

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

AUDIT REPORT  
OF

ALLEN COUNTY FORT WAYNE  
CAPITAL IMPROVEMENTS BOARD OF MANAGERS  
A COMPONENT UNIT OF THE CITY OF FORT WAYNE  
ALLEN COUNTY, INDIANA

December 31, 2012 and 2011



**FILED**  
05/30/2013



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OFFICIALS

| <u>Office</u>                         | <u>Official</u>     | <u>Term</u>          |
|---------------------------------------|---------------------|----------------------|
| Business Manager                      | Carole Copeland     | 01-01-11 to 12-31-13 |
| Executive Director                    | Robert Lister       | 01-01-11 to 06-30-13 |
| Chief Financial Officer               | Carolyn Warsco      | 01-01-11 to 12-31-13 |
| Treasurer                             | Gilmore Haynie, Jr. | 01-01-11 to 12-31-13 |
| Controller                            | Yogesh Parikh       | 01-01-11 to 12-31-13 |
| President of the Board<br>of Managers | Benjamin Campbell   | 01-01-11 to 12-31-13 |



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE ALLEN COUNTY FORT WAYNE CAPITAL IMPROVEMENTS  
BOARD OF MANAGERS, ALLEN COUNTY, INDIANA

***Report on the Financial Statements***

We have audited the accompanying financial statements of the business-type activities and each major fund of the Fort Wayne Capital Improvements Board of Managers (CIB), a component unit of the City of Fort Wayne, as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the CIB's basic financial statements as listed in the Table of Contents.

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

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

***Auditor's Responsibility***

Our responsibility is to express 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. 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 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 CIB's internal control. Accordingly, we express no such opinion. An audit 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 statement.

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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the CIB as of December 31, 2012 and 2011, and the respective changes in financial position, thereof and for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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



Bruce A. Hartman  
State Examiner

April 17, 2013

ALLEN COUNTY FORT WAYNE CAPITAL IMPROVEMENTS BOARD OF MANAGERS  
STATEMENT OF NET POSITION  
December 31, 2012 and 2011

|   | 2012                     |                             |                      | 2011                     |                             |                      |
|---|--------------------------|-----------------------------|----------------------|--------------------------|-----------------------------|----------------------|
|   | Grand<br>Wayne<br>Center | Food and<br>Beverage<br>Tax | Totals               | Grand<br>Wayne<br>Center | Food and<br>Beverage<br>Tax | Totals               |
| <u>Assets</u>   |                          |                             |                      |                          |                             |                      |
| Current assets:   |                          |                             |                      |                          |                             |                      |
| Cash and cash equivalents                               | \$ 506,640               | \$ 508                      | \$ 507,148           | \$ 1,402,845             | \$ -                        | \$ 1,402,845         |
| Operating investments                                   | 3,433,247                | -                           | 3,433,247            | 3,022,568                | -                           | 3,022,568            |
| Accounts receivable                                     | 24,296                   | -                           | 24,296               | 54,764                   | -                           | 54,764               |
| Room tax receivable                                     | 251,072                  | -                           | 251,072              | 364,708                  | -                           | 364,708              |
| Royalties receivable                                    | 64,249                   | -                           | 64,249               | 50,526                   | -                           | 50,526               |
| Prepaid items   | 23,527                   | -                           | 23,527               | 17,979                   | -                           | 17,979               |
| <b>Total current assets</b>                             | <b>4,303,031</b>         | <b>508</b>                  | <b>4,303,539</b>     | <b>4,913,390</b>         | <b>-</b>                    | <b>4,913,390</b>     |
| Noncurrent assets:                                      |                          |                             |                      |                          |                             |                      |
| Restricted assets:                                      |                          |                             |                      |                          |                             |                      |
| Due from Fort Wayne Redevelopment Commission            | 3,508,416                | -                           | 3,508,416            | 2,315,811                | -                           | 2,315,811            |
| Food and beverage tax reserve cash and cash equivalents | -                        | 4,156,549                   | 4,156,549            | -                        | 3,084,054                   | 3,084,054            |
| Food and beverage tax receivable                        | -                        | 3,706,889                   | 3,706,889            | -                        | 1,102,700                   | 1,102,700            |
| <b>Total restricted assets</b>                          | <b>3,508,416</b>         | <b>7,863,438</b>            | <b>11,371,854</b>    | <b>2,315,811</b>         | <b>4,186,754</b>            | <b>6,502,565</b>     |
| Capital assets:   |                          |                             |                      |                          |                             |                      |
| Land  | 975,000                  | -                           | 975,000              | 975,000                  | -                           | 975,000              |
| Other capital assets (net of accumulated depreciation)  | 39,180,750               | -                           | 39,180,750           | 40,346,310               | -                           | 40,346,310           |
| <b>Total capital assets</b>                             | <b>40,155,750</b>        | <b>-</b>                    | <b>40,155,750</b>    | <b>41,321,310</b>        | <b>-</b>                    | <b>41,321,310</b>    |
| <b>Total noncurrent assets</b>                          | <b>43,664,166</b>        | <b>7,863,438</b>            | <b>51,527,604</b>    | <b>43,637,121</b>        | <b>4,186,754</b>            | <b>47,823,875</b>    |
| <b>Total assets</b>                                     | <b>47,967,197</b>        | <b>7,863,946</b>            | <b>55,831,143</b>    | <b>48,550,511</b>        | <b>4,186,754</b>            | <b>52,737,265</b>    |
| <u>Liabilities</u>                                      |                          |                             |                      |                          |                             |                      |
| Current liabilities:                                    |                          |                             |                      |                          |                             |                      |
| Accounts payable and other accrued expenses             | 157,996                  | -                           | 157,996              | 108,312                  | -                           | 108,312              |
| Capital leases payable, current portion                 | 1,099,532                | -                           | 1,099,532            | 1,092,403                | -                           | 1,092,403            |
| Due to Visit Fort Wayne                                 | 71,735                   | -                           | 71,735               | 104,202                  | -                           | 104,202              |
| Due to Fort Wayne Redevelopment Commission              | -                        | -                           | -                    | 350,000                  | -                           | 350,000              |
| Rental deposits   | 35,851                   | -                           | 35,851               | 22,813                   | -                           | 22,813               |
| <b>Total current liabilities</b>                        | <b>1,365,114</b>         | <b>-</b>                    | <b>1,365,114</b>     | <b>1,677,730</b>         | <b>-</b>                    | <b>1,677,730</b>     |
| Noncurrent liabilities:                                 |                          |                             |                      |                          |                             |                      |
| Capital leases payable                                  | 23,903,462               | -                           | 23,903,462           | 25,002,994               | -                           | 25,002,994           |
| <b>Total liabilities</b>                                | <b>25,268,576</b>        | <b>-</b>                    | <b>25,268,576</b>    | <b>26,680,724</b>        | <b>-</b>                    | <b>26,680,724</b>    |
| <u>Net Position</u>                                     |                          |                             |                      |                          |                             |                      |
| Net investment in capital assets                        | 15,152,756               | -                           | 15,152,756           | 15,225,913               | -                           | 15,225,913           |
| Restricted for debt service                             | 3,508,416                | -                           | 3,508,416            | 2,315,811                | -                           | 2,315,811            |
| Restricted for food and beverage tax reserve            | -                        | 7,863,946                   | 7,863,946            | -                        | 4,186,754                   | 4,186,754            |
| Unrestricted  | 4,037,449                | -                           | 4,037,449            | 4,328,063                | -                           | 4,328,063            |
| <b>Total net position</b>                               | <b>\$ 22,698,621</b>     | <b>\$ 7,863,946</b>         | <b>\$ 30,562,567</b> | <b>\$ 21,869,787</b>     | <b>\$ 4,186,754</b>         | <b>\$ 26,056,541</b> |

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

ALLEN COUNTY FORT WAYNE CAPITAL IMPROVEMENTS BOARD OF MANAGERS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
As Of And For The Years Ended December 31, 2012 And 2011

|   | 2012                 |                       |                      | 2011                 |                       |                      |
|---|----------------------|-----------------------|----------------------|----------------------|-----------------------|----------------------|
|   | Grand Wayne Center   | Food and Beverage Tax | Totals               | Grand Wayne Center   | Food and Beverage Tax | Totals               |
| Operating revenues:                                     |                      |                       |                      |                      |                       |                      |
| Rental income   | \$ 792,068           | \$ -                  | \$ 792,068           | \$ 877,416           | \$ -                  | \$ 877,416           |
| Royalties   | 439,001              | -                     | 439,001              | 436,041              | -                     | 436,041              |
| Supplemental food and beverage tax                      | -                    | 3,706,889             | 3,706,889            | -                    | 4,176,993             | 4,176,993            |
| Other   | 15,368               | 1,000                 | 16,368               | 4,244                | -                     | 4,244                |
| <b>Total operating revenues</b>                         | <b>1,246,437</b>     | <b>3,707,889</b>      | <b>4,954,326</b>     | <b>1,317,701</b>     | <b>4,176,993</b>      | <b>5,494,694</b>     |
| Operating expenses:                                     |                      |                       |                      |                      |                       |                      |
| Salaries and wages                                      | 1,416,147            | -                     | 1,416,147            | 1,419,627            | -                     | 1,419,627            |
| Employee pensions and benefits                          | 532,664              | -                     | 532,664              | 514,602              | -                     | 514,602              |
| Materials and supplies                                  | 96,921               | 998                   | 97,919               | 79,937               | -                     | 79,937               |
| Utilities and telephone                                 | 565,322              | 602                   | 565,924              | 593,300              | -                     | 593,300              |
| Advertising and promotion                               | 224,456              | 17,568                | 242,024              | 246,369              | -                     | 246,369              |
| Repairs and maintenance                                 | 429,516              | -                     | 429,516              | 255,642              | -                     | 255,642              |
| Professional services                                   | 238,968              | 20,059                | 259,027              | 164,256              | -                     | 164,256              |
| Insurance expense                                       | 63,650               | -                     | 63,650               | 59,018               | -                     | 59,018               |
| Depreciation  | 1,213,215            | -                     | 1,213,215            | 1,224,102            | -                     | 1,224,102            |
| Miscellaneous expenses                                  | 27,931               | -                     | 27,931               | 17,796               | -                     | 17,796               |
| <b>Total operating expenses</b>                         | <b>4,808,790</b>     | <b>39,227</b>         | <b>4,848,017</b>     | <b>4,574,649</b>     | <b>-</b>              | <b>4,574,649</b>     |
| <b>Operating income (loss)</b>                          | <b>(3,562,353)</b>   | <b>3,668,662</b>      | <b>106,309</b>       | <b>(3,256,948)</b>   | <b>4,176,993</b>      | <b>920,045</b>       |
| Nonoperating revenues (expenses):                       |                      |                       |                      |                      |                       |                      |
| Interest and investment revenue                         | 16,201               | 8,530                 | 24,731               | 26,908               | 9,761                 | 36,669               |
| Indiana room tax  | 2,939,218            | -                     | 2,939,218            | 2,689,489            | -                     | 2,689,489            |
| PSCDA and other revenue                                 | 225,000              | -                     | 225,000              | 450,000              | -                     | 450,000              |
| Interest expense  | (1,382,897)          | -                     | (1,382,897)          | (1,421,320)          | -                     | (1,421,320)          |
| <b>Total nonoperating revenues (expenses)</b>           | <b>1,797,522</b>     | <b>8,530</b>          | <b>1,806,052</b>     | <b>1,745,077</b>     | <b>9,761</b>          | <b>1,754,838</b>     |
| <b>Income (loss) before transfers</b>                   | <b>(1,764,831)</b>   | <b>3,677,192</b>      | <b>1,912,361</b>     | <b>(1,511,871)</b>   | <b>4,186,754</b>      | <b>2,674,883</b>     |
| Transfer from   |                      |                       |                      |                      |                       |                      |
| City of Fort Wayne, TIF                                 | 1,434,575            | -                     | 1,434,575            | -                    | -                     | -                    |
| City of Fort Wayne, PSCDA                               | 525,000              | -                     | 525,000              | -                    | -                     | -                    |
| City of Fort Wayne, other                               | 884,090              | -                     | 884,090              | 797,244              | -                     | 797,244              |
| Transfer to City of Fort Wayne Redevelopment Commission | (250,000)            | -                     | (250,000)            | (250,000)            | -                     | (250,000)            |
| <b>Change in net position</b>                           | <b>828,834</b>       | <b>3,677,192</b>      | <b>4,506,026</b>     | <b>(964,627)</b>     | <b>4,186,754</b>      | <b>3,222,127</b>     |
| <b>Total net position - beginning</b>                   | <b>21,869,787</b>    | <b>4,186,754</b>      | <b>26,056,541</b>    | <b>22,834,414</b>    | <b>-</b>              | <b>22,834,414</b>    |
| <b>Total net position - ending</b>                      | <b>\$ 22,698,621</b> | <b>\$ 7,863,946</b>   | <b>\$ 30,562,567</b> | <b>\$ 21,869,787</b> | <b>\$ 4,186,754</b>   | <b>\$ 26,056,541</b> |

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

ALLEN COUNTY FORT WAYNE CAPITAL IMPROVEMENTS BOARD OF MANAGERS  
STATEMENT OF CASH FLOWS  
As Of And For The Years Ended December 31, 2012 And 2011

|   | 2012                     |                             |                       | 2011                     |                             |                     |
|---|--------------------------|-----------------------------|-----------------------|--------------------------|-----------------------------|---------------------|
|   | Grand<br>Wayne<br>Center | Food and<br>Beverage<br>Tax | Totals                | Grand<br>Wayne<br>Center | Food and<br>Beverage<br>Tax | Totals              |
| Cash flows from operating activities:   |                          |                             |                       |                          |                             |                     |
| Receipts from customers and users   | \$ 835,574               | \$ -                        | \$ 835,574            | \$ 883,469               | \$ -                        | \$ 883,469          |
| Receipts from royalties   | 425,278                  | -                           | 425,278               | 426,925                  | -                           | 426,925             |
| Payments to suppliers and contractors   | (1,602,628)              | (39,227)                    | (1,641,855)           | (1,478,489)              | -                           | (1,478,489)         |
| Payments to employees   | (1,948,811)              | -                           | (1,948,811)           | (1,934,229)              | -                           | (1,934,229)         |
| Supplemental food and beverage tax receipts   | -                        | 1,102,700                   | 1,102,700             | -                        | 3,074,293                   | 3,074,293           |
| Other receipts  | 15,368                   | 1,000                       | 16,368                | 4,244                    | -                           | 4,244               |
| Net cash provided (used) by operating activities  | <u>(2,275,219)</u>       | <u>1,064,473</u>            | <u>(1,210,746)</u>    | <u>(2,098,080)</u>       | <u>3,074,293</u>            | <u>976,213</u>      |
| Cash flows from noncapital financing activities:  |                          |                             |                       |                          |                             |                     |
| Indiana room tax receipts   | 4,228,541                | -                           | 4,228,541             | 3,738,928                | -                           | 3,738,928           |
| PSCDA tax receipts  | 400,000                  | -                           | 400,000               | 400,000                  | -                           | 400,000             |
| Payments to Visit Fort Wayne  | (1,208,154)              | -                           | (1,208,154)           | (1,068,269)              | -                           | (1,068,269)         |
| Payments to Fort Wayne Redevelopment Commission   | (775,000)                | -                           | (775,000)             | (250,000)                | -                           | (250,000)           |
| Net cash provided by noncapital financing activities  | <u>2,645,387</u>         | <u>-</u>                    | <u>2,645,387</u>      | <u>2,820,659</u>         | <u>-</u>                    | <u>2,820,659</u>    |
| Cash flows from capital and related financing activities:   |                          |                             |                       |                          |                             |                     |
| Net activity with Fort Wayne Redevelopment Commission for capital debt                            | (1,192,605)              | -                           | (1,192,605)           | 1,386,959                | -                           | 1,386,959           |
| Transfers from City of Fort Wayne   | 2,843,665                | -                           | 2,843,665             | 797,244                  | -                           | 797,244             |
| Acquisition and construction of capital assets  | (47,655)                 | -                           | (47,655)              | (121,116)                | -                           | (121,116)           |
| Principal paid on capital debt  | (1,092,403)              | -                           | (1,092,403)           | (1,588,055)              | -                           | (1,588,055)         |
| Interest paid on capital debt   | (1,382,897)              | -                           | (1,382,897)           | (1,421,320)              | -                           | (1,421,320)         |
| Net cash used by capital and related financing activities   | <u>(871,895)</u>         | <u>-</u>                    | <u>(871,895)</u>      | <u>(946,288)</u>         | <u>-</u>                    | <u>(946,288)</u>    |
| Cash flows from investing activities:   |                          |                             |                       |                          |                             |                     |
| Proceeds from sales and maturities of investments   | 3,022,568                | -                           | 3,022,568             | 3,397,498                | -                           | 3,397,498           |
| Purchase of investments   | (3,433,247)              | -                           | (3,433,247)           | (3,022,568)              | -                           | (3,022,568)         |
| Interest received   | 16,201                   | 8,530                       | 24,731                | 26,908                   | 9,761                       | 36,669              |
| Net cash provided (used) by investing activities  | <u>(394,478)</u>         | <u>8,530</u>                | <u>(385,948)</u>      | <u>401,838</u>           | <u>9,761</u>                | <u>411,599</u>      |
| Net increase (decrease) in cash and cash equivalents  | (896,205)                | 1,073,003                   | 176,798               | 178,129                  | 3,084,054                   | 3,262,183           |
| Cash and cash equivalents, January 1  | <u>1,402,845</u>         | <u>3,084,054</u>            | <u>4,486,899</u>      | <u>1,224,716</u>         | <u>-</u>                    | <u>1,224,716</u>    |
| Cash and cash equivalents, December 31  | <u>\$ 506,640</u>        | <u>\$ 4,157,057</u>         | <u>\$ 4,663,697</u>   | <u>\$ 1,402,845</u>      | <u>\$ 3,084,054</u>         | <u>\$ 4,486,899</u> |
| Reconciliation of operating income (loss)<br>to net cash provided (used) by operating activities: |                          |                             |                       |                          |                             |                     |
| Operating income (loss)   | <u>\$ (3,562,353)</u>    | <u>\$ 3,668,662</u>         | <u>\$ 106,309</u>     | <u>\$ (3,256,948)</u>    | <u>\$ 4,176,993</u>         | <u>\$ 920,045</u>   |
| Adjustments to reconcile operating income to net<br>cash provided (used) by operating activities: |                          |                             |                       |                          |                             |                     |
| Depreciation expense  | 1,213,215                | -                           | 1,213,215             | 1,224,102                | -                           | 1,224,102           |
| (Increase) decrease in assets:  |                          |                             |                       |                          |                             |                     |
| Accounts receivable   | 30,468                   | -                           | 30,468                | 7,443                    | -                           | 7,443               |
| Royalties receivable  | (13,723)                 | -                           | (13,723)              | (9,116)                  | -                           | (9,116)             |
| Prepaid items   | (5,548)                  | -                           | (5,548)               | (286)                    | -                           | (286)               |
| Food and beverage tax receivable  | -                        | (2,604,189)                 | (2,604,189)           | -                        | (1,102,700)                 | (1,102,700)         |
| Increase (decrease) in liabilities:   |                          |                             |                       |                          |                             |                     |
| Accounts payable and other accrued expenses   | 49,684                   | -                           | 49,684                | (61,885)                 | -                           | (61,885)            |
| Rental deposits payable   | 13,038                   | -                           | 13,038                | (1,390)                  | -                           | (1,390)             |
| Total adjustments   | <u>1,287,134</u>         | <u>(2,604,189)</u>          | <u>(1,317,055)</u>    | <u>1,158,868</u>         | <u>(1,102,700)</u>          | <u>56,168</u>       |
| Net cash provided (used) by operating activities  | <u>\$ (2,275,219)</u>    | <u>\$ 1,064,473</u>         | <u>\$ (1,210,746)</u> | <u>\$ (2,098,080)</u>    | <u>\$ 3,074,293</u>         | <u>\$ 976,213</u>   |

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

ALLEN COUNTY FORT WAYNE CAPITAL IMPROVEMENTS BOARD OF MANAGERS  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Allen County Fort Wayne Capital Improvements Board of Managers (CIB) was created and is in existence pursuant to the laws of the State of Indiana. The statutory provisions under which the CIB operates and conducts its business specifically state the nature and type of transactions that can be entered into by the CIB. The CIB operates the Grand Wayne Center convention facility. It is also authorized to enter into capital improvement projects funded by supplemental food and beverage tax revenues.

The CIB is a component unit of the City of Fort Wayne and is included as such in the City's Comprehensive Annual Financial Report. A seven-member board governs the CIB. The City and County each appoint three members, and the appointed members elect the seventh member. The CIB's budget is subject to approval by the City and County Councils. Any resolutions for the sale of revenue bonds are subject to review by the Mayor. All sales of general obligation bonds are subject to the approval by the City Council.

The accompanying financial statements present the activities of the CIB. There are no significant component units which require inclusion.

B. Fund Financial Statements

The CIB's financial statements consist of the Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. The CIB relies to a significant extent on fees and charges for support.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounts of the CIB are maintained and the financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. The CIB financial statements include the following major enterprise funds: Grand Wayne Center (GWC) and Food and Beverage Tax (FBT).

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

D. Assets, Liabilities and Net Position or Equity

1. Deposits and Investments

The CIB's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

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State statute (IC 5-13-9) authorizes the CIB to invest in securities, including but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Investment income, including changes in the fair value of investments, is reported as revenue in the operating statement.

2. Prepaid Items

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

3. Restricted Asset/Net Position

Certain assets are classified as restricted assets on the statement of net position because their use is limited by enabling legislation.

As of December 31, 2012, the financial statements report \$3,508,416 and \$7,863,438 for the GWC Fund and FBT Fund, respectively, of restricted net position, all of which is restricted by enabling legislation.

As of December 31, 2011, the financial statements report \$2,315,811 and \$4,186,754 for the GWC Fund and FBT Fund, respectively, of restricted net position, all of which is restricted by enabling legislation.

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the financial statements.

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

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets are as follows:

|                                   | <u>Capitalization<br/>Threshold</u> | <u>Depreciation<br/>Method</u> | <u>Estimated<br/>Useful Life</u> |
|-----------------------------------|-------------------------------------|--------------------------------|----------------------------------|
| Other capital assets:             |                                     |                                |                                  |
| Buildings and improvements        | \$ 1,000                            | Straight-line                  | 5 to 50 years                    |
| Furniture, fixtures and equipment | 1,000                               | Straight-line                  | 3 to 15 years                    |

For depreciated assets, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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5. Compensated Absences

- a. Paid Time Off (PTO) – CIB employees earn PTO at the rate of 10 days per year. Unused PTO may be accumulated to a maximum of 90 days. Accumulated PTO is not paid to employees.
- b. Vacation Leave – CIB employees earn vacation leave at rates from 10 days to 25 days per year based upon the number of years of service. Employees may elect to carry up to 5 vacation days to the next year or to be reimbursed for unused vacation at the end of the year.

Vacation leave is accrued when incurred.

6. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

E. Innkeepers Tax and Supplemental Food and Beverage Tax Revenues

1. Innkeepers Tax Revenue

The Indiana Innkeepers (Room) Tax is levied on every person engaged in the business of renting lodgings for periods of less than 30 days. The County distributes a portion of this tax revenue to the CIB to be used for daily operations of the Grand Wayne Center.

2. Supplemental Food and Beverage Tax Revenue

Allen County levies a one percent Supplemental Food and Beverage Tax on all food and beverage sales in the county. Tax collections are used initially to fund annual debt service requirements on debt obligations for the Allen County War Memorial Coliseum entered into prior to January 1, 2009. Any tax collections in excess of these debt service requirements are distributed to the CIB by February 1 of the following year. After holding the funds for at least 12 months, the CIB may use them to undertake capital improvement projects throughout the county.

II. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The CIB does not have a deposit policy for custodial credit risk.

At December 31, 2012, the CIB had deposit balances in the amount of \$3,433,247 and \$3,084,054 for the GWC Fund and FBT Fund, respectively.

At December 31, 2011, the CIB had deposit balances in the amount of \$4,425,413 and \$3,084,054 for the GWC Fund and FBT Fund, respectively.

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The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Capital Assets

Capital asset activity for the years ended December 31, 2012 and 2011 was as follows:

| Grand Wayne Center                           | Beginning<br>Balance | Additions      | Reductions | Ending<br>Balance |
|--|----------------------|----------------|------------|-------------------|
| 2012:  |                      |                |            |                   |
| Capital assets, not being depreciated:       |                      |                |            |                   |
| Land   | \$ 975,000           | \$ -           | \$ -       | \$ 975,000        |
| Capital assets, being depreciated:           |                      |                |            |                   |
| Buildings and improvements                   | 49,253,836           | -              | -          | 49,253,836        |
| Furniture, fixtures and equipment            | 3,433,403            | 47,655         | -          | 3,481,058         |
| Totals                                       | 52,687,239           | 47,655         | -          | 52,734,894        |
| Less accumulated depreciation for:           |                      |                |            |                   |
| Buildings and improvements                   | (9,430,504)          | (1,044,918)    | -          | (10,475,422)      |
| Furniture, fixtures and equipment            | (2,910,425)          | (168,297)      | -          | (3,078,722)       |
| Totals                                       | (12,340,929)         | (1,213,215)    | -          | (13,554,144)      |
| Total capital assets, being depreciated, net | 40,346,310           | (1,165,560)    | -          | 39,180,750        |
| Total capital assets, net                    | \$ 41,321,310        | \$ (1,165,560) | \$ -       | \$ 40,155,750     |
| 2011:  |                      |                |            |                   |
| Capital assets, not being depreciated:       |                      |                |            |                   |
| Land   | \$ 975,000           | \$ -           | \$ -       | \$ 975,000        |
| Capital assets, being depreciated:           |                      |                |            |                   |
| Buildings and improvements                   | 49,238,690           | 15,146         | -          | 49,253,836        |
| Furniture, fixtures and equipment            | 3,481,133            | 105,970        | 153,700    | 3,433,403         |
| Totals                                       | 52,719,823           | 121,116        | 153,700    | 52,687,239        |
| Less accumulated depreciation for:           |                      |                |            |                   |
| Buildings and improvements                   | (8,404,957)          | (1,025,547)    | -          | (9,430,504)       |
| Furniture, fixtures and equipment            | (2,865,570)          | (198,555)      | (153,700)  | (2,910,425)       |
| Totals                                       | (11,270,527)         | (1,224,102)    | (153,700)  | (12,340,929)      |
| Total capital assets, being depreciated, net | 41,449,296           | (1,102,986)    | -          | 40,346,310        |
| Total capital assets, net                    | \$ 42,424,296        | \$ (1,102,986) | \$ -       | \$ 41,321,310     |

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Depreciation expense was charged to functions/programs of the CIB as follows:

|                    | 2012         | 2011         |
|--------------------|--------------|--------------|
| Grand Wayne Center | \$ 1,213,215 | \$ 1,224,102 |

C. Capital Lease

On May 1, 2003, the Fort Wayne Redevelopment Authority (Authority) issued Lease Rental Revenue Bonds in the amount of \$31,985,000, at fixed rates ranging from 2.5 percent to 5.0 percent, for the expansion of the Grand Wayne Center (Project). On May 22, 2012 the Authority refinanced the remaining balance of the 2003 bonds by issuing Lease Rental Revenue Refunding bonds in the amount of \$25,135,000, at fixed rates ranging from 3.0 percent to 5.0 percent. The bonds are secured by the net revenue of the Center and property. The Authority owns the existing and expanded facilities and leases them back to the Fort Wayne Redevelopment Commission (Commission), who leases them to the CIB until the bonds mature on February 1, 2028. Since ownership of the Project assets will ultimately revert to the CIB, these assets and the corresponding capital lease obligation have been recorded on the statement of net position of the CIB (GWC Fund).

The primary lease agreement between the Authority and the Commission is funded by the following revenue sources: Grand Wayne Center primary pledge payments, a portion of the City of Fort Wayne's share of the County Economic Development Income Tax (CEDIT), tax increment financing (TIF) revenue, and Professional Sports and Convention Development Area (PSCDA) revenue. TIF and PSCDA revenue sources are based on annual revenue generated through TIF and PSCDA districts, whereas the Grand Wayne Center and CEDIT are pledges. Actual revenue for TIF and PSCDA could change depending on actual results. The Commission may also levy a property tax on all property in the City of Fort Wayne Development district in an amount sufficient to meet its lease obligation. Commitments at December 31, 2012, are as follows:

|           | Grand<br>Wayne<br>Center | City of<br>Fort Wayne<br>CEDIT | TIF           | PSCDA        |
|-----------|--------------------------|--------------------------------|---------------|--------------|
| 2013      | \$ 825,000               | \$ 435,000                     | \$ 1,434,575  | \$ 175,000   |
| 2014      | 825,000                  | 435,000                        | 1,434,575     | 175,000      |
| 2015      | 825,000                  | 435,000                        | 1,434,575     | 175,000      |
| 2016      | 825,000                  | 435,000                        | 1,434,575     | 175,000      |
| 2017      | 825,000                  | 435,000                        | 1,434,575     | 175,000      |
| 2018-2022 | 4,125,000                | 2,175,000                      | 7,172,875     | 875,000      |
| 2023-2027 | 4,125,000                | 2,175,000                      | 7,172,875     | 875,000      |
| 2028      | 825,000                  | 435,000                        | 1,434,575     | 175,000      |
| Totals    | \$ 13,200,000            | \$ 6,960,000                   | \$ 22,953,200 | \$ 2,800,000 |

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The future payments on the CIB's lease obligation as of December 31, 2012, are as follows:

|   | Grand<br>Wayne<br>Center |
|---|--------------------------|
| 2013  | \$ 2,449,300             |
| 2014  | 2,217,300                |
| 2015  | 2,220,300                |
| 2016  | 2,217,300                |
| 2017  | 2,215,300                |
| 2018-2022                                   | 11,091,500               |
| 2023-2027                                   | 10,400,500               |
| 2028  | 2,082,300                |
| Total minimum lease payments                | 34,893,800               |
| Less amount representing interest           | 9,890,806                |
| Present value of net minimum lease payments | \$ 25,002,994            |

Assets acquired through capital leases still in effect are as follows:

|                                   | Grand<br>Wayne<br>Center |
|-----------------------------------|--------------------------|
| Land                              | \$ 975,000               |
| Buildings and improvements        | 49,253,836               |
| Furniture, fixtures and equipment | 3,481,058                |
| Total                             | 53,709,894               |
| Accumulated depreciation          | (13,554,144)             |
| Total                             | \$ 40,155,750            |

D. Changes in Long-Term Liabilities

Long-term liability activity for the years ended December 31, 2012 and 2011 was as follows:

|                       | Beginning<br>Balance | Additions | Reductions  | Ending<br>Balance | Due Within<br>One Year |
|-----------------------|----------------------|-----------|-------------|-------------------|------------------------|
| 2012:                 |                      |           |             |                   |                        |
| Capital lease payable | \$26,095,397         | \$ -      | \$1,092,403 | \$25,002,994      | \$ 1,099,532           |

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|                       | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Reductions</u>   | <u>Ending<br/>Balance</u> | <u>Due Within<br/>One Year</u> |
|-----------------------|------------------------------|------------------|---------------------|---------------------------|--------------------------------|
| 2011:                 |                              |                  |                     |                           |                                |
| Capital lease payable | <u>\$27,683,452</u>          | <u>\$ -</u>      | <u>\$ 1,588,055</u> | <u>\$26,095,397</u>       | <u>\$ 1,092,403</u>            |

E. Restricted Assets

The balances of restricted asset accounts in the enterprise funds are as follows:

|  | <u>2012</u>                       |                                      |                      | <u>2011</u>                       |                                      |                     |
|--|-----------------------------------|--------------------------------------|----------------------|-----------------------------------|--------------------------------------|---------------------|
|  | <u>Grand<br/>Wayne<br/>Center</u> | <u>Food and<br/>Beverage<br/>Tax</u> | <u>Totals</u>        | <u>Grand<br/>Wayne<br/>Center</u> | <u>Food and<br/>Beverage<br/>Tax</u> | <u>Totals</u>       |
| Due from Fort Wayne  |                                   |                                      |                      |                                   |                                      |                     |
| Redevelopment Commission                                   | \$ 3,508,416                      | \$ -                                 | \$ 3,508,416         | \$ 2,315,811                      | \$ -                                 | \$ 2,315,811        |
| Food and beverage tax reserve cash<br>and cash equivalents | -                                 | 4,156,549                            | 4,156,549            | -                                 | 3,084,054                            | 3,084,054           |
| Food and beverage tax receivable                           | -                                 | 3,706,889                            | 3,706,889            | -                                 | 1,102,700                            | 1,102,700           |
| Total restricted assets                                    | <u>\$ 3,508,416</u>               | <u>\$ 7,863,438</u>                  | <u>\$ 11,371,854</u> | <u>\$ 2,315,811</u>               | <u>\$ 4,186,754</u>                  | <u>\$ 6,502,565</u> |

F. Transfers to and from the City of Fort Wayne

The CIB typically uses transfers to and from the City of Fort Wayne to fund ongoing debt service subsidies that the City of Fort Wayne agreed to fund for renovation and expansion of the Grand Wayne Center.

III. Other Information

A. Risk Management

The CIB is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

B. Pension Plan

Public Employees' Retirement Fund

Plan Description

The CIB contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible

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to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the CIB, through the City of Fort Wayne, authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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

Funding Policy

PERF members are required to contribute three percent of their annual covered salary. The CIB is required to contribute at an actuarially determined rate; the current rate is 8.5 percent of annual covered payroll. The contribution requirements of plan members and the CIB are established and may be amended by the INPRS Board of Trustees.

The CIB's pension funding is combined with the City of Fort Wayne as one participating employer. The net pension obligation is considered a liability to the City and is shown on the City's financial statement.

Annual Pension Cost

For calendar year 2012 and 2011, the CIB's annual pension cost of \$136,797 and \$125,247, respectively, for PERF was equal to the CIB's required and actual contributions.

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EXIT CONFERENCE

The contents of this report were discussed on April 17, 2013, with Robert Lister, Executive Director; Carole Copeland, Business Manager; Carolyn Warsco, Chief Financial Officer; and Stephen R. Brody, Board Member. Our audit disclosed no material items that warrant comment at this time.