

# ***Chicago/Gary Regional Airport Authority***

*Financial Statement Audit for the  
Years Ended December 31, 2019 and 2018  
Required Supplementary Information, Additional  
Information and Independent Auditors' Report*

# CHICAGO/GARY REGIONAL AIRPORT AUTHORITY

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## **THE CHICAGO-GARY REGIONAL AIRPORT AUTHORITY'S ACTIVITIES IN 2019**

The Chicago-Gary Regional Airport Authority (the "Authority") was created by a Compact between the City of Chicago and the City of Gary for the purpose of, among other things, facilitating the development of facilities and operations of the Gary-Chicago International Airport to enable it to function effectively as a reliever airport for the City of Chicago Airports. During 2019, the Board of Directors of the Authority held four separate meetings to conduct the Authority's business.

Consistent with the Authority's mission, at its meetings the Board of Directors considered and acted upon a number of requests for reimbursement of expenditures made by the Gary-Chicago International Airport. At its meeting held on October 21, 2019, the Board passed resolutions to approve the five-year Capital Improvement Plan for the Gary-Chicago International Airport, and approved the five-year Capital Improvement Plans for O'Hare International Airport and Midway International Airport. The Board also approved the reimbursement of Gary-Chicago International Airport expenditures to fund Gary-Chicago International Airport Aircraft Rescue and Fire Fighting personnel. At its other meetings throughout the year, Gary-Chicago International Airport personnel regularly reported to the Authority's Board on the status and progress of various construction and development projects at Gary-Chicago International Airport.

The Authority expenditures during the 2019 were made pursuant to the Authority's 2019 Budget, which was approved at the Authority's December 10, 2018 meeting. A copy of the Authority's 2019 Budget is attached.

**Chicago Gary Regional Airport Authority  
Budget Narratives  
Budget for the Fiscal Year Ended December 31, 2019**

	<b>Proposed 2019 Budget</b>
<b><u>Contractual Services</u></b>	
<u>Aircraft Rescue and Firefighting (ARFF)</u> ARFF expense will pay for three (3) ARFF personnel, 24 hours per day. On a daily rotating shift, with a Battalion Chief Monday through Friday	370,000
<u>Chicago Gary Regional Airport Authority Deputy Executive Director</u> This expense is for the CGRAA Deputy Executive Director salary that is related to his/her time spent working on Chicago Gary Regional Airport Authority matters and attendance at CGRAA meetings.	25,000
<u>Professional and Consulting Services</u> Fees for outside contracted security services.	
<u>Legal Fees</u> Legal Fees for CGRAA board matters.	55,000
<u>Annual Audit Fee</u> Annual report audit fees required pursuant to Section 25-15 Annual Report of the Compact between the City of Chicago and the City of Gary.	10,000
<u>Repairs and Maintenance</u> Routine and annual maintenance items of the Gary Chicago Regional Airport's airside and landside infrastructure that includes runways, taxiways, aprons, buildings and pavements. These expenses also include routine and annual maintenance of the airport's vehicular equipment. These expenses also help prolong the life of the related infrastructure and typically include but not limited to signage, lighting, vehicles, pavement repairs, seal coating, hangar repairs, building repairs, service inspections and control tower equipment repairs.	-
<u>Insurance</u> Insurance expense related to Director and Officer's insurance policy.	29,000
<b><u>Commodities</u></b>	
<u>Infrastructure/Equipment</u> Cost for equipment that generally have a useful life of greater than one (1) year, i.e. generators, computers, vehicular equipment, SRE building renovations.	
<u>Consumable Supplies</u> Runway and equipment related supplies that are generally consumable within one (1) year including but not limited to urea, pavement sand, pavement paint pavement sealing tar, vehicular fuel and supplies, fire suppression materials and wildlife deterrents.	13,510
<u>Office Supplies</u>	-
<b><u>Contingencies</u></b>	
<u>Contingencies</u> Expenses that are unforeseen and non-recurring in nature.	500
<b>Total</b>	<b>\$ 503,010</b>

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Chicago/Gary Regional Airport Authority:

We have audited the accompanying basic financial statements of the Chicago/ Gary Regional Airport Authority (the "Authority"), as of December 31, 2019 and 2018, and for the years then ended, listed in the foregoing table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2019 and 2018, and the results of its operations, and its cash flows, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Required Supplementary Information***

The Management's Discussion and Analysis on pages 3 through 9 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures that consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and we express no opinion or any other form of assurance on it.

### ***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information listed in the foregoing table of contents, which is also the responsibility of the Authority's management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such additional information (page 17) has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly presented, in all material respects, when considered in relation to the financial statements taken as a whole.



Whittaker & Company, PLLC  
Chicago, IL

May 29, 2020

**CHICAGO/GARY REGIONAL AIRPORT AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019, 2018 AND 2017**

The following discussion and analysis of Chicago/Gary Regional Airport Authority (the “Authority”) financial performance provides an introduction and overview of the Authority’s financial activities for the fiscal year ended December 31, 2019. Please read this discussion in conjunction with the Authority’s financial statements and the notes to financial statements immediately following this section.

**FINANCIAL HIGHLIGHTS**

**2019**

- Operating revenues for 2019 of \$500,210 increased by \$1,298 (0.26 percent) compared to fiscal year 2018.
- Operating expenses for 2019 of \$501,100 increased by \$1,110 (0.22 percent) compared to fiscal year 2018. This increase is primarily due to increased Contractual Service cost and Consumables cost and decrease reimbursements associated with the Gary-Chicago International Airport.

**2018**

- Operating revenues for 2018 of \$498,912 increased by \$4,258 (0.9 percent) compared to fiscal year 2017.
- Operating expenses for 2018 of \$499,990 increased by \$4,398 (0.9 percent) compared to fiscal year 2017. This increase is primarily due to increased Contractual Service cost and Consumables cost and decrease reimbursements associated with the Gary-Chicago International Airport.

**2017**

- Operating revenues for 2017 of \$494,654 decreased by \$11,582 (2.3 percent) compared to fiscal year 2016.
- Operating expenses for 2017 of \$495,592 decreased by \$11,684 (2.4 percent) compared to fiscal year 2016. This increase is primarily due to increased Contractual Service cost and decreased Commodities cost reimbursements associated with the Gary-Chicago International Airport.

**OVERVIEW OF THE BASIC FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Authority’s basic financial statements. The Authority’s basic financial statements are comprised of the Financial Statements and the Notes to the Basic Financial Statements. In addition to the basic financial statements this report also presents Additional Information after the Notes to Financial Statements.

**CHICAGO/GARY REGIONAL AIRPORT AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019, 2018 AND 2017**

The *Statements of Net Assets* present all of the Authority's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by private-sector companies. The difference between assets and liabilities is reported as net assets. The increase or decrease in net assets may serve as an indicator, over time, whether the Authority's financial position is improving or deteriorating.

The *Statements of Revenues, Expenses, and Changes in Net Assets* present all current year revenues and expenses, regardless of when cash is received or paid, and the ensuing change in net assets.

The *Statements of Cash Flows* report how cash and cash equivalents were provided and used by the Authority's operating and investing activities. These statements are prepared on a cash basis and present the cash received and disbursed, the net increase or decrease in cash for the year, and the cash balance at year end.

The *Notes to the Basic Financial Statements* are an integral part of the financial statements; accordingly, such disclosures are essential to a full understanding of the information provided in the financial statements. The Notes to the Basic Financial Statements begin on page 13.

In addition to the basic financial statements, this report includes Additional Information. The Additional Information section presents the 2019 Schedule of Expenses – Budget to Actual on page 17.

**ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS**

The Authority's revenue sources are the City of Chicago, Illinois and the City of Gary, Indiana. The revenue charged to each City is based upon the ratio of the prior years' total operating expenses of the Cities' airports. The Authority recognizes this revenue when the Authority incurs the related expense. The Authority has no capital assets and has not issued any long-term debt.



**CHICAGO/GARY REGIONAL AIRPORT AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019, 2018 AND 2017**

A comparative condensed summary of the Authority's net assets at December 31, 2019, 2018 and 2017 is as follows:

	Net Assets		
	2019	2018	2017
Current Assets	\$ 104,724	\$ 208,997	\$ 122,976
Total Current Assets	104,724	208,997	122,976
Current Liabilities	<u>104,724</u>	<u>208,997</u>	<u>122,976</u>
Total Current Liabilities	104,724	208,997	122,976
Net Assets:			
Invested in Capital Assets, Net of Related Debt	-	-	-
Restricted Net Assets	-	-	-
Unrestricted Net Assets	-	-	-
Total Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**2019**

Current assets and liabilities decreased by \$104,273 primarily due to a decrease in cash and a corresponding decrease in accounts payable.

**2018**

Current assets and liabilities increased by \$86,021 primarily due to a increase in cash and a corresponding increase in accounts payable.

**2017**

Current assets and liabilities decreased by \$127,494 primarily due to a decrease in cash and a corresponding decrease in accounts payable.

**CHICAGO/GARY REGIONAL AIRPORT AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019, 2018, AND 2017**

A comparative condensed summary of the Airport's changes in net assets for the years ended December 31, 2019, 2018, and 2017 is as follows:

	<b>Changes in Net Assets</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
Operating Revenues	\$ 500,210	\$ 498,912	\$ 494,654
Operating Expenses	<u>501,100</u>	<u>499,990</u>	<u>495,592</u>
Operating Income (Loss)	(890)	(1,078)	(938)
Non-Operating Revenues	<u>890</u>	<u>1,078</u>	<u>938</u>
Changes in Net Assets	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**2019**

Operating revenues for the years 2019 and 2018 were \$500,210 and \$498,912, respectively. This increase of \$1,298 in 2019 was directly due to the increase of revenue based on increased operating expenses. The \$1,110 increase in expenses was primarily related to increases in Contractual Services.

**2018**

Operating revenues for the years 2018 and 2017 were \$498,912 and \$494,654, respectively. This increase of \$4,258 in 2018 was directly due to the increase of revenue based on increased operating expenses. The \$4,398 increase in expenses was primarily related to increases in Contractual Services.

**2017**

Operating revenues for the years 2017 and 2016 were \$494,654 and \$483,072, respectively. This increase of \$11,582 in 2017 was directly due to the increase of revenue based on increased operating expenses. The \$11,684 increase in expenses was primarily related to an increase in aircraft rescue and firefighting costs of \$181,374 and decreases in repair and maintenance, infrastructure & equipment, and consumables supplies costs of \$173,414.

**CHICAGO/GARY REGIONAL AIRPORT AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019, 2018 AND 2017**

A comparative summary of the Authority’s operating expenses, as classified in the financial statements, for the years ended December 31, 2019, 2018, and 2017 is as follows:

	<b>Operating Expenses</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
Contractual Services and Commodities	<u>\$ 501,100</u>	<u>\$ 499,990</u>	<u>\$ 495,592</u>
Total Operating Expenses	<u><u>\$ 501,100</u></u>	<u><u>\$ 499,990</u></u>	<u><u>\$ 495,592</u></u>

**2019**

Contractual services and commodities in 2019 and 2018 were \$501,100 and \$499,990, respectively. The increase in 2019 for contractual services and commodities of \$1,110 is primarily due to increased professional services costs associated with the Gary-Chicago International Airport.

**2018**

Contractual services and commodities in 2018 and 2017 were \$499,990 and \$495,592, respectively. The increase in 2018 for contractual services and commodities of \$4,398 is primarily due to increased professional services costs associated with the Gary-Chicago International Airport.

**2017**

Contractual services and commodities in 2017 and 2016 were \$495,592 and \$483,908, respectively. The increase in 2017 for contractual services and commodities of \$11,684 is primarily due to an increase in aircraft rescue and firefighting costs of \$181,374 and decreases in repair and maintenance, infrastructure & equipment, and consumables supplies costs of \$173,414.

**CHICAGO/GARY REGIONAL AIRPORT AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019, 2018, AND 2017**

A comparative summary of the Authority's changes in cash flows for the years ended December 31, 2019, 2018, and 2017 is as follows:

	<b>Changes in Cash Flows</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
Cash from Activities:			
Operating	\$ (105,013)	\$ 83,937	\$ (128,646)
Investing	<u>890</u>	<u>1,078</u>	<u>938</u>
Net Change in Cash	(104,123)	85,015	(127,708)
Cash:			
Beginning of the Year	<u>206,573</u>	<u>121,558</u>	<u>249,266</u>
End of the Year	<u><u>\$ 102,450</u></u>	<u><u>\$ 206,573</u></u>	<u><u>\$ 121,558</u></u>

**2019**

As of December 31, 2019, the Authority's available cash of \$102,450 decreased by \$104,123 compared to \$206,573 at December 31, 2018 primarily due to a decrease in accounts payable. Total cash at December 31, 2019 and 2018 was on deposit in an interest bearing account insured by the Federal Depository Insurance Corporation (FDIC).

**2018**

As of December 31, 2018, the Authority's available cash of \$206,573 increased by \$85,015 compared to \$121,588 at December 31, 2017 primarily due to a increase in accounts payable. Total cash at December 31, 2018 and 2017 was on deposit in an interest bearing account insured by the Federal Depository Insurance Corporation (FDIC).

**2017**

As of December 31, 2017, the Authority's available cash of \$121,558 decreased by \$127,708 compared to \$249,266 at December 31, 2016 primarily due to a decrease in accounts payable. Total cash at December 31, 2017 and 2016 was on deposit in an interest bearing account insured by the Federal Depository Insurance Corporation (FDIC).

**FACTORS BEARING ON THE FUTURE**

Based on the Authority's operating budget for fiscal year 2020, provided in the board minutes, total budgeted operating and maintenance expenses are projected at \$503,010.

**CHICAGO/GARY REGIONAL AIRPORT AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019, 2018, AND 2017**

**REQUESTS FOR INFORMATION**

This financial report is designed to provide the reader with a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chicago/Gary Regional Airport Authority.

**CHICAGO/GARY REGIONAL AIRPORT AUTHORITY**

**STATEMENTS OF NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

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	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents - Note 4	\$ 102,450	\$ 206,573
Due from other governments - Note 6	2,274	2,424
	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>104,724</u>	<u>208,997</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable - Note 1	99,650	202,475
Due to other governments - Note 6	<u>5,074</u>	<u>6,522</u>
TOTAL CURRENT LIABILITIES	104,724	208,997
NET ASSETS		
Invested in capital assets, net of related debt	-	-
Restricted net assets	-	-
Unrestricted net assets	<u>-</u>	<u>-</u>
TOTAL NET ASSETS	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 104,724</u>	<u>\$ 208,997</u>

See notes to basic financial statements.

**CHICAGO/GARY REGIONAL AIRPORT AUTHORITY**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

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	<u>2019</u>	<u>2018</u>
OPERATING REVENUES:		
Fee revenue	\$ 500,210	\$ 498,912
Total operating revenues - Note 6	<u>500,210</u>	<u>498,912</u>
OPERATING EXPENSES:		
Contractual services and commodities	501,100	499,990
Total operating expenses	<u>501,100</u>	<u>499,990</u>
Operating (loss)/income	<u>(890)</u>	<u>(1,078)</u>
NONOPERATING REVENUE:		
Interest and other income	890	1,078
Total nonoperating revenue	<u>890</u>	<u>1,078</u>
CHANGE IN NET ASSETS	<u>-</u>	<u>-</u>
NET ASSETS - Beginning of year	<u>-</u>	<u>-</u>
NET ASSETS - End of year	<u>\$ -</u>	<u>\$ -</u>

See notes to basic financial statements.

**CHICAGO/GARY REGIONAL AIRPORT AUTHORITY**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES:		
Fee revenue	\$ 503,010	\$ 503,010
Payments for contractual services, commodities and other	(608,023)	(419,073)
Cash flows (used in)/from operating activities	<u>(105,013)</u>	<u>83,937</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and other revenue	<u>890</u>	<u>1,078</u>
Cash flows from investing activities	<u>890</u>	<u>1,078</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(104,123)	85,015
CASH AND CASH EQUIVALENTS—Beginning of year	<u>206,573</u>	<u>121,558</u>
CASH AND CASH EQUIVALENTS—End of year	<u><u>102,450</u></u>	<u><u>206,573</u></u>
RECONCILIATION OF OPERATING INCOME TO CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
Operating (loss)	(890)	(1,078)
Changes in assets and liabilities:		
Decrease/(Increase) in accounts receivable	150	(1,006)
(Decrease)/Increase in accounts payable and Other Liabilities	<u>(104,273)</u>	<u>86,021</u>
CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES	<u><u>\$ (105,013)</u></u>	<u><u>\$ 83,937</u></u>

See notes to basic financial statements.