position - beginning		109,420,083
		Prior period adjustments (note 18)		(5,644,935)
		Total net position, beginning of period as restated		103,775,148
		Net position - ending		\$99,775,518

See Notes to Financial Statements

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF DECEMBER 31, 2020

Assets

Current assets

Unrestricted assets:

Cash and cash equivalents (note 2)	\$ 6,210,829
Accounts receivable, net of allowance	2,463,805
Passenger facility charge receivable	1,783,864

Total unrestricted assets	<u>10,458,498</u>
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Restricted asset:

Cash and cash equivalents (note 2 and 3)	20,357,474
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Total restricted assets	<u>20,357,474</u>
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Total current assets	<u>30,815,972</u>
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Non-current asset

Capital assets, net (note 4)	99,060,816
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Total assets	<u><u>\$ 129,876,788</u></u>
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Liabilities

Current liabilities

Payable from unrestricted:

Accounts payable	\$ 2,662,869
Accrued payroll liabilities	1,482

Total unrestricted	<u>2,664,351</u>
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Payable from restricted:

Retainage payable	415,643
Accrued interest on long-term debt (note 7)	546,656

Total restricted	<u>962,299</u>
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Total current liabilities	<u>3,626,650</u>
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Non-current liabilities

Bonds and other long-term debt, net (note 7)	25,430,000
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Bonds premium	1,044,620
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Total noncurrent liabilities	<u>26,474,620</u>
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Total liabilities	<u>30,101,270</u>
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Net Position

Net investment in capital assets	99,060,816
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Restricted for:

Capital projects	7,623,193
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Unrestricted	(6,908,491)
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Total net position	<u>99,775,518</u>
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Total liabilities and net position	<u><u>\$ 129,876,788</u></u>
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See Notes to Financial Statements

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

Operating Revenues	
Lease revenue	\$ 1,390,606
Fuel flowage	327,211
Landing	227,222
Parking	6,728
Other operating	231,866
Total operating revenues	<u>2,183,633</u>
Operating Expenses	
Personnel	161,015
Services	4,120,152
Commodities	175,624
Total operating expenses	<u>4,456,791</u>
Operating loss before depreciation	<u>(2,273,158)</u>
Depreciation	9,767,751
Loss from operations after depreciation	<u>(12,040,909)</u>
Nonoperating Revenues	
Property and other taxes	4,664,788
Settlements	1,333
Interest income	7,119
Total nonoperating revenues	<u>4,673,240</u>
Nonoperating Expense	
Interest expense	1,293,962
Net nonoperating income	<u>3,379,278</u>
Loss before capital contributions	<u>(8,661,631)</u>
Capital contributions	
Federal grants	4,183,159
State grants	94,832
Local grants	384,010
Total capital contributions	<u>4,662,001</u>
Change in net position	<u>(3,999,630)</u>
Net position	
Total net position, beginning of period as previously reported	109,420,083
Prior period adjustments (note 18)	(5,644,935)
Total net position, beginning of period as restated	<u>103,775,148</u>
Total net position, end of period	<u>\$ 99,775,518</u>

See Notes to Financial Statements

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

Cash Flows From Operating Activities	
Receipts from customers	\$ 2,636,950
Payments to suppliers	(2,628,501)
Payments to employees	(159,123)
Net cash used in operating activities	<u>(150,674)</u>
Cash Flows From Noncapital Financing Activities	
Settlements	1,333
Receipts of property and other taxes	4,664,788
Net cash provided by noncapital financing activities	<u>4,666,121</u>
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	(5,535,496)
Interest paid on bonds and other long-term debt	(1,296,454)
Bonds payable premium	(36,397)
Principal paid on bonds and other long-term debt	(835,000)
Capital grant receipts	4,662,001
Net cash used in capital and related financing activities	<u>(3,041,346)</u>
Cash Flows From Investing Activity	
Interest received	7,120
Net cash provided by investing activity	<u>7,120</u>
Net increase in cash and cash equivalents	1,481,221
Cash and cash equivalents, beginning of year	25,087,082
Cash and cash equivalents, end of year	<u>\$ 26,568,303</u>
Reconciliation of operating loss to net cash used in operating activities:	
Loss from operations	(\$ 12,040,910)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	9,767,751
Changes in assets and liabilities:	
Accounts receivable	453,317
Accounts payable	1,667,276
Prior period adjustments	28,731
Accrued liabilities	(26,839)
Net cash used in operating activities	<u>(\$ 150,674)</u>

See Notes to Financial Statements

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY

Notes to Financial Statements
For the Year Ended December 31, 2020

NOTE 1 - Organization and Summary of Significant Accounting Policies

a. 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.

b. Financial Reporting Entity

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

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

Based upon the financial benefit or burden relationships with other governmental entities in addition to the fiscal independence or dependence criterion set forth by the Governmental Accounting Standards Board (GASB), the Authority is considered to be a component unit of the City of Gary. In reaching the conclusion, the Authority considered the following reporting entity definition criteria of Fiscal Dependency and Financial Benefit or Burden Relationship.

Under Fiscal Dependency, for the Authority to adopt a budget and tax levy, an approval from the Gary Common Council is required to determine the allowable cost for levy of the Authority's units. On top of that, any revision that alters the total appropriation of any major expense category in the budget must, in addition, be approved by the State Department of Local Government Finance. Further, the Authority may issue general obligation bonds or revenue bonds at the Board's discretion – the Authority's Board, out of 7 members, consist of 4 members appointed by the different government regions.

Under Financial Benefit or Burden Relationship, the Authority's 2014 Bond payments to holders are secured by a pledge and security interest in the Tax Increment, which are revenues received under the Airport Development Zone ("ADZ").

c. 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.

NOTE 1 - Organization and Summary of Significant Accounting Policies - Continued

c. Basis of Accounting and Reporting - Continued

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: buildings, land improvements, infrastructures, and equipment.
- The Passenger Facility Charges Fund accounts for passenger 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) Tax Increment Financing (TIF) 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 Fund accounts for receipts and disbursements related to payroll withholding.
- The Marketing Fund accounts for marketing expenditures of the Authority.

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

The Authority classifies revenues from tenants, fixed based operators, customs facility usage fee, concessions, parking, and building and ground lessees as operating revenues. All expenses relating to operating the Authority such as personnel and administrative expenses, supplies, repairs to property and equipment, charges for professional and other contractual services, utilities, and depreciation expense on capital assets are reported as operating expenses.

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

NOTE 1 - Organization and Summary of Significant Accounting Policies - Continued

c. Basis of Accounting and Reporting - Continued

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.

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.

d. 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.

e. 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.

f. 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.

g. Capital Assets

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

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

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

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY

Notes to Financial Statements
For the Year Ended December 31, 2020

NOTE 1 - Organization and Summary of Significant Accounting Policies - Continued

g. Capital Assets - Continued

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

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, 2020.

h. 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.

i. 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 non-vesting 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.

j. Net Position

The residual of all elements is presented in the Authority's Statement of Net Position. It is the difference between (a) current financial assets and deferred outflows of resources and (b) current financial liabilities and deferred inflows of resources. As of December 31, 2020, the Authority did not have transactions requiring separate presentation on deferred outflows and 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. The *restricted* component of net position consists of restricted assets reduced by liabilities related to those assets. The authority's restricted assets are expendable. The *unrestricted* component of net position is the net amount of the assets and liabilities that are not included in the determination of net investment in capital assets or the restricted component of net position.

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY

Notes to Financial Statements
For the Year Ended December 31, 2020

NOTE 1 - Organization and Summary of Significant Accounting Policies - Continued

k. 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.

l. 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 \$1,783,864 as of December 31, 2020.

m. Accounts Receivable

The Authority records revenue that has been earned but not yet received as accounts receivable. As of December 31, 2020, receivables totaling \$2,463,805 is presented in the financial statements.

n. Retainage Payable

The Authority has recorded retainage payable of \$415,643 as of the year ended December 31, 2020. This consists of payments owed to contractors for the Authority's runway expansion project. These liabilities are expected to be paid when the runway expansion project is complete and all other contractor requirements are met.

o. 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.

p. 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.

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY

Notes to Financial Statements
For the Year Ended December 31, 2020

NOTE 1 - Organization and Summary of Significant Accounting Policies - Continued

q. Property Taxes

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

Lien date	March 1, 2019
Levy date	January 1, 2020
Tax bills mailed	April 1 and October 1, 2020
First installment payment due	May 11, 2020
Second installment payment due	November 10, 2020
Authority collection dates	June and December, 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 for the year ended December 31, 2020 amounted to \$4,664,788.

r. Risk Management

The Authority may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illness or injuries to employees; and natural disasters. The Authority carries commercial insurance to protect against all these risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the past three years. There was no reduction in insurance coverage during 2020.

s. 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.

t. 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 Year Ended December 31, 2020

NOTE 2 – Cash and Cash Equivalents

Cash and cash equivalents included in the statement of net position at December 31, 2020.

Cash and Cash Equivalents:	
Current, unrestricted	\$ 6,210,829
Current, restricted	20,357,474
Total	<u>\$ 26,568,303</u>

Deposits with financial institutions at December 31, 2020 amounted to \$ 20,668,007.

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

At December 31, 2020, the Authority had the following cash equivalents (maturity of three months or less):

Short-term government money market funds	\$ 5,900,296
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Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

Although not guaranteed by the FDIC or the IPDIF, these funds invest their assets exclusively in obligations of the U.S. Treasury and other obligations guaranteed by the U.S. Treasury. A portion of the Authority's bank deposits that are invested overnight in repurchase agreements are insured and held in financial institution's name. The Authority's policy is to follow IC 5-13-9-2-5, which requires that repurchase agreements be collateralized with U.S. Government securities.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize the credit risks associated with investments, the Authority's policy is to follow IC 5-13-9-2.5, which limits investments to money market funds rated AAAM, by Standard and Poor's Corporation or Aaa, by Moody's Investor Service, Inc., on its repurchase agreements fully collateralized by U.S. Government securities, and U.S. Treasury obligations (or other U.S. Agency obligations). As of December 31, 2020, the Authority's investments met these criteria.

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY

Notes to Financial Statements
For the Year Ended December 31, 2020

NOTE 2 – Cash and Cash Equivalents - Continued

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

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

Note 3 – Restricted Assets

Cash and Cash Equivalents

Cash, cash equivalents and investments are restricted as follows as of December 31, 2020:

Pursuant to the Airport Development Zone Bonds of 2014 Trust Indenture:	
Bond Revenue Fund	\$ 1,152,484
Bond Reserve Fund	2,256,763
Supplemental Reserve Fund	2,491,049
Bond Excess Fund	-
Pursuant to the Cumulative Building Fund Established in 2000	258,297
Pursuant to the ADZ/TIF Allocation Fund	<u>14,198,881</u>
Total	\$ <u>20,357,474</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.

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

Note 3 – Restricted Assets - Continued

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.

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY

Notes to Financial Statements
For the Year Ended December 31, 2020

Note 3 – Restricted Assets - Continued

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, 2020.

Note 4 – Capital Assets

Capital asset activity consists of the following at December 31, 2020:

	For the Year Ended December 31, 2020				
	Beginning Balance	Additions/Transfers	Disposals/Transfers	Adjustments	Ending Balance
Capital assets, non depreciable:					
Land	\$ 16,470,315	\$ 2,041,687	\$ -	\$ -	\$ 18,512,002
Land improvements	6,344,953	47,448	-	(1)	6,392,400
Construction in progress	-	3,474,087	-	(52,300)	3,421,787
Total	<u>22,815,268</u>	<u>5,563,222</u>	<u>-</u>	<u>(52,301)</u>	<u>28,326,189</u>
Capital assets, depreciable:					
Land improvements	3,953,721	370,093	-	(1)	4,323,813
Buildings	18,657,441	69,655	-	(171,614)	18,555,482
Furniture and fixtures	1,378,597	-	-	(1,378,597)	-
Infrastructure	177,785,300	-	-	(5,913,584)	171,871,716
Equipment	12,863,348	-	-	-	12,863,348
Total	<u>214,638,407</u>	<u>439,748</u>	<u>-</u>	<u>(7,463,796)</u>	<u>207,614,359</u>
Accumulated depreciation					
Buildings	(7,880,758)	(349,384)	-	1	(8,230,141)
Depreciable land improvements	(31,022)	(260,453)	-	89,163	(202,312)
Furniture and fixtures	(1,378,597)	-	-	1,378,597	-
Infrastructure	(107,816,177)	(8,998,795)	-	119,204	(116,695,768)
Equipment	(11,847,858)	(159,117)	-	255,464	(11,751,511)
Total	<u>(128,954,412)</u>	<u>(9,767,749)</u>	<u>-</u>	<u>1,842,429</u>	<u>(136,879,732)</u>
Net capital assets	<u>\$ 108,499,264</u>	<u>\$ (3,764,779)</u>	<u>\$ -</u>	<u>\$ (5,673,668)</u>	<u>\$ 99,060,816</u>

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY

Notes to Financial Statements
For the Year Ended December 31, 2020

Note 5 – Property Taxes

The applicable property tax rates and related levies in 2020 are as follows:

	Rate Per \$100	Property Tax Levies
Operating	\$ 0.0839	\$ 1,579,299
Cumulative Building	0.0092	173,177
Total	<u>\$ 0.0931</u>	<u>\$ 1,752,476</u>

Note 6 – Pension Plan

Plan Description- The Indiana Public Employee’s 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 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 contribution, set by statute at 3 percent compensation, plus the interest credited to the member’s account. At December 31, 2020, 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 employees’ 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 Year Ended December 31, 2020

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. Term Bonds for the period 2021-2025 will be due February 1, 2025. \$ 25,430,000

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, 2020 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 Schedule

Annual debt service requirements to maturity for revenue bonds are as follows as of December 31, 2020.

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	950,000	1,170,900	2,120,900
2025	1,005,000	1,118,650	2,123,650
2026-2030	5,860,000	4,759,375	10,619,375
2031-2035	7,525,000	3,086,313	10,611,313
2036-2039	<u>7,525,000</u>	<u>963,500</u>	<u>8,488,500</u>
Total	\$ <u>25,430,000</u>	<u>\$14,898,538</u>	<u>\$40,328,538</u>

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY

Notes to Financial Statements
For the Year Ended December 31, 2020

Note 7 – Bonds and Other Long-Term Debt - Continued

Changes in Bonds and Long-Term Liabilities

Bonds and long-term liability activity for the year ended December 31, 2020 are as follows:

	Compensated Absences	Revenue Bonds	Premium on Bonds	Total
Beginning balances	\$ -	\$ 26,265,000	\$ 1,081,017	\$ 27,346,017
Additions	-	-	-	-
Reductions		835,000	36,397	871,397
Ending balances	\$ -	\$ 25,430,000	1,044,620	26,474,620
Due in one year	\$ -	\$ -	\$ 38,259	\$ 38,259

Note 8 – Conduit Debt Obligations

The 2010 bonds are revenue obligations of the Authority that are paid solely from pledged debt rent revenues paid by the Gary Jet Center, Inc., pursuant to the 2010 lease. The 2010 bonds do not constitute a claim or pledge on any other revenues of the Authority. The bonds have no impact on the ability of the Authority to issue property tax backed obligations of the Authority as they are secured only by the debt rent. The 2010 bonds are not supported by either the general revenue of the Authority or by a general obligation pledge of property tax revenues by the Authority. The Authority has no obligation to repay the 2010 bonds.

As additional security to guaranty the repayment of the 2010 bonds, the Gary Jet Center, Inc. provided a letter of credit stating it is fully capable of paying the outstanding principal and interest on the 2010 bonds.

The provision of the letter of credit by Gary Jet Center eliminates the risk to the Authority in the case of a default on the 2010 bonds. During 2020, the principal paid was \$430,000. The balance due on the 2010 bonds as of December 31, 2020 amounted to \$6,335,000. The bonds are due on 2031, and the total outstanding debt obligations amounted to \$5,507,500.

Note 9 – Commitments and Contingencies

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

Gary Jet Center refused to pay a 1.5% gross revenue fee as required by the applicable minimum standards. Default letters were sent to Gary Jet. Before eviction, Gary Jet filed a lawsuit against the Authority on May 18, 2020 for breach of lease agreement. The Authority defended the lawsuit. The lawsuit was dismissed with no payment required by the Authority. The case was dismissed and in turn, Gary Jet agreed to pay the applicable gross revenue fee and was recognized as part of other revenues in 2020.

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY

Notes to Financial Statements
For the Year Ended December 31, 2020

Note 9 – Commitments and Contingencies - Continued

b. Environmental Contamination

Environmental contamination case with Honeywell International Inc. & UOP, LLC. As per confirmation, the Authority will pursue all reimbursement for clean-up that it is entitled to recover under Indiana Law. The Airport has incurred approximately \$1,081,000 for the remediation of the Boeing Ditch area of contamination. That cleanup has occurred pursuant to a 2016 Agreement with the Indiana Department of Environmental Management (“IDEM”). Those costs have been incurred from the date the IDEM 2016 Agreement became effective in February 2016 through March of 2021. Future costs will likely range between \$1.8 Million and \$14 Million and will be incurred during the next 30 years.

Note 10 – Deficit Balances

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end. As of December 31, 2020, there were no individual funds with cumulative deficit balances.

Note 11 – Interfund Advances and Transfers

The following is a schedule of significant interfund transfers during the year:

Purpose of the Transfer	Transfer From	Transfer To	Total
Temporary interfund loan extensions from 2019	ADZ TIF	AIP	\$ 1,901,575
Interfund loan repayment	ADZ TIF	Passenger Facility Charges Fund	2,474,781
Interfund loan repayment	General Fund	ADZ TIF	600,000
Temporary interfund loan	ADZ TIF	General Fund	850,000
Moving revenues to the designated fund	Cumulative Building Fund	ADZ TIF	2,179,637
Moving revenues to the designated fund	General Fund	Cumulative Building Fund	37,279
Moving TIF receipts for debt service payments	ADZ TIF	Bond Fund	3,830,085
Moving excess funds after debt service payments	Bond Fund	ADZ TIF	1,893,257
Total transfers for the year			\$ 13,766,613
Fund eliminations			(13,766,613)
	Total Transfers		-

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY

Notes to Financial Statements
For the Year Ended December 31, 2020

Note 11 – Interfund Advances and Transfers - Continued

All amounts are due within 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.

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 fund net position, interfund transfers are netted and eliminated.

Note 12 – Rental Income Under Operating Lease

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

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

<u>Years Ending December 31:</u>	<u>Total</u>
2021	\$1,392,086
2022	1,065,131
2023	1,054,877
2024	1,072,823
2025	<u>1,091,076</u>
Total	<u>\$5,675,993</u>

The schedule above includes changes in rental rates that became effective on January 1, 2020. 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 – Airport Development Zone

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

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY

Notes to Financial Statements
For the Year Ended December 31, 2020

Note 13 – Airport Development Zone - Continued

Property tax and other collections received within the ADZ amounted to \$3,987,317 for the year ended December 31, 2020. The ADZ/TIF allocation debt service cash reserve fund balance was \$14,198,881 for the year ended December 31, 2020.

Note 14 – Major Customers

During the year ended December 31, 2020, the Authority received significant operating revenue from six customers. Rentals, landing fees, apron fees and other revenues from these customers aggregated approximately \$2,000,000 or 92% of operating revenues for the years ended December 31, 2020.

NOTE 15 - Effect of New Accounting Standards on a 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 statement as of December 31, 2020:

- 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.

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

- Statement No. 87, Leases, effective for the Authority for the year ending December 31, 2021.
- Statement No. 91, Conduit Debt Obligations, effective for the Authority for the year ending December 31, 2021.
- Statement No. 92, Omnibus 2020, effective for the Authority for the year ending December 31, 2021.
- Statement No. 93, Replacement of Interbank Offered Rates, effective for the Authority for the year ending December 31, 2021.
- GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, effective for the Authority for the year ending December 31, 2022.
- GASB Statement No. 96, Subscription-Based Information Technology Arrangements, effective for the Authority for the year ending December 31, 2022.
- GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32, effective for the Authority for the year ending December 31, 2021.

Note 16 – Risks and Uncertainties

Global Pandemic

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. There has been no immediate impact to the Authority's operations. Future potential impacts may include disruptions or restrictions on the employees' ability to work or the tenant's ability to pay the required monthly rent. Operating functions that may change include intake, recertifications and maintenance. Changes to the operating environment may increase operating costs. Additional impacts may include the ability of tenants to continue making rental payments resulting from a job loss or other pandemic related issues. The future effects of these issues are unknown.

Note 17 – Subsequent Event

Subsequent events are events or transactions which occur after December 31, 2020, but before the issuance of the financial statements and auditor's report that have a material effect on the financial statements and require adjustment in the financial statements. Management has evaluated subsequent events through August 31, 2021, the date on which the financial statements were issued.

In February 2021, the Authority paid \$1.5M to obtain a property needed for potential expansion of the Airport's runway. This is related to 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. The Authority and the City of Gary have filed Motions to Dismiss the Complaint and all matters have been stayed. The matter has been resolved in a settlement with the Authority obtaining a Release of Claims.

Note 18 – Prior Period Adjustments

The Authority restated its net position balance as of December 31, 2020 from \$109,420,083 to \$103,775,148 due to the following:

- a) The Authority recognized a net adjustment \$28,733 of accruals.
- b) A prior period adjustment related to the variance noted on the capital asset balances per books vs per property records amounting to (\$5,673,668) was taken into account. (See Finding 2020-001).

OTHER SUPPLEMENTARY INFORMATION

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY
 COMBINING SCHEDULE OF NET POSITION
 AS OF DECEMBER 31, 2020

	General Fund	Bond Fund	Cumulative Building Fund	Passenger Facility Charges Fund	Compact Fund
Assets					
Current assets					
Unrestricted assets:					
Cash and cash equivalents	\$ 3,938,692	\$ -	\$ 2,179,637	\$ -	\$ 92,500
Accounts receivable, net of allowance	316,488	-	2,053,039	-	92,817
Passenger facility charge receivable	-	-	-	1,783,864	-
Due from other funds	328,142	-	(13,653)	-	-
Total unrestricted assets	4,583,322	-	4,219,023	1,783,864	185,317
Restricted assets:					
Cash and cash equivalents	-	5,900,296	1,722,897	(1,182,478)	-
Total restricted assets	-	5,900,296	1,722,897	(1,182,478)	-
Total current assets	4,583,322	5,900,296	5,941,920	601,386	185,317
Non-current assets					
Letter of Credit	7,865,000	-	-	-	-
Capital assets, net	5,092,557	46,509,300	21,711,880	10,301,135	16,995
Total noncurrent assets	12,957,557	46,509,300	21,711,880	10,301,135	16,995
Total assets	17,540,879	52,409,596	27,653,800	10,902,521	202,312
Liabilities					
Current liabilities					
Payable from unrestricted:					
Accounts payable	967,876	-	1,529,185	16,405	-
Accrued payroll liabilities	1,482	-	-	-	-
Due to other funds	887,279	-	4,358,422	1,654,714	-
Total unrestricted	1,856,637	-	5,887,607	1,671,119	-
Payable from restricted:					
Retainage payable	-	83,942	211,201	115,755	-
Accrued interest on long-term debt	-	546,656	-	-	-
Current portion of bonds and other long-term debt	355,000	-	-	-	-
Total restricted	355,000	630,598	211,201	115,755	-
Total current liabilities	2,211,637	630,598	6,098,808	1,786,874	-
Non-current liabilities					
Bonds and other long-term debt, net	7,510,000	25,430,000	-	-	-
Bonds premium	-	1,044,620	-	-	-
Total noncurrent liabilities	7,510,000	26,474,620	-	-	-
Total liabilities	9,721,637	27,105,218	6,098,808	1,786,874	-
Net Position					
Net investment in capital assets	5,092,557	46,509,300	21,711,880	10,301,135	16,995
Restricted for:					
Capital projects	-	5,900,296	1,722,897	-	-
Unrestricted	2,726,685	(27,105,218)	(1,879,785)	(1,185,488)	185,317
Total net position	7,819,242	25,304,378	21,554,992	9,115,647	202,312
Total liabilities and net position	\$ 17,540,879	\$ 52,409,596	\$ 27,653,800	\$ 10,902,521	\$ 202,312

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY
COMBINING SCHEDULE OF NET POSITION (Continued)
AS OF DECEMBER 31, 2020

	ADZ TIF Allocation Fund	Non-Reverting Airport Development Fund	Payroll Fund	Marketing Fund	Total
Assets					
Current assets					
Unrestricted assets:					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 6,210,829
Accounts receivable, net of allowance	1,461	-	-	-	2,463,805
Passenger facility charge receivable	-	-	-	-	1,783,864
Due from other funds	6,585,926	-	-	-	6,900,415
Total unrestricted assets	6,587,387	-	-	-	17,358,913
Restricted assets:					
Cash and cash equivalents	14,198,881	(282,122)	-	-	20,357,474
Total restricted assets	14,198,881	(282,122)	-	-	20,357,474
Total current assets	20,786,268	(282,122)	-	-	37,716,387
Non-current assets					
Letter of Credit	-	-	-	-	7,865,000
Capital assets, net	13,585,813	1,843,136	-	-	99,060,816
Total noncurrent assets	13,585,813	1,843,136	-	-	106,925,816
Total assets	34,372,081	1,561,014	-	-	144,642,203
Liabilities					
Current liabilities					
Payable from unrestricted:					
Accounts payable	2,475	146,928	-	-	2,662,869
Accrued payroll liabilities	-	-	-	-	1,482
Due to other funds	-	-	-	-	6,900,415
Total unrestricted	2,475	146,928	-	-	9,564,766
Payable from restricted:					
Retainage payable	-	4,745	-	-	415,643
Accrued interest on long-term debt	-	-	-	-	546,656
Current portion of bonds and other long-term debt	-	-	-	-	355,000
Total restricted	-	4,745	-	-	1,317,299
Total current liabilities	2,475	151,673	-	-	10,882,065
Non-current liabilities					
Bonds and other long-term debt, net	-	-	-	-	32,940,000
Bonds premium	-	-	-	-	1,044,620
Total noncurrent liabilities	-	-	-	-	33,984,620
Total liabilities	2,475	151,673	-	-	44,866,685
Net Position					
Net investment in capital assets	13,585,813	1,843,136	-	-	99,060,816
Restricted for:					
Capital projects	-	-	-	-	7,623,193
Unrestricted	20,783,793	(433,795)	-	-	(6,908,491)
Total net position	34,369,606	1,409,341	-	-	99,775,518
Total liabilities and net position	\$ 34,372,081	\$ 1,561,014	\$ -	\$ -	\$ 144,642,203

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 FOR THE YEAR ENDED DECEMBER 31, 2020

	General Fund	Bond Fund	Cumulative Building Fund	Passenger Facility Charges Fund	Compact Fund
Operating Revenues					
Lease Revenue - Building/Land, T Hanger, Terminal	\$ 1,390,606	\$ -	\$ -	\$ -	\$ -
Fuel Flowage	327,211	-	-	-	-
Landing	227,222	-	-	-	-
Parking	6,728	-	-	-	-
Other operating	231,866	-	-	-	-
Total operating revenues	2,183,633	-	-	-	-
Operating Expenses					
Personnel	161,015	-	-	-	-
Services	3,800,766	-	192,765	28,026	-
Commodities	175,624	-	-	-	-
Total operating expenses	4,137,405	-	192,765	28,026	-
Operating income (loss) before depreciation	(1,953,772)	-	(192,765)	(28,026)	-
Depreciation	-	-	9,767,751	-	-
Operating income (loss)	(1,953,772)	-	(9,960,516)	(28,026)	-
Nonoperating Revenues					
Property and other taxes	603,213	-	74,258	-	-
Settlements	1,233	-	100	-	-
Interest income	-	2,623	4,497	-	-
Net nonoperating revenues	604,446	2,623	78,855	-	-
Nonoperating Expenses					
Interest expense	-	1,293,962	-	-	-
Nonoperating income	604,446	(1,291,339)	78,855	-	-
Income (loss) before capital contributions	(1,349,326)	(1,291,339)	(9,881,661)	(28,026)	-
Capital contributions					
Federal grants	157,000	-	3,845,011	3,091	-
State grants	94,832	-	-	-	-
Local grants	199,010	-	-	-	185,000
Total capital contributions	450,842	-	3,845,011	3,091	185,000
Gain (loss) before transfers	(898,484)	(1,291,339)	(6,036,650)	(24,935)	185,000
Transfers					
Transfers in	1,922,838	1,807,680	132,156	-	-
Transfers out	(1,922,838)	129,148	-	(132,156)	-
Total transfers	-	1,936,828	132,156	(132,156)	-
Increase (decrease) in net position	(898,484)	645,489	(5,904,494)	(157,091)	185,000
Net position					
Total net position, beginning of period as previously reported	8,688,995	24,658,889	33,133,153	9,272,738	17,311
Prior period adjustments	28,731	-	(5,673,667)	-	1
Total net position, beginning of period as restated	8,717,726	24,658,889	27,459,486	9,272,738	17,312
Total net position, end of period	\$ 7,819,242	\$ 25,304,378	\$ 21,554,992	\$ 9,115,647	\$ 202,312

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION (Continued)
 FOR THE YEAR ENDED DECEMBER 31, 2020

	ADZ TIF Allocation Fund	Non-Reverting Airport Development Fund	Payroll Fund	Marketing Fund	Total
Operating Revenues					
Lease Revenue - Building/Land, T Hanger, Terminal	\$ -	\$ -	\$ -	\$ -	\$ 1,390,606
Fuel Flowage	-	-	-	-	327,211
Landing	-	-	-	-	227,222
Parking	-	-	-	-	6,728
Other operating	-	-	-	-	231,866
Total operating revenues	-	-	-	-	2,183,633
Operating Expenses					
Personnel	-	-	-	-	161,015
Services	46,320	52,276	-	-	4,120,153
Commodities	-	-	-	-	175,624
Total operating expenses	46,320	52,276	-	-	4,456,792
Operating income (loss) before depreciation	(46,320)	(52,276)	-	-	(2,273,159)
Depreciation	-	-	-	-	9,767,751
Operating income (loss)	(46,320)	(52,276)	-	-	(12,040,910)
Nonoperating Revenues					
Property and other taxes	3,987,317	-	-	-	4,664,788
Settlements	-	-	-	-	1,333
Interest income	-	-	-	-	7,120
Net nonoperating revenues	3,987,317	-	-	-	4,673,241
Nonoperating Expenses					
Interest expense	-	-	-	-	1,293,962
Nonoperating income	3,987,317	-	-	-	3,379,279
Income (loss) before capital contributions	3,940,997	(52,276)	-	-	(8,661,631)
Capital contributions					
Federal grants	178,057	-	-	-	4,183,159
State grants	-	-	-	-	94,832
Local grants	-	-	-	-	384,010
Total capital contributions	178,057	-	-	-	4,662,001
Gain (loss) before transfers	4,119,054	(52,276)	-	-	(3,999,630)
Transfers					
Transfers in	(129,148)	-	-	-	3,733,526
Transfers out	(1,807,680)	-	-	-	(3,733,526)
Total transfers	(1,936,828)	-	-	-	-
Increase (decrease) in net position	2,182,226	(52,276)	-	-	(3,999,630)
Net position					
Total net position, beginning of period as previously reported	32,187,380	1,461,617	-	-	109,420,083
Prior period adjustments	-	-	-	-	(5,644,935)
Total net position, beginning of period as restated	32,187,380	1,461,617	-	-	103,775,148
Total net position, end of period	\$ 34,369,606	\$ 1,409,341	\$ -	\$ -	\$ 99,775,518

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY
 COMBINING SCHEDULE OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2020

	General Fund	Bond Fund	Cumulative Building Fund	Passenger Facility Charges Fund	Compact Fund
Cash Flows From Operating Activities					
Receipts from customers	\$ 2,307,707	\$ -	\$ (2,053,039)	\$ 2,474,781	\$ (92,500)
Payments to suppliers	(3,656,197)	-	1,312,405	(11,621)	-
Payments to employees	(159,123)	-	-	-	-
Net cash provided by (used in) operating activities	(1,507,613)	-	(740,634)	2,463,160	(92,500)
Cash Flows From Noncapital Financing Activities					
Interfund Transfers	287,279	1,936,828	2,274,515	(2,606,937)	-
Settlements	1,233	-	100	-	-
Receipts of property and other taxes	603,213	-	74,258	-	-
Net cash provided by (used in) noncapital financing activities	891,725	1,936,828	2,348,873	(2,606,937)	-
Cash Flows From Capital and Related Financing Activities					
Acquisition and construction of capital assets	(467,048)	-	(3,579,710)	(1,041,792)	-
Interest paid on bonds and other long-term debt	-	(1,296,454)	-	-	-
Bonds payable premium	-	(36,397)	-	-	-
Principal paid on bonds and other long-term debt	-	(835,000)	-	-	-
Capital grant receipts	450,842	-	3,845,011	3,091	185,000
Net cash provided by (used in) capital and related financing activities	(16,206)	(2,167,851)	265,301	(1,038,701)	185,000
Cash Flows From Investing Activity					
Interest received	-	2,623	4,497	-	-
Net cash provided by investing activity	-	2,623	4,497	-	-
Net decrease in cash and cash equivalents	(632,094)	(228,400)	1,878,037	(1,182,478)	92,500
Cash and cash equivalents, beginning of year	4,570,786	6,128,696	2,024,497	-	-
Cash and cash equivalents, end of year	3,938,692	\$ 5,900,296	\$ 3,902,534	\$ (1,182,478)	\$ 92,500
Reconciliation of operating loss to net cash used in operating activities:					
Loss from operations	\$ (1,953,772)	\$ -	\$ (9,960,516)	\$ (28,026)	\$ -
Adjustments to reconcile operating loss to net cash used in operating activities					
Depreciation	-	-	9,767,751	-	-
Changes in assets and liabilities:					
Accounts receivable	124,074	-	(2,053,039)	2,474,781	(92,500)
Accounts payable	320,193	-	1,505,170	16,405	-
Prior period adjustments	28,731	-	-	-	-
Accrued Liabilities	(26,839)	-	-	-	-
Net cash used in operating activities	\$ (1,507,613)	\$ -	\$ (740,634)	\$ 2,463,160	\$ (92,500)

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY
 COMBINING SCHEDULE OF CASH FLOWS (Continued)
 FOR THE YEAR ENDED DECEMBER 31, 2020

	ADZ TIF Allocation Fund	Non-Reverting Airport Development	Payroll Fund	Marketing Fund	Total
Cash Flows From Operating Activities					
Receipts from customers	\$ 1	\$ -	\$ -	\$ -	\$ 2,636,950
Payments to suppliers	(89,441)	(183,647)	-	-	(2,628,501)
Payments to employees	-	-	-	-	(159,123)
Net cash provided by (used in) operating activities	(89,440)	(183,647)	-	-	(150,674)
Cash Flows From Noncapital Financing Activities					
Interfund Transfers	(1,891,685)	-	-	-	-
Settlements	-	-	-	-	1,333
Receipts of property and other taxes	3,987,317	-	-	-	4,664,788
Net cash provided by (used in) noncapital financing activities	2,095,632	-	-	-	4,666,121
Cash Flows From Capital and Related Financing Activities					
Acquisition and construction of capital assets	-	(446,946)	-	-	(5,535,496)
Interest paid on bonds and other long-term debt	-	-	-	-	(1,296,454)
Bonds payable premium	-	-	-	-	(36,397)
Principal paid on bonds and other long-term debt	-	-	-	-	(835,000)
Capital grant receipts	178,057	-	-	-	4,662,001
Net cash provided by (used in) capital and related financing activities	178,057	(446,946)	-	-	(3,041,346)
Cash Flows From Investing Activity					
Interest received	-	-	-	-	7,120
Net cash provided by investing activity	-	-	-	-	7,120
Net decrease in cash and cash equivalents	2,184,249	(630,593)	-	-	1,481,221
Cash and cash equivalents, beginning of year	12,014,632	348,471	-	-	25,087,082
Cash and cash equivalents, end of year	\$ 14,198,881	\$ (282,122)	\$ -	\$ -	\$ 26,568,303
Reconciliation of operating loss to net cash used in operating activities:					
Loss from operations	\$ (46,320)	\$ (52,276)	\$ -	\$ -	\$ (12,040,910)
Adjustments to reconcile operating loss to net cash used in operating activities					
Depreciation	-	-	-	-	9,767,751
Changes in assets and liabilities:					
Accounts receivable	1	-	-	-	453,317
Accounts payable	(43,121)	(131,371)	-	-	1,667,276
Prior period adjustments	-	-	-	-	28,731
Accrued Liabilities	-	-	-	-	(26,839)
Net cash used in operating activities	\$ (89,440)	\$ (183,647)	\$ -	\$ -	\$ (150,674)

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY
Gary, Indiana

SCHEDULE OF OFFICIALS

Office	Official	From	Term To
Executive Director	Duane Hayden	January 1, 2020	December 31, 2020
President of the Airport Authority Board	Timothy Fesko	January 1, 2020	December 31, 2020
Vice President of the Airport Authority Board	Stephen Mays	January 1, 2020	December 31, 2020
Secretary	Alicia Pritchett	January 1, 2020	December 31, 2020
Commissioner	Denise Dillard	January 1, 2020	December 31, 2020
Commissioner	Phillip Mullins	January 1, 2020	December 31, 2020
Commissioner	Shontrai Irving	January 1, 2020	December 31, 2020
Commissioner	David Fagan	January 1, 2020	March 31, 2020
Commissioner	Wes Kotys	October 1, 2020	December 31, 2020

1257 Hornsby * St. Louis, Missouri 63147

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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 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors

Gary/Chicago International Airport Authority
Gary, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gary/Chicago International Airport Authority (the “Authority”), as of and for the year ended December 31, 2020, and the related notes to the financial statements, and have issued our report thereon dated August 31, 2021.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described the accompanying schedule of findings and responses to be material weaknesses [2020-001 to 2020-006].

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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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Gary/Chicago International Airport Authority's Response to Findings

The Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

CRWilliams & Associates LLC

Gary, IN

August 31, 2021

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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, 2020. The Airport Authority's major federal programs are identified in the summary of auditor's result section of the accompanying schedule of findings and questioned costs.

Management 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 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 the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Gary/Chicago International 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 its major federal programs for the year ended December 31, 2020.

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Report on Internal Control over Compliance

Management of the 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 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 Authority's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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.

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.

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.

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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 December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements. We issued our report dated August 31, 2021, which contained qualified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority’s 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 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 standards 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.

CRWilliams & Associates LLC

Gary, IN

August 31, 2021

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

**GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Federal Grantor Agency	Pass- Through or Direct Grant	Federal CFDA Number	Pass Through Entity (or Other) Identifying Number	Total Federal Awards Expended
DEPARTMENT OF TRANSPORTATION				
Airport Improvement Program	Direct Grant	20.106	3-18-0028-039-2019	\$97,500
CARES ACT	Direct Grant	20.106	3-18-0028-040-2020	157,000
Airport Improvement Program	Direct Grant	20.106	3-18-0028-041-2020	<u>1,955,539</u>
Total - Department of Transportation				<u>\$2,210,039</u>
Total Federal Awards Expended				<u>\$2,210,039</u>

**GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Gary Chicago International Airport Authority and is presented in accordance with the 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 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 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, 2020

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified?	None
Noncompliance material to financial statement noted?	None

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	No
Significant deficiencies identified?	None
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:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program

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

Auditee qualified as 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, 2020

Section II Financial Statement Findings

2020-001 – Inadequate Monitoring and Control Over Capital Assets

Condition

During our audit, we noted that the management did not maintain adequate monitoring on its capital assets evidenced by a variance of \$5.6M upon comparison of the balances per books vs the balances in the capital asset listing provided. As per inquiry, the management did not maintain specific policies and procedures in handling capital assets.

Fixed Assets	Per TB Balances as of 12/31/2020	Ending Balances per FA Listing	Variance [FA Listing vs Books]	2020 Transactions Not Listed	2019 PAJE Not Listed	Eliminations in the List	Untraceable
1 12100 - Land	16,874,560	16,333,565	540,995	404,245.37	136,750.00	-	(0)
2 12110 - Land Improvements - Non-Dej	6,485,156	6,341,474	143,682	140,201.84	3,479.70	-	1
3 12120 - Land Improvements - Depreci:	3,953,722	3,953,721	1	-	-	-	1
4 12200 - Infrastructure	181,152,725	171,871,717	9,281,008	3,367,423.55	-	-	5,913,584
5 12300 - Buildings	18,727,096	18,391,683	335,413	69,655.35	56,143.00	38,000.00	171,614
6 12400 - Furniture and Fixtures	1,378,597	-	1,378,597	-	-	-	1,378,597
7 12500 - Machinery, equipment and vel	12,863,348	12,863,349	(1)	-	-	-	(1)
8 14200 - CIP Infrastructure	52,300	-	52,300	-	-	-	52,300
Gross Fixed Assets	241,487,504	229,755,509	11,731,995	3,981,526.11	196,372.70	38,000.00	7,516,096
Accumulated Depreciation							-
1 13200 - Acc Depr - Infrastructure	(116,134,527)	(116,015,323)	(119,204)	-	-	-	(119,204)
2 13300 - Acc Depr - Buildings	(8,174,554)	(8,174,553)	(1)	-	-	-	(1)
3 13400 - Acc Depr - Furniture and Fixt	(1,378,597)	-	(1,378,597)	-	-	-	(1,378,597)
4 13500 - Acc Depr - Machinery, equipr	(12,006,467)	(11,751,003)	(255,464)	-	-	-	(255,464)
5 13600 - Acc Dec - Depreciable Land I	(89,163)	-	(89,163)	-	-	-	(89,163)
Total Accumulated Dep	(137,783,308)	(135,940,880)	(1,842,428)	-	-	-	(1,842,428)
Net Fixed Assets	103,704,196	93,814,630	9,889,566	3,981,526.11	196,372.70	38,000.00	5,673,668

In addition, the following items are noted:

- Additions for 2020 are not included in the capital asset listing.
- Adjustments from 2019 are not included in the listing.
- Items eliminated from the list are not adjusted in the books.
- Expenditures for ongoing or uncompleted projects were recognized directly to the specific capital asset account rather than recognizing under construction in progress.
- Recognized depreciation for 2020 is understated.
- Separate schedules for fully depreciated furniture & fixtures, construction in progress and depreciable land improvements are not maintained.
- Out of the 20 samples taken for capital asset additions, 6 of the purchase order forms are not approved or signed and 1 unsigned application for payment were noted.

Criteria

Generally Accepted Accounting Principles require an inventory of capital assets specifying the details of all capital assets held by the Airport. The balances in the books should reconcile with the capital asset listing to provide adequate support and attest to the completeness of the figures recognized in the financial statements. Keeping details of the individual assets such as serial no., model, lot no., property description, etc. are essential in attesting the existence of the properties as guidance in the physical confirmation.

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2020

2020-001 – Inadequate Monitoring and Control Over Capital Assets - Continued

Criteria – Continued

Further, good internal control requires the management to maintain policies and procedures on acquisition, tagging, recording, reporting, depreciation monitoring, transfers, disposals, derecognition and physical inventory of properties.

Cause of Condition

The in-charge personnel did not recognize the need to update the capital asset listing regularly which should have been part of the control procedures. Lack of staff trainings on pertinent internal control guidelines and procedures.

Potential Effect of Condition

Inadequate monitoring and control may lead to misstatements in the Airport's financial statements. In addition, weak internal controls over capital assets may pose prevalent issues on theft or misuse of assets leading to a substantial loss if not timely uncovered and mitigated.

Recommendation

We recommend for the management to establish and implement a comprehensive internal control procedures over capital assets considering it is a substantial part of the Airport's operations. Strict implementation should then be observed to ensure compliance with the procedures, government reporting standards and federal award requirements.

Fully depreciated assets should still be monitored to ensure the items are still existing and usable, otherwise they should be properly disposed and derecognized in the books. Regular reconciliation of the entries or additions per books and capital asset listing is also recommended to detect any discrepancies and ensure that proper adjustments will be taken into consideration on a timely basis.

Lastly, we also would highly recommend for the management to maintain a program or software in tracking capital assets due to the volume and complexity of transactions the management has to monitor and process to ensure footings and depreciation calculations are done accordingly as opposed to an excel listing where specific functions can easily be overlooked.

Management Response

The GCIA Management staff acknowledges the need for sound Capital Asset controls and monitoring. While the Finance Manager position was vacant, some adjustments to the fixed asset listing were missed. However, additional assets for 2020 were identified, recorded and updated on the fixed asset listing.

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2020

2020-001 – Inadequate Monitoring and Control Over Capital Assets – Continued

Management Response - Continued

The corrective actions include, but are not limited to, the following:

Buildings \$2,330,219 increase to Historical Costs

- Added Sand Dome (Construction In Progress Costs)
- Corrected how demolished Hangars were recorded and depreciated
- Updated Final Capital Costs for Customs & Border Patrol Facility
- Updated Final Capital Costs for East Hangar Facility

Mach/Equip \$61,862 increase to Historical Costs

- Made minor corrections and formula errors
- Added two F-250 Trucks Purchased in 2017
- Revised Amortization Schedule for Cheetah Mower (15 to 7 years) to Match Asset Policy
- Revised Amortization Schedule for Snow Broom (8 to 10 years) to Match FAA Expectations
- Revised Amortization Schedule for Fuel Farm Exp. (10 to 50 years) to Match Industry Standards

Infrastructure \$7,114,048 increase to Historical Costs

- Added Taxiway A Rehabilitation – Phase 1 (Construction In Progress Costs)
- Updated Final Capital Costs for Reconstruct Terminal Ramp – Phase 2
- Updated Final Capital Costs for Reconstruct Terminal Ramp – Phase 3
- Added Reconstruct Terminal Ramp – Phase 4 (Construction In Progress Costs)
- Updated Final Capital Costs for Reconstruct Runway 12-30 – Phase 1
- Updated Final Capital Costs for Reconstruct Runway 12-30 – Phase 2
- Added Final Capital Costs for Reconstruct Runway 12-30 – Phase 3

Summary

- \$ 9,506,129 Increase to Historical Costs
- \$ 903,104 Increase to Accumulated Depreciation
- \$ 11,967,101 Increase to Net Book Value

Additional corrective actions that are being reviewed and considered are as follows:

- We have revised and distributed a new capital asset management policy to be presented to the GCIAA Board for approval on September 9, 2021. Additionally, adjusting entries will be implemented in Quick Books to correct net fixed asset balances and tracking will be completed timely with review by Finance Manager and Airport Manager effective 9/1/2021. Eliminated assets will be removed from the books. Uncompleted projects will be coded to Construction In Progress (CIP).

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2020

2020-001 – Inadequate Monitoring and Control Over Capital Assets – Continued

Management Response - Continued

- Staff will receive additional training (as warranted) on GAAP, GASB, recording and reporting on Grant receipts, Processing and Quick Books.
- Quality Assurance (controls/monitoring) will include:
 1. Monthly Internal Review by GCIA staff, with a month end report to the Executive Director
 2. Reconciliation of the Trial Balance and the Asset Listing by the Finance Manager shall be completed at least annually and prior to the Closing of the Books.
- Progress results will be documented and recorded. Updates will be presented to the Executive Director and monitored. Status results will be presented to the GCIAA Board annually.
- All requisitions and purchase orders will be reviewed by Finance Manager and Airport Manager for approval prior to PO number assignment.
- The implementation of these policies and procedures will be a primary focus of the newly hired Finance Manager.

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2020

2020-002 – Non-accrual of Capital Grants, Expenditures and Retainage Fees

Condition

During our audit, we noted issues on the accrual of specific transactions pertaining to income from capital grants, expenditures billed at the end of the year and retainage fees from capital asset expenditures. Presented below are the summary:

Capital Grants

	Vendor/Supplier	Account	Amount
1	NGC Corp	Federal Grants	97,500.00
2	F.H. Paschen, S.N. Nielsen	Federal Grants	757,984.83
3	F.H. Paschen, S.N. Nielsen	Federal Grants	1,142,823.74
4	NGC Corp	Federal Grants	54,730.35
	TOTAL		<u>2,053,038.92</u>

Expenditures

	Vendor/Supplier	Accounts	Amount
1	Gariup Construction Co., Inc	Repairs & Maintenance	397,755.63
2	AFCO AvPorts Management, LLC	Professional Services	209,082.34
3	CSX Transportation	Land	110,954.97
4	Grey Wall Software	Subscription Dues	10,875.00
5	Resolute Consulting, LLC	Professional Services	15,000.00
6	Taft Stettinius & Hollister LLP	Professional Services	9,316.02
7	Industrial & Environmental Serv	Land	24,816.70
	TOTAL		<u>777,800.66</u>

Retainage Fees

	Vendor/Supplier	Accounts	Amount
1	F.H. Paschen, S.N. Nielsen	Infrastructure/CIP	326,955.65
2	Tallgrass Restoration	Land Improvements	4,744.66
	TOTAL		<u>331,700.31</u>

Criteria

Government Accounting Principles and Financial Reporting requires the Authority as part of proprietary fund accounting, to present the financial statements using the economic resources measurement focus and accrual basis of accounting. Uniform Guidance follows the accrual method of accounting as well.

Airport revenues and expenditures should be recorded as earned and incurred, respectively. For the capital grants, the related income should be recorded as earned since the related expenditures for capital assets were already disbursed during the year. Billings at the end of the year should be accrued and retainage fees should likewise be recorded as part of the construction in progress to properly recognize the expected valuation of the asset based on the completion of the project.

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2020

2020-002 – Non-accrual of Capital Grants, Expenditures and Retainage Fees - Continued

Cause of Condition

Lack of staff trainings on pertinent accounting guidelines and procedures. Grants and retainage are recorded on a cash basis and billings for expenditures beyond the cut-off that were attributable to 2020 were not properly recorded in the year.

Potential Effect of Condition

The effect of the non-accrual would understate the related income from capital grants, expenses, and the total capital assets recognized by the Authority.

Recommendation

We recommend for the management to maintain the books on an accrual basis in compliance with the generally accepted accounting principles and other reporting standards.

Management Response

The GCIA management staff disagrees with many of the invoices listed in this finding. All capital grant proceeds are/have been accrued. Some of the professional services and software licensing fees may not be subject to accrual. As for Retainage, GCIA holds no tangible retainage asset that would require listing and/or capitalization. Many of these identified expenditures are not subject to accrual or retainage. However, GCIA Management staff acknowledges that there needs to be clarification and improvement in the accrual accounting methods used, to accurately reflect receivables and retainages, especially at year end. The following corrective actions will be taken to address this issue:

- Implementation of sound accounting policies and adoption of clear procedures for the timely recording of revenues and expenses will be a primary focus of the newly hired Finance Manager.
- Coordination, communication, and the implementation of standard industry accounting practices will be assured by scheduled quarterly meetings between the Capital Program Manager, the Project Manager and the GCIA Finance Team.
- An assessment of current capabilities will be undertaken by the new Finance Manager to determine future and ongoing training needs.

Status results will be documented and recorded. Updates will be presented to the Executive Director and monitored. Status results will be presented to the GCIAA Board annually.

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2020

2020-003 – Internal Control Deficiencies Over Cash Receipts and Disbursements

Condition

During our audit of cash receipts and disbursements, we noted the following issues:

On the cash disbursements testing:

- Out of the 86 samples tested for the purchase order forms, 14 were noted without signatures or not duly approved and 15 samples with incomplete signatures.
- Out of the 86 samples tested for requisition forms, 10 samples not duly approved were noted.
- One item of disbursement was noted related to board meeting attendance fees wherein there's no summary of the actual payments received by the board members attached.
- Out of the 86 samples tested for requisition and receiving reports, 15 and 80 samples, respectively did not have the specific attachments. As per inquiry, not all transactions require the said attachments. A narrative documentation of the policy was not provided when requested.
- Requests for quotations and procurement documentation were not provided.

On the cash receipts testing:

- Out of the 34 samples tested, all are not timely deposited. As per inquiry, the client deposits only once, every end of the month.
- One item of cash was noted that cannot be traced to the deposit slip, thus can't be confirmed if deposited to the bank account. As per inquiry, cash received in minimal amounts were not monitored in a separate cash monitoring account such as petty cash.
- On the payment receipts, 5 were noted with incomplete and lacking fund details, 1 was noted without the revenue classification specified, 1 without payor's name, 6 payment details can't be verified clearly, one payment recorded as EFT but noted as check on the payment receipt and bank statement.

Criteria

Sound internal control requires the completeness and proper approval of documentation for all transactions which covers compliance of different internal documentation and the required level of approval.

Cause of Condition

Upon inquiry, the management did not have an accounting policies and procedures in place to support the process of handling cash receipts and disbursements.

Potential Effect of Condition

Certain level of approval could be bypassed without a strictly implemented control which can potentially result to a collusion or fraud within the organization.

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2020

**2020-003 – Internal Control Deficiencies Over Cash Receipts and Disbursements -
Continued**

Recommendation

We recommend for the management to draft and strictly implement accounting policies and procedures and ensure the required attachments and proper approval are observed on every transaction. Petty cash should also be maintained by the management to ensure minimal cash items are properly accounted and monitored.

Management Response

GCIAA management vehemently disagrees with the testing results in this finding. GCIAA has a concise procurement policy, and all related policies and agreements were provided to the auditor.

Actual Results from the testing samples provided are as follows:

1. Samples with check payment record as the only attachment.
 - a. 15 out of the 21 in this sample are for professional services and do not require any further documentation per GCIAA policy.
 - b. The remaining six samples are for operational required equipment. All samples have a requisition form signed by management and are under the allowable policy cost limits.
2. Samples without any documentation attached.
 - a. Document 138 is the management fee approved via contract and GCIAA board approval. These are directly approved by the GCIAA board and documented in the board minutes.
3. Samples without purchase order attached
 - a. All three samples are for utility services. No purchase order is required.
4. Samples Noted without signatures.
 - a. 6 out of 11 samples are for professional services under contracted capital projects. These are directly approved by the GCIAA board and documented in the board minutes.
 - b. 1 sample is for professional subscriptions. These subscriptions are approved by the GCIAA board and is documented in the minutes.
5. Samples with incomplete signatures on the purchase order forms
 - a. All documents provided in this sample have at minimum one signature of the Executive Director or the Finance Manager. This does not make the sample incomplete. It is best practice to have both signatures, but it is not uncommon to have special circumstances where one official is unavailable such as; military deployment, position vacancies, family bereavement, vacations, etc.. This does not constitute a finding and should be removed from the test sample altogether.
6. Samples without purchase requisition forms attached
 - a. 26 out of the 28 in this sample are for contracted capital project services, utility fees, or contracted professional services. All of which do not require a requisition form, but only a PO. And the utility fees don't require a PO at all.
 - b. 2 out of the 28 are reimbursements, which only require the reimbursement form.

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2020

**2020-003 – Internal Control Deficiencies Over Cash Receipts and Disbursements -
Continued**

Management Response - Continued

7. Samples with requisition forms not duly signed or approved
 - a. 3 out of the 5 in this sample are for office supplies in an open PO. These documents have signed originated PO's. Management recognizes the best practice of not having open PO's and closing adjustments made current.
 - b. 2 out of the 5 are a monthly professional service and a utility. Both of which do not require requisition forms.
8. Samples noted that the amount in the invoices did not reconcile with the amount recorded.
 - a. 1 out of the 3 in this sample Doc #499 had a credit posted after the initial invoice. It has been adjusted on the record.
 - b. 1 out of the 3 in this sample Doc #239 invoice charges for tax and we are tax exempt. The correction for this was made after the initial invoice.
 - c. Doc 163 shipping was not calculated in the original PO. This error of \$15.50 was adjusted in a subsequent amended PO.

Summary:

No disbursements are completed without approval of the board as the test sample actually shows. Out of 86 samples only 3 were not reconciled correctly as mentioned in the previous section under item 8.

Further corrective action to address this issue are as follows:

All requisitions and purchase orders will be reviewed by Finance Manager and Airport Manager for approval prior to PO number assignment.

- Due to the complexity of Petty Cash management and risk of fraud-waste and abuse, the recommended implementation of this cash management tool will be held in abeyance.

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2020

2020-004 – Inadequate Control Over the Preparation of Financial Statements Including Compliance

Condition

During the audit, we noted an inadequate control over the preparation and reporting of financial statements in compliance with the generally accepted accounting principles (GAAP) and other applicable compliance standards.

Based on the review of the financial statements initially presented for audit and as per inquiry, there hasn't been any review made for the current year's financial statements evidenced by the following issues noted:

- Non-accrual of certain items of revenue, expenditures and liabilities
- Improper classification of capital expenditures for ongoing construction projects in the books
- Unreconciled beginning balances per books vs per audited financial report
- Misposting of transactions

As per inquiry, the Chief Financial Officer left the Authority sometime in 2020 and hasn't been replaced yet at the end of the fiscal year.

Further, the following inquiries were not attended during the audit:

- Documentation on the Gary Jet Revenue Bond
- Subsidiary ledger for retainage fee
- Unsettled discussion with the outstanding interfund loans from AIP to ADZ TIF
- Inquiry related to cash restrictions due to the funds with negative restricted cash balances pertaining to PFC at \$1,314,634, Capital Improvement at \$803,209 and AIP at \$2,050,762.

In addition, as per inquiry with some of the members of the Board, issue regarding non presentation of the current year financial statements before the Board was mentioned as well.

Criteria

Sound internal control suggests the management to be kept on track on all the functions, system processes, concerns and issues surrounding the overall financial aspects of the operation. Proper review and reconciliation of transactions on a periodic basis is also essential to ensure it has met the compliance requirements with the generally accepted accounting principles.

Cause of Condition

Lack of personnel designated on the supervision, review & compliance of the financial activities. The Chief Financial Officer left the Authority in the middle of the year, without any replacement, thus, the related responsibilities were not properly taken care.

Potential Effect of Condition

This condition may pose misstatements in the financial statements and inaccuracies in the reports generated and presented on an interim basis if not timely detected and adjusted.

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2020

2020-004 – Inadequate Control Over the Preparation of Financial Statements Including Compliance - Continued

Recommendation

Proper review of the transactions should be observed to ensure the accuracy and reliability of the balances in the financial statements. The functions on preparation and review should be established separately, thus, in the absence of the CFO, they should have sought another alternative to ensure that the internally generated financial statements are reviewed on a periodic basis.

In addition, we recommend these specific guidelines for the Authority to improve its quality assurance controls monitoring and financial reporting:

- Incorporate government reporting checklist on its monthly internal review of control implementation.
- Getting the staff involved in continuing education programs such as the Illinois reporting conference hosted every year. Obtaining certifications on single audit and/or government accounting certifications, acquiring industry specific accounting requirements.

Management Response

The audit firm did not recognize the existing contracts the Authority has in place with experienced contractors to provide specialized services. This is not uncommon for smaller airports who do not have the capacity to hire a large and dedicated staff. It is also management's position that all requests made during this audit were promptly responded to by staff.

Furthermore, GCIA management reports contracted financial statements to the GCIAA Board monthly at the board meetings via their board packets. Management recognizes that during certain months of the COVID period and when the Executive Director was on active military duty, certain reports and materials were not provided to the Board.

Additional corrective actions that will address this issue are as follows:

- Finance Committee meetings will be held regularly to align with the GCIAA Monthly Board Meeting, helping to ensure that internally generated financial statements on both a cash and accrual basis are presented to the Finance Committee, so they can more accurately direct investments and use of funds. The new Finance Manager will direct that these reports be compiled on a timely basis, reviewed with management and presented to the Board.
- The Avports Corporate office will provide ongoing support and training, as well as review of financial statements prior to their submission to the auditors.

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2020

2020-005 – Inadequate Control Over Closing of the Books

Condition

During the audit, we noted an inadequate control on the closing of the books as evidenced by the variance noted for accounts payable on the recorded beginning balance per books vs the 2019 audited financial report. Per review, this is due to nonrecording of 2019 auditor's adjustments and directly recording adjustment to the books after submission of the financial statements for audit without notifying the auditor for review and update on the audited report. Further, the same concern was noted for the current year where the adjustments are specified as "CAJE" on the summary of adjustments in the working trial balance. These adjustments were uncovered when we regenerate the trial balance during the audit process to verify certain balances of accounts.

As per inquiry, the books are closed after the audit report has been finalized. However, upon review, we noted proper reconciliation of the balances in QuickBooks with the audited financial report was not accordingly made before closing the books. A deviation of the recorded balances from the audited balances implies control issues over review of the financial statements before closing and may even extend to review of adjustments before the approval of the audited financial statements.

Criteria

Per requirement of the Government Auditing Standards, the 2019 auditor has planned, performed the audit, obtained reasonable assurance, and expressed an unmodified opinion that the Authority's financial statements were fairly presented. Thus, it is essential that the audited balances should be carried over to the current period in the books to maintain the reliability of the figures and interim reports internally presented.

Cause of Condition

Lack of personnel designated on the supervision, review & compliance of the financial activities. The Chief Financial Officer left the Authority in the middle of the year, without any replacement even until the time when the audit was conducted, thus, the related tasks were not properly taken care.

Potential Effect of Condition

This condition may impose under or overstatement of the balances in the books affecting the fair presentation of the financial statements as a whole.

Recommendation

We recommend for the Authority to observe proper reconciliation of the balances in the books and audited financial report before closing to ensure the adjustments proposed by the auditor are properly reviewed, accounted, and carried over to the subsequent period. Further, any adjustments made after submission of the financial statements for audit should be properly notified to the auditor on a timely basis for review and consideration on the final audited report.

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2020

2020-005 – Inadequate Control Over Closing of the Books - Continued

Management Response

The GCIA management staff acknowledges the criteria as written in the audit report for the prior year audited balances to be carried over to the current period in the books to maintain reliability of the figures and interim reports internally presented.

The corrective action that will address this issue is as follows:

- The new Finance Manager will review the functionality of existing accounting software to determine if it the best product to meet the needs of the airport. If an alternative fund accounting system is determined to be better suited, the GCIAA will plan to transition to the new system within two years.
- The new Finance Manager will review both the 2019 Audit and the 2020 Audit to determine if any adjustments or revisions needed to be made to postings for the 2019 Audit.
- Based upon the Finance Manager’s findings, GCIA staff and internal/external stakeholders will review any recommended adjustments to finalize the accounting records by Q4. 2021. Financial Statements will be officially closed and upon receipt of any new disclosures, all supporting documents will be presented to the Board and upon approval, will be recorded as a prior period adjustment.
- It will be the responsibility of the Finance Manager to close out the books and lock down the financial data after financials have been reviewed by the Board. Quick books will be password protected, ensuring that no changes to prior periods can be made. Any adjustments will be posted as prior period adjustments.

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2020

2020-006 – Lack of Performance Review on Management and Development Functions & Approval Documentation on the 2019 Financial Statements

Condition

During the audit and per review of the contract entered into by the Authority and the private entity represented by AFCO AvPorts, we noted specific stipulations on profit incentive fee and additional incentive fee based on the performance of the private entity from the immediately preceding year. AFCO AvPorts was involved in the management and development functions of the Airport. When referred to the board minutes, discussions relating to the performance evaluation of AFCO AvPorts could not be traced.

Further, going through the board minutes for the year, we haven't traced the 2019 financial report presentation, discussions and approval.

Criteria

The financial reports should be approved by the Board before filing and issuance, thus, it is required that these financial reports should be presented and discussed before them. The contract between the Authority and the private entity, AFCO AvPorts also specify for profit and additional incentive fees based on performance measures. Thus, it is essential that these items should be presented properly before the Board for a thorough discussion and evaluation of the current financial standing of the Authority.

Cause of Condition

Lenient controls over financial performance evaluations and documentation procedures on governance matters.

Potential Effect of Condition

Certain areas for improvement will not be addressed accordingly and on a timely basis. The validity of the approval on the 2019 financial statements can be contested since there's no proper documentation through the board minutes or board resolution.

Recommendation

We recommend for the Board to implement periodic assessment of the Authority's financial standing, addressing the performance of both the manager and developer. This is to ensure the Board will get enough overview of what needs to be taken care to keep in line with its objective in achieving their specific goals while in compliance with the federal award requirements & other existing agreements. Lastly, approval of the financial statements before issuance should be properly taken care and documented.

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2020

2020-006 – Lack of Performance Review on Management and Development Functions & Approval Documentation on the 2019 Financial Statements - Continued

Management Response

No incentive or performance fee was requested by or paid to AvPorts during 2019 nor at any time since their engagement by GCIAA under the agreement, therefore this type of payment would not be found. This finding should be removed from the audit.

A formal performance review of AvPorts is conducted by the Executive Director and reported to the GCIAA Board via:

- Bi-weekly Reports
- Director's Report at the Monthly GCIAA Board Meeting
- The GYY "End of the Year" PowerPoint Presentation
- Airport Manager: Annual Performance Review
- And at the annual board: Retreat (Strategic Planning and Training Session)

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2020

Section III Federal Award Findings

No Findings.

GARY/CHICAGO INTERNATIONAL AIRPORT AUTHORITY

Exit Conference

For the Year Ended December 31, 2020

The contents of this report were discussed on Tuesday, August 31, 2021, with the Authority's Board of Directors Wes Kotys, Shontrai Irving, Stephen Mays; Duane Hayden, Executive Director, Michael Tolbert, Airport Council, Steve Dalton, Financial Advisor, Charles Sweet II, Airport Manager, Ken Cast, System Manager and Ezerine Harris, Staff Accountant.



**FY2020 Audit Findings – Gary Chicago International Airport Authority, Inc
Internal Response Workplan**

FINDING TYPE	FINDING DETAIL	INTERNAL RESPONSE
Financial Statements Finding (Current Year Finding)	2020-001 – Inadequate Monitoring and Control Over Capital Assets The Authority did not maintain adequate monitoring on its capital assets evidenced by a variance of \$5.6M upon comparison of the balances per books vs the balances in the capital asset listing provided.	<p>The corrective actions include, but are not limited to, the following:</p> <p><u>Buildings \$2,330,219 increase to Historical Costs</u></p> <ul style="list-style-type: none"> • Added Sand Dome (Construction In Progress Costs) • Corrected how demolished Hangars were recorded and depreciated • Updated Final Capital Costs for Customs & Border Patrol Facility • Updated Final Capital Costs for East Hangar Facility <p><u>Mach/Equip \$61,862 increase to Historical Costs</u></p> <ul style="list-style-type: none"> • Made minor corrections and formula errors • Added two F-250 Trucks Purchased in 2017 • Revised Amortization Schedule for Cheetah Mower (15 to 7 years) to Match Asset Policy • Revised Amortization Schedule for Snow Broom (8 to 10 years) to Match FAA Expectations • Revised Amortization Schedule for Fuel Farm Exp. (10 to 50 years) to Match Industry Standards <p><u>Infrastructure \$7,114,048 increase to Historical Costs</u></p> <ul style="list-style-type: none"> • Added Taxiway A Rehabilitation – Phase 1 (Construction In Progress Costs) • Updated Final Capital Costs for Reconstruct Terminal Ramp – Phase 2 • Updated Final Capital Costs for Reconstruct Terminal Ramp – Phase 3 • Added Reconstruct Terminal Ramp – Phase 4 (Construction In Progress Costs) • Updated Final Capital Costs for Reconstruct Runway 12-30 – Phase 1 • Updated Final Capital Costs for Reconstruct Runway 12-30 – Phase 2 • Added Final Capital Costs for Reconstruct Runway 12-30 – Phase 3 <p><u>Summary</u></p> <ul style="list-style-type: none"> • \$ 9,506,129 Increase to Historical Costs • \$ 903,104 Increase to Accumulated Depreciation • \$ 11,967,101 Increase to Net Book Value

FINDING TYPE	FINDING DETAIL	INTERNAL RESPONSE
		<p>Additional corrective actions that are being reviewed and considered are as follows:</p> <ul style="list-style-type: none"> • We have revised and distributed our new capital asset management policy. Additionally, adjusting entries will be implemented in Quick Books to correct net fixed asset balances and tracking will be completed timely with review by Finance Manager and Airport Manager. Eliminated assets will be removed from the books. Uncompleted projects will be coded to Construction in Progress (CIP). • Quality Assurance (controls/monitoring) will include: <ol style="list-style-type: none"> 1. Quarterly Internal Review by GCIA staff. 2. Reconciliation of the Trial Balance and the Asset Listing by the Finance Manager shall be completed annually and prior to the Closing of the Books. • Progress results will be documented and recorded. Updates will be presented to the Executive Director and monitored. Status results will be presented to the GCIAA Board annually. • All requisitions and purchase orders will be reviewed by Finance Manager and Airport Manager for approval prior to PO number assignment.

FINDING TYPE	FINDING DETAIL	INTERNAL RESPONSE
Financial Statements Finding (Current Year Finding)	2020-002 – Non-accrual of Capital Grants, Expenditures and Retainage Fees Non-accrual of specific transactions pertaining to income from capital grants, expenditures billed at the end of the year and retainage fees from capital asset expenditures were noted.	The following corrective actions will be taken to address this issue: <ul style="list-style-type: none"> • Implementation of sound accounting policies and adoption of clear procedures for the timely recording of revenues and expenses will be a primary focus of the newly hired Finance Manager. • Coordination, communication, and the implementation of standard industry accounting practices will be assured by scheduled quarterly meetings between the Capital Program Manager, the Project Manager and the GCIA Finance Team. • An assessment of current capabilities will be undertaken by the new Finance Manager to determine future and ongoing training needs. Status results will be documented and recorded. Updates will be presented to the Executive Director and monitored. Status results will be presented to the GCIAA Board annually.
Financial Statements Finding (Current Year Finding)	2020-003 – Internal Control Deficiencies Over Cash Receipts and Disbursements During testing, issues on completeness and proper approval of documentation for transactions were noted.	Summary: No disbursements are completed without approval of the board as the test sample actually shows. Out of 86 samples only 3 were not reconciled correctly as mentioned in the previous section under item 8. Further corrective action to address this issue are as follows: All requisitions and purchase orders will be reviewed by Finance Manager and Airport Manager for approval prior to PO number assignment. All purchase orders and claims will be presented the GCIA Board monthly for approval, prior to payment except those exceptions established in the procurement policy. <ul style="list-style-type: none"> • Due to the complexity of Petty Cash management and risk of fraud-waste and abuse, the recommended implementation of this cash management tool will be held in abeyance.

FINDING TYPE	FINDING DETAIL	INTERNAL RESPONSE
Financial Statements Finding (Current Year Finding)	2020-004 – Inadequate Control Over the Preparation of Financial Statements Including Compliance An inadequate control over the preparation and reporting of financial statements in compliance with the generally accepted accounting principles (GAAP) and other applicable compliance standards was noted.	Additional corrective actions that will address this issue are as follows: <ul style="list-style-type: none"> ● Finance Committee will be established and meetings will be held regularly to align with the GCIAA Monthly Board Meeting, helping to ensure that internally generated financial statements are presented to the Finance Committee, so they can more accurately direct investments and use of funds. The new Finance Manager will direct that these reports be compiled on a timely basis, reviewed with management and presented to the Board. ● The Airports Corporate office will provide ongoing support and training, as well as review of financial statements prior to their submission to the GCIA Board.
Financial Statements Finding (Current Year Finding)	2020-005 – Inadequate Control Over Closing of the Books Inadequate control on the closing of the books as evidenced by the beginning balances per books vs per audited financial report was noted.	The corrective action that will address this issue is as follows: <ul style="list-style-type: none"> ● The new Finance manager has reviewed alternative fund accounting systems better suited for GCIAA. Furthermore, a request for funding from the cumulative building fund will be made to GCIAA in order to transition to a new system in 2022. ● The new Finance Manager reviewed the adjusting entries from the 2019 audit. All entries were posted prior to the close of the 2020 audit. ● Based upon the Finance Manager’s findings, GCIA staff and internal/external stakeholders will review any recommended adjustments to finalize the accounting records by Q4. 2021. Financial Statements will be officially closed and upon receipt of any new disclosures, all supporting documents will be presented to the Board and upon approval, will be recorded as a prior period adjustment. ● It will be the responsibility of the Finance Manager to close out the books and lock down the financial data after financials have been reviewed by the Board. Quick books will be password protected, ensuring that no changes to prior periods can be made. Any adjustments will be posted as prior period adjustments.

FINDING TYPE	FINDING DETAIL	INTERNAL RESPONSE
Financial Statements Finding (Current Year Finding)	<p>2020-006 -- Lack of Performance Review on Management and Development Functions & Approval Documentation on the 2019 Financial Statements</p> <p>Performance evaluation of the third-party provider for Airport Management and Development was not noted. We haven't also traced the audited PY financial report presentation, discussions, and approval.</p>	<p>Prior year audited financial reports will be presented to the GCIA board for review following the close of each audit period.</p> <p>Annual Performance Review of Airport Management contractor will be completed and presented to GCIA Board for review and approval.</p>

Prepared by: Dasha L. Chandler-Thompson



Approved by: Duane Hayden

