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STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

January 30, 2017

Board of Directors  
Fort Wayne – Allen County Airport Authority  
3801 West Ferguson Road, Suite 209  
Fort Wayne, IN 46809-3194

We have reviewed the audit report prepared by BKD LLP, Independent Public Accountants, for the period January 1, 2015 to December 31, 2015. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Auditor's Report, the financial statements included in the report present fairly the financial condition of the Fort Wayne – Allen County Airport Authority, as of December 31, 2015 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

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

# **Fort Wayne-Allen County Airport Authority**

Independent Auditor's Report and Financial Statements

December 31, 2015

**Fort Wayne-Allen County Airport Authority**  
**December 31, 2015**

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## Independent Auditor's Report

To the Members of the Board  
Fort Wayne-Allen County Airport Authority  
Fort Wayne, Indiana

### Report on the Financial Statements

We have audited the accompanying basic financial statements of Fort Wayne-Allen County Airport Authority (Authority) as of and for the year ended December 31, 2015, 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 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 our audit opinion.

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fort Wayne-Allen County Airport Authority as of December 31, 2015, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

As discussed in Note 1 of the financial statements, in 2015, Fort Wayne-Allen County Airport Authority adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

## **Other Matters**

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension and other postemployment benefit information as listed in the table of contents 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 the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic 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 any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary information, including the schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic 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 September 15, 2016, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*BKD, LLP*

Fort Wayne, Indiana  
August 24, 2016

## **Management's Discussion and Analysis**

The management of the Fort Wayne-Allen County Airport Authority (the Authority) provides the following narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2015. Please read it in conjunction with the letter of transmittal to the Authority Board, located on pages 3 through 7.

### **Financial Highlights**

In 2015, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. Information for 2014 has not been restated for the adoption of GASB 68.

The Authority's net position increased approximately \$3.4 million as a result of this year's operations. The net investment in capital assets component of net position increased approximately \$4.1 million or 4.5 percent.

Capital assets increased approximately \$2.5 million due to the completion of several capital projects.

Deferred outflows of resources increased approximately \$833,542 due to the implementation of GASB 68. In addition, deferred inflows of resources increased by \$75,519 due to this implementation.

Bonds payable decreased approximately \$1.6 million. This was due primarily to the normal retirement of bonds as maturities came due.

Capital contributions decreased \$1.7 million or 71.8 percent due to decreases in the amount of federal and state grants received.

### **Overview of the Financial Statements**

The Authority's financial report consists of three financial statements: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the GASB. The reporting entity consists of the Authority and its component unit: the Fort Wayne International Airport Air Trade Center Building Corporation (FWIAATCBC). The Authority and its relationship with its component unit are more fully described in the notes to the financial statements. The Authority and the FWIAATCBC are structured as a single enterprise fund. Revenues are recognized when earned, and expenses are recognized when incurred. Capital expenditures are capitalized as assets and (except for land, land

improvements, certain intangible assets, and construction in progress) are depreciated over their estimated useful lives.

**Statement of Net Position** - This Statement presents information on the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Net position represents the difference among all other elements in the Statement. Net position is displayed in three components: net investment in capital assets; restricted; and unrestricted. 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.

**Statement of Revenues, Expenses and Changes in Net Position** - This is the operating statement for the Authority. Revenues and expenses are categorized as either operating or nonoperating based upon GASB Statements 33 and 34. On this statement, property and other taxes, and passenger and customer facility charges are reported as non-operating revenues; and capital grants are reported as capital contributions.

**Statement of Cash Flows** - This Statement is used to report the classification of cash receipts and payments according to whether they stem from operating, noncapital financing, capital and related financing, or investing activities. The Authority reports cash flows from operating activities using the direct method, as required by GASB Statement 34. Using the direct method, the Authority reports cash flows from operating activities directly by showing major classes of operating cash receipts and payments (for example, receipts from customers, payments to suppliers, payments to employees, etc.) A reconciliation of operating income to net cash flow from operating activities is also required, and is located on the second page of this statement.

**Notes to Financial Statements** - The Notes provide additional information that is essential to a full understanding of the data provided in the Authority's financial statements. The notes to the financial statements can be found on pages 27 through 48 of this report.

**Other Information** - In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the Authority's pension plan and retiree healthcare plan. Required supplementary information can be found on page 50 and 51 of this report.

#### **Condensed Financial Information**

**Net Position** - The Authority's net position increased \$3,446,939 or 3.1 percent from 2014 to 2015. The growth in net position is attributed primarily to an increase in net investment in capital assets that increased

approximately \$4.1 million. This offsets a decrease of \$3 million in unrestricted net position. Net investment in capital assets increased due to the normal retirement of long term debt as bond maturities came due. In addition, the Authority constructed a new fixed base operations facility to continue the development and renewal of general aviation facilities on the west side of the Airport. Restricted net position increased primarily due to increases in cumulative building cash and investments. Unrestricted net position decreased due to a substantial increase in the reduction of unrestricted cash that was used to pay for several construction projects. As noted previously, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

Other noncurrent liabilities, deferred inflows of resources and deferred outflows of resources increased substantially due to the implementation of GASB 68, and the requirement to report deferred outflows (and inflows) of resources related to pensions and net pension liability. Prior to GASB 68, these amounts were not required to be reported on the financial statements. Deferred outflows of resources increased \$833,542; deferred inflows of resources increased \$75,519; and net pension liability, included with noncurrent liabilities, increased \$3,020,464.

Bonds payable decreased 20.5 percent due the normal retirement of bonds as the Authority continued to pay maturities as they came due on the 2011 bonds.

The Authority's net investment in capital assets (e.g., land, buildings and improvements, infrastructure items, and equipment) is the largest component (82.1 percent) of net position. These capital assets are used to provide services to customers. Consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt and deferred outflows of resources, it should be noted that the resources required to repay this debt must be provided annually from other sources such as operating and nonoperating revenues, since the capital assets themselves cannot be liquidated to pay these liabilities.

In addition, 9.1 percent of the Authority's net position represents resources that are subject to external restrictions on how they may be used. The restricted balances represent bond reserves that are subject to external restrictions on how they can be used under bond covenants; debt service cash, restricted by state law, that can only be used to pay debt service on the 2011 bonds; passenger facility charges that are restricted by Federal regulations; cumulative building cash and investments that are restricted by State law; and security deposits held for tenants and other users of Airport facilities. The remaining balance (8.8 percent) of \$10,236,147 is the unrestricted component of net position, which may be used to meet the

Authority's ongoing obligation to its citizens, customers, and creditors within FAA operating guidelines.

A summary of the Authority's 2015 net position compared to 2014 follows:

<b>Authority's Net Position</b>				
	2015	2014	Increase (Decrease)	Percent Change
Current assets . . . . .	\$ 19,737,284	\$ 21,293,159	\$(1,555,875)	-7.3
Noncurrent assets . . . . .				
Other noncurrent assets . . . . .	7,467,390	7,017,474	449,916	6.4
Capital assets (net) . . . . .	<u>103,108,832</u>	<u>100,587,014</u>	<u>2,521,818</u>	2.5
Total assets . . . . .	<u>130,313,506</u>	<u>128,897,647</u>	<u>1,415,859</u>	1.1
Deferred outflows of resources . . . . .	<u>899,589</u>	<u>66,047</u>	<u>833,542</u>	1262.0
Total assets and deferred outflows of resources . . . . .	131,213,095	128,963,694	2,249,401	1.7
Current liabilities . . . . .	4,385,329	4,853,272	(467,943)	-9.6
Noncurrent liabilities				
Other noncurrent liabilities . . . . .	4,436,554	1,473,052	2,963,502	201.2
Bonds and other long-term debt . . . . .	<u>6,330,000</u>	<u>7,960,000</u>	<u>(1,630,000)</u>	-20.5
Total liabilities . . . . .	<u>15,151,883</u>	<u>14,286,324</u>	<u>865,559</u>	6.1
Deferred inflows of resources . . . . .	<u>75,519</u>	---	<u>75,519</u>	100.0
Net position:				
Net investment in capital assets . . . . .	95,192,723	91,128,061	4,064,662	4.5
Restricted . . . . .	10,556,823	10,349,663	207,160	2.0
Unrestricted . . . . .	<u>10,236,147</u>	<u>13,199,646</u>	<u>(2,963,499)</u>	-22.5
Total net position . . . . .	<u>\$115,985,693</u>	<u>\$114,677,370</u>	<u>\$ 1,308,323</u>	1.1

**Changes in Net Position** - Total revenues increased \$972,695 (or 5.1 percent) from 2014 to 2015. Operating and nonoperating revenues had increases of 5.8 percent and 4.3 percent, respectively. An increase (13.6 percent) in parking revenue accounted for most of the operating revenue increase due to an increase in passengers at Fort Wayne International. This offset a 3.8 percent decrease in airfield revenue that was down due to a decrease in the landing fee rate. Nonoperating revenue increases were the result of increases in passenger and customer facility charges, and gain on capital

asset disposal. Passenger facility charges were up due to a 10.8 percent increase in passenger enplanements. Customer facility charges were up due to a 50 percent increase in the daily car rental rate that was in effect for the entire year in 2015 compared to only six months in 2014. The increase in gain on disposal of capital asset increased due to the sale of large pieces of equipment that were replaced during the year.

Capital contributions decreased 71.8 percent or \$1,709,083 due to decreases in the amount of federal and state grants received. The Authority did receive federal and state grant awards during the year; however these grants are reimbursable grants. Capital expenditures must be made before capital contributions are received. Almost all of the grant eligible capital expenditures for the grants were deferred until 2016.

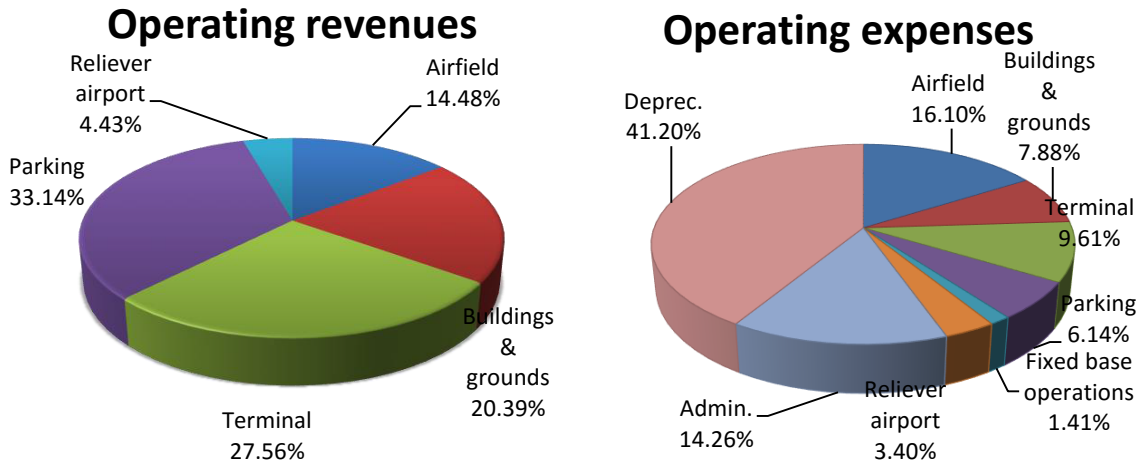
Total operating expenses decreased 1.8 percent with the majority coming from a reduction in the administration expense that declined 15.4 percent. Administration decreased due to staff reductions and decreases of over \$400,000 in promotional and professional services. Administration expenses were partially offset by increases in Terminal and Fixed Based Operations (FBO) expenses. Terminal expenses increased due to increases in the cost of replacement parts and utilities. FBO expenses increased due to startup expenses associated with preparing to operate the new business that began January 1, 2016.

A summary of the Authority's 2015 changes in net position compared to 2014 follows below.

**Authority's Changes in Net Position**

	2015	2014	Increase (Decrease)	Percent Change
<b>Operating revenues:</b>				
Airfield. . . . .	\$ 1,565,022	\$1,626,929	\$ (61,907)	-3.8
Buildings and grounds . . .	2,203,676	2,155,564	48,112	2.2
Terminal. . . . .	2,979,260	2,803,836	175,424	6.3
Parking . . . . .	3,583,154	3,154,213	428,941	13.6
Reliever airport. . . . .	<u>478,867</u>	<u>480,920</u>	<u>(2,053)</u>	-0.4
Total operating revenues. . .	10,809,979	10,221,462	588,517	5.8
<b>Nonoperating revenues:</b>				
Property and other taxes. . .	7,017,489	6,945,662	71,827	1.0
Federal operating grant . . .	150,599	182,159	(31,560)	-17.3
Passenger facility charges.	1,471,790	1,333,205	138,586	10.4
Customer facility charges . .	493,499	347,998	145,501	41.8
Interest income . . . . .	119,701	85,289	4,412	40.3
Net increase in fair value				
Of investments . . . . .	---	67,614	(67,614)	-100
Loss on sale of investments	(10,803)	---	(10,803)	-100
Gain on capital asset				
disposal . . . . .	<u>113,796</u>	<u>9,966</u>	<u>103,830</u>	1041.8
Total nonoperating revenues .	9,356,071	8,971,893	384,178	4.3
 Total revenues. . . . .	 <u>20,166,050</u>	 <u>19,193,355</u>	 <u>972,695</u>	 5.1
<b>Operating expenses:</b>				
Airfield. . . . .	2,747,678	2,907,191	(159,513)	-5.5
Buildings and grounds . . .	1,345,352	1,288,607	56,745	4.4
Terminal. . . . .	1,640,145	1,458,810	181,335	12.4
Parking . . . . .	1,048,549	961,893	86,656	9.0
Fixed base operations . . .	239,940	---	239,940	100.0
Reliever airport. . . . .	580,599	601,207	(20,608)	-3.4
Administration. . . . .	2,433,654	2,875,991	(442,337)	-15.4
Depreciation. . . . .	<u>7,033,108</u>	<u>7,284,527</u>	<u>(251,419)</u>	-3.5
Total Operating expenses. . .	17,069,025	17,378,226	(309,201)	-1.8
 Nonoperating expenses . . . .	 <u>320,897</u>	 <u>495,406</u>	 <u>(174,509)</u>	 -35.2
Total expenses. . . . .	<u>17,389,922</u>	<u>17,873,632</u>	<u>(483,710)</u>	-2.7
<b>Income before capital</b>				
contributions . . . . .	2,776,128	1,319,723	1,456,405	110.4
Capital contributions . . . .	<u>670,811</u>	<u>2,379,894</u>	<u>(1,709,083)</u>	-71.8
Increase in net position. . .	<u>\$ 3,446,939</u>	<u>\$ 3,699,617</u>	<u>\$ (252,678)</u>	-6.8

The following charts show the major sources and percentages of operating revenues and expenses for the year ended December 31, 2015:



### Capital Asset Activity

During 2015, the Authority expended approximately \$9.4 million for capital improvements. The Authority completed the following projects at Fort Wayne International: completed a \$5 million fixed base operations (FBO) building with approximately \$4.5 million expended in 2015; purchase FBO vehicles, ground support equipment and other FBO equipment for \$790,513; purchased and installed a new jet bridge for \$844,562 and refurbished two existing jet bridges for \$811,300; completed phase 4 of the Terminal roof project for approximately \$196,350; and completed the installation of the final three sliding doors to the Terminal building entrance for \$232,456. At year end design was underway at Fort Wayne International for improvements to an existing building to house U.S. Customs operations with an estimated cost of \$1.25 million; and mobilization had begun for Runway 14-32 reconstruction with construction beginning in late spring at an estimated cost of \$16 million for completion of phases 1 and 2. A substantial amount of these projects are being financed with federal and state grants, and passenger facility charges. At Smith Field, the Authority completed the construction of Taxiway H for \$697,248 with approximately \$214,000 expended in 2015.

For additional information on capital asset activity, see note 5.

### Long-Term Debt Activity

In February of 2011, the First Mortgage Federally Taxable Refunding Bonds were issued by the Fort Wayne International Airport Air Trade Center Building Corporation, a component unit of the Authority, to refund the 1998 First Mortgage Bonds. The primary purpose of the refunding was to eliminate certain restrictions in the bond covenant. The bonds have a rating of AA+ by Fitch Ratings and Aa3 by Moody's.

Bond ratings did not change during 2015. The Authority has a legal debt limit of \$88,635,611 which represents 2 percent of the adjusted value of Allen County property. The adjusted value is one-third of the assessed value as certified by the State Department of Local Government Finance. Since the Authority has no general obligation debt outstanding, the legal debt margin is also \$88,635,611 as of December 31, 2015. Bonds issued by a building corporation do not count against the legal debt limit. As a result, the Authority has no debt limitations that will affect the financing of planned facilities or services.

For additional information on bonds and other long-term debt, see note 9.

### **Currently Known Facts**

On January 1, 2016 the Authority began operating Fort Wayne International Airport's fixed based operations. The Authority is taking over the operation of an existing Airport business after the previous operator's lease agreement expired. The business includes primarily aircraft refueling, aircraft deicing, fuel storage, aircraft hangar rentals, office rentals, aircraft parking, and cargo handling services.

The Authority's property tax rates include a debt service levy in addition to the operating and cumulative building fund. In 2016, the operating, debt service and cumulative building tax rates are .0294, .0138, and .0032, respectively. The rates are per \$100 of assessed value and will be applied on an assessed value of \$13,650,544,767. These rates compare to the 2015 rates for operating, debt service and cumulative building of .0292, .0147 and .0032, respectively.

### **Requests for Information**

This financial report is designed to provide the Authority's taxpayers, citizens, investors, creditors and customers with a general overview of the Authority's finances, and to show the Authority's accountability for the funds it receives and expends. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Administration and Finance, 3801 W. Ferguson Road, Suite 209, Fort Wayne, Indiana 46809-3194.

**FORT WAYNE-ALLEN COUNTY AIRPORT AUTHORITY**  
**Statement of Net Position**  
**December 31, 2015**

	<b>Totals</b>
<b>ASSETS</b>	
CURRENT ASSETS:	
Unrestricted assets:	
Cash and cash equivalents--note 2.....	\$ 4,112,909
Investments--note 2.....	11,000,000
Accounts receivable, net of allowance.....	48,044
Unbilled revenue.....	569,764
Property tax receivables, net of allowance--note 1.....	50,198
Other receivables.....	34,139
Inventory--note 4.....	342,141
Prepaid items.....	185,484
Total unrestricted assets.....	16,342,679
Restricted assets:	
Cash and cash equivalents--note 2.....	2,066,013
Passenger facility charge receivable.....	164,934
Federal and state grants receivable.....	1,134,189
Property tax receivable, net of allowance--note 1.....	29,469
Total restricted assets.....	3,394,605
Total current assets.....	19,737,284
NONCURRENT ASSETS:	
Restricted assets:	
Cash and cash equivalents, including \$7,272 held by trustee--notes 2 and 3.....	429,703
Investments--notes 2 and 3.....	7,000,000
Property tax receivables, net of allowance--note 1.....	5,501
Other receivables.....	32,186
Total restricted assets.....	7,467,390
Capital assets, net--note 5.....	103,108,832
Total noncurrent assets.....	110,576,222
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred amount on refunding bonds.....	43,891
Deferred outflow of resources related to pensions.....	855,698
Total deferred outflows of resources.....	899,589
Total assets and deferred outflows of resources.....	\$ 131,213,095

<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>Totals</b>
<b>CURRENT LIABILITIES</b>	
Payable from unrestricted:	
Accounts payable.....	\$ 2,077,084
Accrued liabilities.....	301,773
Advance rent.....	71,299
Total unrestricted.....	<u>2,450,156</u>
Payable from restricted:	
Accounts payable.....	108,172
Current portion of bonds payable--note 9.....	1,630,000
Accrued interest on bonds payable.....	197,001
Total restricted.....	<u>1,935,173</u>
Total current liabilities.....	<u>4,385,329</u>
<b>NONCURRENT LIABILITIES</b>	
Net pension liability--note 7.....	3,020,464
Net other postemployment benefits obligation--note 8.....	698,917
Accrued compensated absences.....	717,173
Bonds payable, net--note 9.....	6,330,000
Total noncurrent liabilities.....	<u>10,766,554</u>
Total liabilities.....	<u>15,151,883</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources related to pensions.....	<u>75,519</u>
<b>NET POSITION</b>	
Net investment in capital assets.....	95,192,723
Restricted for:	
Debt Service.....	837,645
Capital projects.....	9,718,791
Other purposes.....	387
Unrestricted.....	<u>10,236,147</u>
Total net position.....	<u>115,985,693</u>
 Total liabilities, deferred inflows of resources and net position.....	 <u>\$ 131,213,095</u>

The accompanying notes are an integral part of the financial statements

**FORT WAYNE-ALLEN COUNTY AIRPORT AUTHORITY**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended December 31, 2015**

	<b>Totals</b>
<b>OPERATING REVENUES:</b>	
Airfield.....	\$ 1,565,022
Buildings and grounds.....	2,203,676
Terminal.....	2,979,260
Parking.....	3,583,154
Reliever airport.....	478,867
Total operating revenues.....	10,809,979
<b>OPERATING EXPENSES:</b>	
Airfield.....	2,747,678
Buildings and grounds.....	1,345,352
Terminal.....	1,640,145
Parking.....	1,048,549
Fixed based operations.....	239,940
Reliever airport.....	580,599
Administration.....	2,433,654
Depreciation.....	7,033,108
Total operating expenses.....	17,069,025
<b>OPERATING LOSS</b> .....	<b>(6,259,046)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>	
Property and other taxes.....	7,017,489
Federal operating grant.....	150,599
Passenger facility charge.....	1,471,790
Customer facility charge.....	493,499
Interest income.....	119,701
Interest expense.....	(320,897)
Loss on sale of investments.....	(10,803)
Gain on disposal of capital assets.....	113,796
Net nonoperating revenues (expenses).....	9,035,174
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS</b> .....	2,776,128
<b>CAPITAL CONTRIBUTIONS:</b>	
Federal and state grants.....	670,811
<b>NET POSITION:</b>	
Increase in net position.....	3,446,939
Total net position, beginning of year before cumulative effect of change in accounting principle.....	114,677,370
Cumulative effect of change in accounting principle.....	(2,138,616)
Total net position, beginning of year (as restated).....	112,538,754
Total net position, end of year.....	\$ 115,985,693

The accompanying notes are an integral part of the financial statements.

**FORT WAYNE-ALLEN COUNTY AIRPORT AUTHORITY**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2015**

	<b>Totals</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from customers.....	\$ 10,598,183
Payments to suppliers.....	(4,015,581)
Payments to employees.....	(3,949,666)
Payments of benefits on behalf of employees.....	(1,805,453)
Payments to airlines.....	(928,190)
Refunds and return of customer deposits.....	(34,103)
Net cash used in operating activities.....	(134,810)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITY:</b>	
Receipts of property and other taxes.....	4,509,995
Net cash provided by noncapital financing activities.....	4,509,995
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Receipts of property and other taxes.....	2,506,025
Acquisition and construction of capital assets.....	(9,259,932)
Sale of capital assets.....	116,147
Principal paid on bonds and other long-term debt.....	(1,565,000)
Interest paid on bonds and other long-term debt.....	(441,100)
Capital grant receipts.....	1,167,276
Passenger facility charge receipts.....	1,430,960
Customer facility charge receipts.....	495,412
Net cash used in capital and related financing activities.....	(5,550,212)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Purchase of investment securities.....	(24,000,000)
Proceeds from sale and maturities of investment securities.....	22,000,000
Interest received on investments.....	97,785
Proceeds from sale of equity securities.....	189,630
Net cash used in investing activities.....	(1,712,585)
NET DECREASE IN CASH AND CASH EQUIVALENTS.....	(2,887,612)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR.....	9,496,237
CASH AND CASH EQUIVALENTS, END OF YEAR.....	\$ 6,608,625

continued

**FORT WAYNE-ALLEN COUNTY AIRPORT AUTHORITY**  
**Statement of Cash Flows-Continued**  
**For the Year Ended December 31, 2015**

	<b>Totals</b>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss.....	\$ (6,259,046)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation.....	7,033,108
Bad debt expense.....	5,204
Changes in assets and liabilities:	
Accounts receivable and unbilled revenue.....	(129,423)
Other assets.....	(141,467)
Accounts payable.....	(277,423)
Accrued liabilities.....	(544,291)
Net pension liability.....	110,049
Deferred outflows of resources related to pensions.....	(8,380)
Net OPEB.....	76,859
Net cash used in operating activities.....	\$ (134,810)

NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:

CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital assets included in accounts payable.....	\$ 1,379,910
Capital contributions from federal and state grants.....	(359,803)

The accompanying notes are an integral part of the financial statements.

**FORT WAYNE-ALLEN COUNTY AIRPORT AUTHORITY**  
**Notes to Financial Statements**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization** - The Fort Wayne-Allen County Airport Authority (the Authority) is a municipal corporation established July 1, 1985, under authority granted by Indiana statute (1961 Acts, Chapter 283, IC 1979 19-6-2, superseded by IC 8-22-3-1). The Authority was established for the general purpose of acquiring, maintaining, operating, and financing airports and landing fields in and bordering on Allen 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 administers an airport system composed of Fort Wayne International Airport, a non-hub primary commercial service airport, and Smith Field, a general aviation airport. The Authority has no stockholders or equity holders and all revenues and other receipts must be disbursed in accordance with such statute.

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

**Reporting Entity** - As required by accounting principles generally accepted in the United States of America, these financial statements present Fort Wayne-Allen County Airport Authority and its component unit: Fort Wayne International Airport Air Trade Center Building Corporation (FWIAATCBC).

The Authority's Board consists of six members, three appointed by the Mayor of the City of Fort Wayne, and three by the Allen County Commissioners.

The Authority's component unit, FWIAATCBC, is an autonomous quasi-governmental unit. Although FWIAATCBC is legally separate from the Authority, it is reported as if it were part of the Authority because its sole purpose is to finance construction projects for the Authority by selling tax-exempt bonds. These bonds are collateralized by lease agreements with the Authority and will be retired through lease payments from the Authority. This lease agreement constitutes the imposition of a financial burden on the Authority, and FWIAATCBC provides services exclusively to the Authority. Since FWIAATCBC is so intertwined with the Authority, its balances and transactions are blended with the Authority's balances and transactions. Because this arrangement with the blended component unit is essentially a lease agreement, and after eliminations have been made, there is no material activity and no material balances remaining. Therefore, there is no separate fund reported.

**Fort Wayne-Allen County Airport Authority**  
**Notes to Financial Statements-Continued**

Financial information for FWIAATCBC can be obtained at the following address:

Fort Wayne International Airport Air  
Trade Center Building Corporation  
3801 W. Ferguson Road, Suite 209  
Fort Wayne, IN 46809

**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.

The Authority reports revenues and expenses as operating or nonoperating. Operating revenues and expenses result from providing services in connection with the Authority's ongoing operations. The Authority classifies revenues from airlines, concessions, car rental companies, 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 revenues from grants, property and other taxes, passenger facility charges, customer facility charges, and interest income are considered nonoperating revenues. Interest expense is reported as nonoperating expense.

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

Capital lease transactions between the Authority and the FWIAATCBC have been eliminated in the financial statements.

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 for proprietary funds.

**New Pronouncements** - The Authority adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions*, an amendment of GASB Statement No. 27, effective on January 1, 2015. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, an amendment of GASB Statement No. 25 and No. 27, as they relate to governments that provide pensions through pension plans

**Fort Wayne-Allen County Airport Authority**  
**Notes to Financial Statements-Continued**

administered as trusts or similar arrangements that meet certain criteria. Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). The implementation of this Statement required a prior period adjustment to the Authority's net position. In addition, the Authority adopted GASB Statement 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, effective on January 1, 2015. This Statement is an amendment to GASB 68 and includes transitional provisions related to certain pension contributions made by employers and non-employers to defined benefit pension plans prior to implementation of GASB 68.

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

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

The Authority invests exclusively in short-term nonnegotiable certificates of deposit that are stated at cost. The Authority's component unit (FWIAATCBC) may invest in short-term highly liquid money-market investments and U.S. government securities that have maturities less than one year. These investments are valued at amortized cost. There is no material difference between the amortized cost and the fair value of these investments.

**Unbilled Revenue** - The Authority accrues revenue for rentals and fees earned but not yet billed as of year-end.

**Inventories** - At year-end, the Authority had a significant amount of supplies inventory on hand. Inventories are valued at cost using the first-in-first-out method.

**Capital Assets** - On July 1, 1985, under an intergovernmental joint agreement between Allen County and the City of Fort Wayne, and pursuant to Indiana Statute 8-22-3-1, the Authority was established and thereupon assumed all assets, obligations and equity of the City's airport operations. Prior to that date, the airport operated as an agency of the City under the Board of Aviation.

**Fort Wayne-Allen County Airport Authority**  
**Notes to Financial Statements-Continued**

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.

Capital assets assumed by the Authority from the City on July 1, 1985, are carried at historical cost, net of accumulated depreciation, in the accompanying financial statements and aggregated \$3,694,355 at December 31, 2015. Maintenance and repair that do not add value to the assets or materially extend assets lives are not capitalized. When capital assets are disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any gain or loss on disposition is credited or charged to expense. Runways, taxiways, parking areas, sewers and other similar items are written off when fully depreciated unless clearly identified as still being in use. Except for inexhaustible capital assets such as land, land improvements, avigation easements and construction in progress, all capital assets, including infrastructure assets, are depreciated or amortized (intangibles) using the straight-line method over the estimated useful lives of the assets as follows:

	<u>Years</u>
Buildings and improvements	5-30
Infrastructure items	10-50
Intangibles	3-10
Equipment	3-20

In accordance with GASB, interest during construction periods, when significant, is capitalized and included in the cost of capital assets. The Authority incurred total interest cost of \$431,956 for the year ended December 31, 2015. The Authority capitalized \$111,059 of this amount during 2015.

**Compensated Absences** - All full-time employees receive compensation for vacations, holidays, illness, and certain other qualifying absences. The number of days compensated for the various categories of absence is generally based on length of service. Vacation that has been earned but not paid has been accrued in the financial statements. Accumulated unused sick leave benefits are nonvesting and are only paid out upon retirement. The maximum accumulation per employee is 1,460 hours for Public Safety employees and 1,040 hours for all other employees.

In accordance with GASB Statement No. 16, the Authority accrues accumulated unused sick leave benefits for employees with at least 10 years of service regardless of age and employees age 50 or older regardless of length of service. Based upon historical information, it was determined that these employees would most likely meet the conditions necessary to receive their sick leave benefits.

**FORT WAYNE-ALLEN COUNTY AIRPORT AUTHORITY**  
**Notes to Financial Statements-Continued**

**Deferred Outflows and Inflows of Resources** - In addition to assets, liabilities and net position, the Statement of Net Position contains a separate section for deferred outflows of resources and a separate section for deferred inflows of resources. A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period.

**Net Position** - The residual of all elements presented in the Authority's Statement of Net Position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net position has three components: Net investment in capital assets; restricted and unrestricted. Net investment in capital assets consist of capital assets net of accumulated depreciation and reduced by outstanding debt related to the acquisition, construction, or improvement of those assets. Deferred outflows and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. The Authority's restricted assets are expendable. The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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

**Passenger Facility Charge (PFC) Revenue** - The Authority received approval from the FAA to impose and use a PFC of \$3 per enplaned passenger beginning July 1, 1993. Subsequently, the Authority received approval from the FAA to increase the PFC from \$3 to \$4.50 per enplaned passenger beginning December 1, 2005. All projects for these two PFC applications have been completed. In addition, on January 6, 2015, the following projects (equipment purchases) were approved:

- (1) Replace Jet Bridge 8
- (2) Upgrade Public address System to Digital
- (3) Snow Removal Vehicles with Plow and Mid Mount Broom Attachments (2)
- (4) Replace Jet Bridge 7
- (5) High Speed Runway Snow Broom

**FORT WAYNE-ALLEN COUNTY AIRPORT AUTHORITY**  
**Notes to Financial Statements-Continued**

- (6) Commercial Aircraft Deicer (for Regional Jets and Single-aisle Aircraft)
- (7) Terminal Building Planning Study
- (8) Replace Shared Use Infrastructure Technology Environment Equipment

PFC's are collected by the airlines and are recognized as revenue by the Authority as they are earned, and are included in nonoperating revenues.

**Customer Facility Charge (CFC) Revenue** - The Authority received approval by the Board in 2011 to collect a CFC from all car rental companies that operate on the Airport. Effective July 1, 2014, the Board approved an increase in the CFC from \$1.50 per day to \$2.25 per car rental transaction per day. The Board also increased the period of collection from a rental for up to four days to a rental for up to ten days. CFC revenues will be used to construct a new car rental parking area and car rental parking area maintenance on the Airport. CFC's are recognized as revenue by the Authority as they are earned, and are included in nonoperating revenues.

**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 No. 13, Accounting for Operating Leases with Scheduled Rent Increases.

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

Lien date	March 1, 2014
Levy date	January 1, 2015
Tax bills mailed	April 1 and October 1, 2015
First installment payment due	May 10, 2015
Second installment payment due	November 10, 2015
Authority collection dates	June and December, 2015
Tax sale - 2015 delinquent property taxes	August, 2017

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

Property taxes are accrued when levied, and receivables (current and noncurrent) aggregated \$189,880 with an allowance of \$104,712 for delinquent taxes, at December 31, 2015.

**FORT WAYNE-ALLEN COUNTY AIRPORT AUTHORITY**  
**Notes to Financial Statements-Continued**

**Risk Management** - The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance to protect against all of these risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the past three years. There was no reduction in insurance coverage during 2015.

**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.

**Pensions** - The Authority participates in a cost-sharing multiple-employer defined benefit pension plan, the Public Employees' Retirement Fund (PERF) of the Indiana Public Retirement System. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of PERF and additions to and deductions from PERF's fiduciary net position have been determined on the same basis as they are reported by PERF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**FORT WAYNE-ALLEN COUNTY AIRPORT AUTHORITY**  
**Notes to Financial Statements-Continued**

**NOTE 2 CASH, CASH EQUIVALENTS AND INVESTMENTS**

Cash, cash equivalents and investments included in the statement of net position at December 31, 2015, consist of the following:

	Amount
Cash and Cash Equivalents:	
Current . . . . .	\$ 4,112,909
Current, restricted . . . . .	2,066,013
Noncurrent, restricted . . . . .	429,703
	6,608,625
Investments:	
Current . . . . .	11,000,000
Noncurrent, restricted . . . . .	7,000,000
	18,000,000
	\$24,608,625

Deposits and investments with financial institutions at December 31, 2015 are as follows:

Cash deposits . . . . .	\$ 6,596,136
Certificates of deposit (CD's) . . . . .	18,000,000
Total deposits . . . . .	\$24,596,136

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Authority's deposits may not be returned. The Authority's deposit policy for custodial credit risk requires compliance with provisions of Indiana Code (IC) 5-13-9. The Authority's cash deposits and CD's are insured by the Federal Deposit Insurance Corporation (FDIC) at each bank for a combined total of up to \$250,000. Deposits in excess of \$250,000 for cash deposits and CD's at each bank are insured by the Indiana Public Deposits Insurance Fund (IPDIF). The IPDIF is a multiple financial institution collateral pool as provided under IC 5-13-12-1. Authority deposits totaling \$750,000 are insured by the FDIC. Remaining deposits are insured by the IPDIF.

At December 31, 2015, the Authority had the following cash equivalents (maturity of three months or less):

Short-term government money market funds . . . . .	\$ 7,272
--	----------

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. FWIAATCBC, the Authority's component unit,

**FORT WAYNE-ALLEN COUNTY AIRPORT AUTHORITY**  
**Notes to Financial Statements-Continued**

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

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize credit risks associated with investments, the Authority's policy is to follow IC 5-13-9-2.5, which limits investments to money market funds rated AAAM by Standard and Poor's Corporation or Aaa by Moody's Investors Service, Inc., repurchase agreements fully collateralized by U.S. Government securities, and U.S. Treasury obligations (or other U.S. Agency obligations). As of December 31, 2015, the Authority's investments met these criteria.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority's investment policy to minimize interest rate risk is to abide by the Indiana Code, which limits investments to securities with a stated maturity of not more than two years. This maturity limitation reduces the Authority's exposure to declines in fair values related to increases in interest rates. FWIAATCBC's investment policy is to limit investments to money market funds that have a weighted average maturity of 90 days or less. These investments are available for redemption daily without penalty.

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, Cash Equivalents and Investments** - Cash, cash equivalents and investments are restricted as follows:

	Amount
Pursuant to the FWIAATCBC First Mortgage Taxable Refunding Bonds of 2011 Trust Indenture:	
Bond Operation and Reserve Account . . . . .	\$ 7,272
Property Tax Revenues Reserved for Debt Service. . . . .	997,904
Pursuant to the Aviation Safety and Capacity Expansion Act of 1990, Federal Aviation Regulation Part 158:	
Passenger Facility Charge Account. . . . .	1,068,109

**FORT WAYNE-ALLEN COUNTY AIRPORT AUTHORITY**  
**Notes to Financial Statements-Continued**

Pursuant to the Cumulative Building Fund Account Established in 2001. . . . .	7,313,872
Pursuant to IC 6-1.1-18.5-17, Levy Excess Fund . . . . .	387
Security Deposits. . . . .	<u>108,172</u>
Total. . . . .	<u>\$ 9,495,716</u>

**First Mortgage Taxable Refunding Bonds of 2011**

The Trust Indenture adopted February 17, 2011 with the issuance of the First Mortgage Taxable Refunding Bonds of 2011, provided that certain accounts be maintained by the Trustee: Sinking Fund and Operation and Reserve accounts.

Sinking Fund Account - This account is used to deposit rental payments received, and to pay principal and interest as they become due.

Operation and Reserve Account - This account is used to pay necessary incidental expenses (e.g., trustee fees, accounting fees, appraisals, meetings, cost of rebate calculations, etc.) of the FWIAATCBC. If the amount in the Sinking Fund Account is less than the required amount, the trustee shall transfer funds from the Operation and Reserve Account to raise the Sinking Fund Account to the appropriate level.

The Authority levies a property tax for the payment of principal and interest on these bonds. The levy became effective for taxes collected during 2009.

The Authority is in compliance with all significant financial bond covenants as of December 31, 2015.

**NOTE 4 INVENTORIES**

Inventory of supplies and materials at December 31 consists of the following:

	<u>Amount</u>
Supply inventories held for consumption. . . . .	\$ 132,806
Fixed based operator inventories held for resale . . . . .	<u>209,335</u>
Total inventories. . . . .	<u>\$ 342,141</u>

**FORT WAYNE-ALLEN COUNTY AIRPORT AUTHORITY**  
**Notes to Financial Statements-Continued**

**NOTE 5 CAPITAL ASSETS**

Capital asset activity for the year ended December 31 consists of the following:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	Ending <u>Balance</u>
Capital assets, not being depreciated:				
Land . . . . .	\$ 20,837,592	\$ 173,856	\$ ---	\$ 21,011,448
Intangibles . . . . .	118,357	---	---	118,357
Work in progress . . . . .	<u>8,832,882</u>	<u>7,291,956</u>	<u>14,530,184</u>	<u>1,594,654</u>
Total capital assets, <b>not</b> being depreciated . . . . .	<u>29,788,831</u>	<u>7,465,812</u>	<u>14,530,184</u>	<u>22,724,459</u>
Capital assets, being depreciated:				
Buildings and improvements . .	76,254,155	7,160,868	1,017,581	82,397,442
Infrastructure items . . . . .	136,440,278	8,449,337	---	144,889,615
Intangibles . . . . .	2,736,000	22,574	---	2,758,574
Equipment . . . . .	<u>11,204,280</u>	<u>990,547</u>	<u>313,635</u>	<u>11,881,192</u>
Total capital assets, being depreciated . . . . .	<u>226,634,713</u>	<u>16,623,326</u>	<u>1,331,216</u>	<u>241,926,823</u>
Less accumulated depreciation for:				
Buildings and improvements . .	47,699,142	2,282,426	1,013,553	48,968,015
Infrastructure items . . . . .	100,146,792	3,858,665	---	104,005,457
Intangibles . . . . .	1,397,728	229,531	---	1,627,259
Equipment . . . . .	<u>6,592,868</u>	<u>662,486</u>	<u>313,635</u>	<u>6,941,719</u>
Total accumulated depreciation	<u>155,836,530</u>	<u>7,033,108</u>	<u>1,327,188</u>	<u>161,542,450</u>
Net capital assets . . . . .	<u>\$100,587,014</u>	<u>\$ 17,056,030</u>	<u>\$14,534,212</u>	<u>\$103,108,832</u>

All depreciation expense, \$7,033,108 for the current year, was charged to the Authority fund. There was no depreciation expense charged to the component unit.

**NOTE 6 PROPERTY TAXES**

The applicable property tax rates and related levies in 2015 are as follows:

	Rate <u>Per \$100</u>	Property <u>Tax Levies</u>
Operating . . . . .	\$ .0292	\$ 3,882,240
Debt Service . . . . .	.0147	1,954,415
Cumulative Building . . . . .	<u>.0032</u>	<u>425,451</u>
Total . . . . .	<u>\$ .0471</u>	<u>\$ 6,262,106</u>

**FORT WAYNE-ALLEN COUNTY AIRPORT AUTHORITY**  
**Notes to Financial Statements-Continued**

**NOTE 7 PENSION PLAN**

**General Information about the Pension Plan**

**Plan description** - Employees of the Authority are provided with pensions through the Public Employees Retirement Fund (PERF), a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Retirement System (INPRS). Indiana Statutes (IC 5-10.2 and 5-10.3) govern most requirements of the defined benefit plan, and give the Authority the authority to contribute to the plan. The contribution requirements of the Authority are established and may be amended by the INPRS Board. The INPRS issues a publicly available comprehensive annual financial report that can be obtained by writing to the Indiana Public Retirement System, One North Capital, Suite 001, Indianapolis, Indiana 46204, or it can be obtained at <http://www.in.gov/inprs/annualreports.htm>.

**Benefits Provided** - PERF provides retirement, disability, and death benefits. Retirement benefits are determined as 1.1 percent of the employee's highest 5-year average compensation times the employee's years of service. Employees with 10 years of service are eligible to retire at age 65. Employees with 15 years of service are eligible to retire at age 60. Employees are eligible for disability benefits with a minimum of five years of length of service. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. An employee's death entitles the beneficiary to receive the monthly life benefit under the assumption that the member retired on the later of age 50 or the day before the date of death and elected the joint and full survivor option (Eligibility for pre-retirement death benefits requires 15 or more years of vesting service if death occurs in service. If death occurs after separating from service, age 50 with 15 or more years of vesting service). Actuarial assumptions include a 1 percent cost of living adjustment (COLA). Postemployment benefits may be increased periodically as a COLA. However, such increases are not guaranteed by statute and have historically been provided on an 'ad hoc' basis and can only be granted by the Indiana General Assembly. There was no COLA for the year ended June 30, 2015; however, eligible members received a one-time check in September 2014 ranging from \$150 to \$450 based upon a member's years of service.

**Contributions** - Per Indiana Code 5-10.2, contribution requirements of PERF employers are established and may be amended by the INPRS. Employees are not required to contribute to the plan. The Authority's required contractually required contribution rate for the year ended December 31, 2015, was 11.2 percent of annual payroll, actuarially determined as an amount that is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$372,707 for the year ended December 31, 2015.

**FORT WAYNE-ALLEN COUNTY AIRPORT AUTHORITY**  
**Notes to Financial Statements-Continued**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At December 31, 2015, the Authority reported a liability of \$3,020,464 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on wages reported by the Authority relative to the collective wages for all employees. At June 30, 2015, the Authority's proportion was .07416 percent, which was an increase of .00272 from its proportion of .07144 percent measured as of June 30, 2014.

For the year ended December 31, 2015, the Authority recognized pension expense of \$474,300. At December 31, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 129,652	\$ 6,247
Net Difference between projected and actual investment earnings on pension plan investments	225,225	---
Changes of Assumptions	255,331	---
Changes in proportion and differences between Authority contributions and proportionate share of contributions	60,414	69,272
Authority contributions subsequent to the measurement date	<u>185,076</u>	<u>---</u>
Total	<u>\$ 855,698</u>	<u>\$ 75,519</u>

\$185,076 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of

**FORT WAYNE-ALLEN COUNTY AIRPORT AUTHORITY**  
**Notes to Financial Statements-Continued**

resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2016	\$ 188,360
2017	188,360
2018	91,060
2019	127,323
2020	---
Thereafter	---

**Actuarial assumptions** - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 Percent
Salary increases	2.5 to 4.25 Percent
Investment rate of return	6.75 percent, net of pension plan investment expense, including inflation
Cost of living adjustments	1 Percent

Mortality rates were based on the RP-2014 Total Data Set Mortality Tables, with Social Security Administration Generational Improvement Scale from 2014.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study completed in April 2015 that resulted in an adjustment of retirement, termination and disability rates to reflect recent experience. The study was based on member experience between June 30, 2010 and June 30, 2014. The demographic assumptions were updated as needed for the June 30, 2015 actuarial valuation based on the results of the study.

The long-term rate of return expectation on PERF investments was determined by using a building-block approach and assumes a time horizon, as defined in the INPRS Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for

**FORT WAYNE-ALLEN COUNTY AIRPORT AUTHORITY**  
**Notes to Financial Statements-Continued**

each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public equity	22.5 %	5.3 %
Private equity	10.0	5.6
Fixed income - ex inflation-linked	22.0	2.1
Fixed income - inflation-linked	10.0	0.7
Commodities	8.0	2.0
Real estate	7.5	3.0
Absolute return	10.0	3.9
Risk parity	<u>10.0</u>	5.0
 Total	 <u>100.0 %</u>	

**Discount rate** - Total pension liability for PERF was calculated using a discount rate of 6.75 percent. The projection of cash flows used to determine the discount rate assumed that contributions from employers would at the minimum be made at the actuarially determined required rates computed in accordance with current funding policy adopted by the Board, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of net pension liability to changes in the discount rate** - The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 6.75 percent, as well as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75 percent), or one percentage point higher (7.75 percent) than the current rate:

	<u>1 % Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1% Increase (7.75%)</u>
Authority's proportionate share of the net pension liability	\$ 4,455,443	\$ 3,020,464	\$ 1,829,169

**Pension plan fiduciary net position** - Detailed information about the pension plan's fiduciary net position is available in the separately issued INPRS financial report.

**FORT WAYNE-ALLEN COUNTY AIRPORT AUTHORITY**  
**Notes to Financial Statements-Continued**

**Payable to the pension plan** - At December 31, 2015, all required contributions had been paid to the pension plan.

**Defined contribution plan**

The Authority's defined contribution plan is the other component of the Authority's pension plan that is also administered by INPRS. INPRS accumulates employee contributions and allocates investment income into a separate system wide fund for all members. Upon retirement, employees may elect a lump sum distribution of all or part of the savings account. Employees who leave employment before qualifying for benefits under the defined benefit component receive a refund of this savings account.

Plan provisions, including contribution requirements, are established by the Indiana State Legislature, and may be amended only by this body. Employees are required to contribute 3 percent of their annual salary to an annuity savings account. Since 1987, the Authority has been funding the employee contribution requirement. During 2015, the Authority contributed \$101,570 on behalf of the employees. This amount represents pension expense for the Authority during the year. Plan provisions do not require employer contributions. The Authority did not have any outstanding liabilities at year-end for this pension plan.

**NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

**Plan Description** - The Authority administers a single-employer defined benefit retiree healthcare plan. The plan provides medical and dental benefits to eligible retirees and their spouses. Eligible employees must be at least 60 years of age with 10 years of continuous full time employment. Coverage ends at Medicare eligibility date. The Retiree Health Plan does not issue a publicly available financial report.

**Funding Policy** - The contribution requirements of plan members are established by the Authority Board and may be amended annually. Retiree contributions vary based upon the option they choose: Option 1 is a traditional paid provider plan and Option 2 is a high deductible paid provider plan. Under Option 1, each retiree contributes \$205 per month for the retiree and \$226 for the spouse. Under Option 2, each retiree contributes \$127 per month for the retiree and \$158 for the spouse. For the year ended December 31, 2015, three (number of participants currently eligible) retirees contributed \$12,807 and the Authority contributed \$28,854 to the plan.

**Annual OPEB Cost and Net OPEB** - The Authority's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Authority's annual OPEB cost for the year, the amount

**FORT WAYNE-ALLEN COUNTY AIRPORT AUTHORITY**  
**Notes to Financial Statements-Continued**

actually contributed to the plan, and changes in the Authority's net OPEB obligation to the Plan.

Annual required contribution	\$ 119,009
Interest on net OPEB obligation	18,978
Adjustment to annual required contribution	<u>(32,274)</u>
Annual OPEB cost (expense)	105,713
Contributions made	<u>(28,854)</u>
Increase in net OPEB obligation	76,859
Net OPEB obligation, beginning of year	<u>622,058</u>
Net OPEB obligation, end of year	<u>\$ 698,917</u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the preceding two years were as follows:

<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage Annual OPEB Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$ 123,802	36.7%	\$ 503,584
2014	144,864	18.2	622,058
2015	105,713	27.3	698,917

**Funded Status and Funding Progress** - As of December 31, 2014, the most recent valuation date, the actuarial accrued liability for benefits was \$902,202, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3.5 million, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 25.7 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions** - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at

**FORT WAYNE-ALLEN COUNTY AIRPORT AUTHORITY**  
**Notes to Financial Statements-Continued**

the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2014 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 10 percent for medical care initially, reduced by decrements to an ultimate rate of 5 percent after 11 years. The trend rate for dental care remains at 5 percent. The actuary did not factor an inflation rate into the calculations. A discount rate of 4 percent was used to discount projected benefits to their present value. This rate was based upon historical and expected future returns on the assets expected to be available to pay or provide OPEB when due. The unfunded actuarial accrued liability is being amortized using the level dollar amortization method on an open basis. The remaining amortization period at December 31, 2015 was 22 years.

**NOTE 9 BONDS AND OTHER LONG-TERM LIABILITIES**

**Bonds consist of:**

**Revenue Bonds**

First Mortgage Federally Taxable Refunding Bonds of 2011:

Fort Wayne International Airport Air

Trade Center Building Corporation

Principal payable semi-annually on January 15, 2016  
to January 15, 2020 in payments ranging from  
\$975,000 in 2020 to \$1,875,000 in 2019.

Interest at 4.4 to 5.54% due semi- annually

on January 15 and July 15 . . . . . \$ 7,960,000

Less: Current portion. . . . . (1,630,000)

\$ 6,330,000

The Authority has a legal debt limit of \$88,635,611 which represents 2 percent of the adjusted value of Allen 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 legal debt margin of the Authority is also \$88,635,611 as of December 31, 2015.

**First Mortgage Federally Taxable Refunding Bonds of 2011**

The Fort Wayne International Airport Air Trade Center Building Corporation (FWIAATCBC) First Mortgage Federally Taxable Bonds of 2011 (the 2011 Bonds) are

**FORT WAYNE-ALLEN COUNTY AIRPORT AUTHORITY**  
**Notes to Financial Statements-Continued**

secured by semiannual lease rental payments to be paid by the Authority pursuant to the terms of the Master Lease agreement between the FWIAATCBC (Lessor) and the Authority (Lessee) described below.

FWIAATCBC agreed to sell the 2011 Bonds in the original amount of \$14,710,000 to refund the 1998 First Mortgage Bonds (the 1998 Bonds). The previously issued 1998 Bonds were used to construct and equip an air freight hub, aircraft maintenance facility, air cargo sorting facilities, parking, fueling and related facilities, and personal property connected with the above.

In 1998, the Authority entered into a Master Lease with FWIAATCBC. FWIAATCBC agreed to sell bonds to finance the construction of the project described above. In addition, the Authority agreed to sublet the project through a building lease with an unrelated air cargo company. Subsequently, on October 29, 2007, the air cargo company filed petitions for reorganization under the Chapter 11 Bankruptcy Code, and ceased operations at Fort Wayne International Airport. Since the provisions of the Master Lease agreement require the Authority to levy taxes on all taxable property within Allen County if revenues from the building lease are insufficient, the Authority obtained approval from the Allen County Council during 2008 to levy a debt service tax on all taxable property within Allen County. However, this levy may be reduced by amounts on deposit in the Authority's lease rental reserve account that consists of net lease rentals received, if any, from future tenants of the facilities.

FWIAATCBC retains title to the facilities until the option to purchase is exercised or the lease term is ended. At such time, the facilities become the property of the Authority.

The First Mortgage Bonds are not subject to optional redemption prior to maturity, but some of the bonds are subject to mandatory sinking fund redemption.

**Debt Defeasance**

The Authority has no outstanding defeased debt. Annual debt service requirements to maturity for revenue bonds are as follows as of December 31, 2015:

**Debt Service Requirements**

Years ending December 31:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016 . . . . .	\$ 1,630,000	\$ 376,895	\$ 2,006,895
2017 . . . . .	1,700,000	305,364	2,005,364
2018 . . . . .	1,780,000	224,488	2,004,488
2019 . . . . .	1,875,000	132,268	2,007,268
2020 . . . . .	<u>975,000</u>	<u>27,008</u>	<u>1,002,008</u>
	<u>\$ 7,960,000</u>	<u>\$ 1,066,023</u>	<u>\$ 9,026,023</u>

**FORT WAYNE-ALLEN COUNTY AIRPORT AUTHORITY**  
**Notes to Financial Statements-Continued**

**Changes in Bonds and Long-Term Liabilities**

Bonds and long-term liability activity for the year ended December 31, 2015, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long-term liabilities:					
Compensated absences.	\$ 1,047,500	\$ 298,240	\$ (438,841)	\$ 906,899	\$ 189,728
Bonds:					
Revenue bonds . . . .	<u>9,525,000</u>	<u>---</u>	<u>(1,565,000)</u>	<u>7,960,000</u>	<u>1,630,000</u>
Total bonds and long-term liabilities . . .	<u>\$10,572,500</u>	<u>\$ 298,240</u>	<u>\$(2,003,841)</u>	<u>\$ 8,866,899</u>	<u>\$ 1,819,728</u>

**NOTE 10 COMMITMENTS AND CONTINGENCIES**

**Capital Improvements** - At December 31, 2015, the Authority was obligated for completion of Airport runway improvements and various smaller projects under commitments aggregating \$13,991,172 with an estimated \$13,914,161 eligible for reimbursement at 95 percent from the FAA and the State of Indiana, and \$23,667 eligible for reimbursement at 100 percent from passenger facility charges.

**Rebatable Arbitrage** - Based upon calculations through December 31, 2015, there are no rebatable arbitrage liabilities.

**Litigation** - The nature of the business of the Authority generates certain litigation against the Authority arising in the ordinary course of business. However, the Authority believes the ultimate outcome of these matters in the aggregate should not have a materially adverse effect on its financial position or results of operations.

**NOTE 11 RENTAL INCOME UNDER OPERATING LEASES**

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

**FORT WAYNE-ALLEN COUNTY AIRPORT AUTHORITY**  
**Notes to Financial Statements-Continued**

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

Years ending December 31:	
2016 . . . . .	\$ 2,913,677
2017 . . . . .	2,539,607
2018 . . . . .	939,324
2019 . . . . .	175,421
2020 . . . . .	139,073
Later Years . . . . .	<u>1,059,287</u>
Total . . . . .	<u>\$ 7,766,389</u>

The schedule above includes changes in rental rates that became effective on January 1, 2016. These rates are adjusted annually.

Contingent rentals and fees aggregated \$6,612,304 for the year ended December 31, 2015.

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 12 ADOPTION OF GASB 68**

During the year ended December 31, 2015, the Authority adopted GASB Statement 68 as described more fully in notes 1 and 7. GASB 68 requires the Authority to assume and report its proportionate share of the Net Pension Liability of the Indiana Public Employees Retirement Fund. Adoption of GASB 68 requires a restatement of beginning net position at January 1, 2015. Net position as of January 1, 2015 has been restated as follows for the implementation of GASB 68, as amended by GASB 71:

Net Position as previously reported at January 1, 2015:	\$ 114,677,370
Restatement for adoption of GASB 68:	
Net Pension Liability at January 1, 2015(measurement date as of 06/30/14)	(1,877,397)
Deferred Inflows of Resources at January 1, 2015(measurement date as of 06/30/14)	(437,915)
Deferred Outflows of Resources - contributions from July 1, 2014 through December 31, 2014	<u>176,696</u>
Net Position as restated, January 1, 2015	<u>\$ 112,538,754</u>

**FORT WAYNE-ALLEN COUNTY AIRPORT AUTHORITY**  
**Notes to Financial Statements-Continued**

**NOTE 13 MAJOR CUSTOMERS**

During the year ended December 31, 2015, the Authority received significant operating revenue from one airline. Rentals, landing fees, apron fees and other revenues from this airline aggregated approximately 8.2 percent of operating revenues.

**NOTE 14 SUBSEQUENT EVENTS**

On January 1, 2016, the Authority began operating Fort Wayne International Airport's fixed base operations (FBO). The Authority began operating the business after the previous operator's lease agreement expired. New facility construction for the FBO was completed and equipment purchases were made during 2015. The costs for construction and equipment purchases are reflected in the financial statements at year-end.

**REQUIRED SUPPLEMENTARY  
INFORMATION (UNAUDITED)**

**FORT WAYNE-ALLEN COUNTY AIRPORT AUTHORITY**  
**Required Supplementary Information**  
**Schedule of the Authority's Proportionate Share of the**  
**Net Pension Liability**  
**Public Employees Retirement Fund**  
**Last 2 Fiscal Years**

	<u>2015 *</u>	<u>2014</u>
Authority's proportion of the net pension liability	.07416%	.07144%
Authority's proportionate share of the net pension liability	\$3,020,464	\$1,877,397
Authority's covered-employee payroll	\$3,552,188	\$3,487,775
Authority's proportionate share of the net pension liability as a percentage of covered payroll	85.0%	53.8%
Plan fiduciary net position as a percentage of the total pension liability	77.3%	84.3%
<ul style="list-style-type: none"> <li>• - The amounts presented for the fiscal year were determined as of June 30, 2015 (measurement date)</li> </ul>		

**Schedule of Contributions**  
**Public Employees Retirement Fund**

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 372,707	\$ 373,698
Contributions in relation to the contractually required contribution	\$ 372,707	\$ 373,698
Contribution deficiency (excess)	---	---
Authority's covered-employee payroll	\$3,385,663	\$3,580,305
Contributions as a percentage of covered-employee payroll	10.76%	10.44%

**Notes to Schedules:**

**Note A - Valuation Date:** 06/30/15

**Note B - Changes of assumptions:** Amounts reported in 2015 reflect an adjustment of retirement, termination and disability rates to reflect recent experience. Demographic assumptions were updated as needed for the June 30, 2015 actuarial valuation. The assumption for inflation decreased from 3 percent to 2.25 percent. The future salary increase rate decreased from a range of 3.25 percent to 4.5 percent to a range of 2.5 percent to 4.25 percent. Mortality changed from the 2013 IRS Static Mortality projected five years with Scale AA to the RP-2014 Total Data Set Mortality Table projected on a fully generational basis using the future mortality projection included in the Social Security Administration's 2014 Trustee Report.

**Note C -** These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the requirements of GASB 68, the Authority will present information for those years for which information is available.

**FORT WAYNE-ALLEN COUNTY AIRPORT AUTHORITY**  
**Required Supplementary Information**  
**Schedule of Funding Progress**  
**Retiree Healthcare Plan**

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability(AAL) Projected Unit Credit (2)	Unfunded AAL (2 - 1)	Funded Ratio (1 /2)	Covered Payroll (3)	Unfunded AAL as a Percentage of Covered Payroll ((2-1)/3))
12/31/07 (A)	\$ 0	\$ 798,194	\$798,194	0.0%	\$3,326,274	24.0%
12/31/08	0	880,772	880,772	0.0	3,375,564	26.1
12/31/09	0	978,354	978,354	0.0	3,652,914	26.8
12/31/10	0	964,500	964,500	0.0	3,608,928	26.7
12/31/11 (B)	0	N/A	N/A	N/A	3,654,941	N/A
12/31/12	0	1,126,517	1,126,517	0.0	3,539,674	31.8
12/31/13 (B)	0	N/A	N/A	N/A	3,505,194	N/A
12/31/14	0	902,202	902,202	0.0	3,580,305	25.2
12/31/15(B)_	0	N/A	N/A	N/A	3,385,663	N/A

**Notes to Schedule:**

Note A: The Authority implemented GASB 45 during 2008. Actuarial information prior to 2007 is not available.

Note B: No actuarial valuations were completed on December 31, 2011, December 31, 2013, and December 31, 2015.

## **Supplementary Information**

# Fort Wayne-Allen County Airport Authority

## Schedule of Expenditures of Federal Awards Year Ended December 31, 2015

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Grantor/ Pass-Through Grantor Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Transportation - Federal Aviation Administration (FAA)				
Airport Improvement Program (AIP)				
	20.106	3-18-0024-015	\$ -	\$ 192,500
	20.106	3-18-0024-016	-	45,810
	20.106	3-18-0022-064	-	155,241
	20.106	3-18-0022-065	-	365,894
Subtotal			-	759,445
U.S. Department of Transportation - Federal Aviation Administration (FAA)				
Payments for Small Community Air Service Development				
	20.930	2613004SC	-	150,599
Grand Total			\$ -	\$ 910,044

### **Notes to Schedule:**

1. The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the Fort Wayne-Allen County Airport Authority (Authority) under programs of the federal government for the year ended December 31, 2015. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Authority.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Authority has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.
3. The Fort Wayne-Allen County Airport Authority had no federal loans that they were administering as of December 31, 2015.

**Fort Wayne-Allen County Airport Authority**  
**Schedule of Passenger Facility Charge Revenues and Expenditures**  
**Year Ended December 31, 2015**

Revenues	Date Approved	Amount Approved For Use	Cumulative Total - December 31, 2014	Quarter Ended				Year Ended December 31, 2015	Cumulative Total - December 31, 2015
				March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015		
Passenger facility charge revenues received			\$ 21,140,054	\$ 331,254	\$ 406,462	\$ 356,586	\$ 336,657	\$ 1,430,959	\$ 22,571,013
Interest earned			543,320	125	132	78	95	430	543,750
Total passenger facility charge revenue received			<u>\$ 21,683,374</u>	<u>\$ 331,379</u>	<u>\$ 406,594</u>	<u>\$ 356,664</u>	<u>\$ 336,752</u>	<u>\$ 1,431,389</u>	<u>\$ 23,114,763</u>
<b>Expenditures</b>									
Application 92-01	April 5, 1993	\$ 26,563,457	\$ 18,980,590	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,980,590
Application 05-03	October 21, 2005	2,045,000	1,579,009	-	-	-	-	-	1,579,009
Application 15-04	January 6, 2015	<u>4,055,000</u>	<u>-</u>	<u>-</u>	<u>1,256,199</u>	<u>-</u>	<u>237,048</u>	<u>1,493,247</u>	<u>2,986,494</u>
Total passenger facility charge revenue expended		<u>\$ 32,663,457</u>	<u>\$ 20,559,599</u>	<u>\$ -</u>	<u>\$ 1,256,199</u>	<u>\$ -</u>	<u>\$ 237,048</u>	<u>\$ 1,493,247</u>	<u>\$ 23,546,093</u>

**Notes to Schedule:**

1. Revenues and expenditures on approved projects in the schedule above agree to the Passenger Facility Charge Quarterly Status Reports (PFC Reports) submitted by the Authority to the FAA.
2. Effective January 6, 2015, a total of \$32,663,457 has been approved to be imposed and collected on behalf of the Authority and used by the Authority.
3. Applications 92-01 and 05-03 have been closed out.

## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With *Government Auditing Standards***

Members of the Board  
Fort Wayne-Allen County Airport Authority  
Fort Wayne, Indiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Fort Wayne-Allen County Airport Authority (Authority), which comprise the statement of net position as of December 31, 2015, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 31, 2015, which contained an emphasis of matter paragraph regarding a change in accounting principles.

### **Internal Control Over Financial Reporting**

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit of the financial statements, we considered the Authority's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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.

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 Authority's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **Compliance and Other Matters**

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

## **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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**BKD, LLP**

Fort Wayne, Indiana  
September 15, 2016

## **Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance and Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance**

### **Independent Auditor's Report**

Members of the Board  
Fort Wayne-Allen County Airport Authority  
Fort Wayne, Indiana

#### **Report on Compliance for Each Major Federal Program**

We have audited Fort Wayne-Allen County Airport Authority's (Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended December 31, 2015. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, contracts and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the Authority's major federal program 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 the 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 the Major Federal Program***

In our opinion, Fort Wayne-Allen County 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, 2015.

### **Report on Internal Control Over Compliance**

Management of Fort Wayne-Allen County Airport Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the 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 our 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.

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

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

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

**BKD, LLP**

Fort Wayne, Indiana  
September 15, 2016

## Report on Compliance for the Passenger Facility Charge Program and Report on Internal Control Over Compliance

### Independent Auditor's Report

Members of the Board  
Fort Wayne-Allen County Airport Authority  
Fort Wayne, Indiana

#### Report on Compliance for Each Major Federal Program

We have audited Fort Wayne-Allen County Airport Authority's (Authority) compliance with the types of compliance requirements described in the *Passenger Facility Audit Guide for Public Agencies* (Guide) that could have a direct and material effect on the Authority's passenger facility charge program for the year ended December 31, 2015.

#### *Management's Responsibility*

Management is responsible for compliance with federal statutes, regulations, contracts and the terms and conditions of its federal awards applicable to its federal programs.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for the passenger facility charge program 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 the Guide. Those standards 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 the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the 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 the passenger facility charge program. However, our audit does not provide a legal determination of the Authority's compliance.

#### *Opinion on the Passenger Facility Charge Program*

In our opinion, Fort Wayne-Allen County 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 passenger facility charge program for the year ended December 31, 2015.

## 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 the passenger facility charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the passenger facility charge program and to test and report on internal control over compliance in accordance with the Guide, 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.

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

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

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

*BKD, LLP*

Fort Wayne, Indiana  
September 15, 2016



**Fort Wayne-Allen County Airport Authority**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2015**

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.
9. The Authority qualified as a low-risk auditee?  Yes  No

**Findings Required to be Reported by *Government Auditing Standards***

<b>Reference Number</b>	<b>Finding</b>
	No matters are reportable.

**Findings Required to be Reported by the Uniform Guidance**

<b>Reference Number</b>	<b>Finding</b>
	No matters are reportable.

# Fort Wayne-Allen County Airport Authority

## Summary Schedule of Prior Audit Findings

Year Ended December 31, 2015

Reference Number	Summary of Finding	Status
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No matters are reportable.

# Fort Wayne-Allen County Airport Authority

## Passenger Facility Charge Audit Summary

### Year Ended December 31, 2015

#### **Summary of Auditor's Results**

- |  |  |                                    |   |
|--|--|------------------------------------|---|
| 1. Type of report issued on PFC financial statements.  | <input checked="" type="checkbox"/> Unmodified | <input type="checkbox"/> Qualified |   |
| 2. Type of report on PFC compliance.   | <input checked="" type="checkbox"/> Unmodified | <input type="checkbox"/> Qualified |   |
| 3. Quarterly revenue and disbursements reconciled with submitted quarterly reports and reported un-liquidated revenue matches actual amounts.        | <input checked="" type="checkbox"/> Yes        | <input type="checkbox"/> No        |   |
| 4. PFC revenue and interest is accurately reported on FAA Form 5100-127.   | <input checked="" type="checkbox"/> Yes        | <input type="checkbox"/> No        |   |
| 5. The Public Agency maintains a separate financial accounting record for each application.  | <input checked="" type="checkbox"/> Yes        | <input type="checkbox"/> No        |   |
| 6. Funds disbursed were for PFC eligible items as identified in the FAA decision to pay only for the allowable costs of the project.                 | <input checked="" type="checkbox"/> Yes        | <input type="checkbox"/> No        |   |
| 7. Monthly carrier receipts were reconciled with quarterly carrier reports.  | <input checked="" type="checkbox"/> Yes        | <input type="checkbox"/> No        |   |
| 8. PFC revenues were maintained in a separate interest-bearing capital account or commingled only with other interest-bearing airport capital funds. | <input checked="" type="checkbox"/> Yes        | <input type="checkbox"/> No        |   |
| 9. Serving carriers were notified of PFC program actions/changes approved by the FAA.  | <input checked="" type="checkbox"/> Yes        | <input type="checkbox"/> No        |   |
| 10. Quarterly reports were transmitted (or available via website) to remitting carriers.   | <input checked="" type="checkbox"/> Yes        | <input type="checkbox"/> No        |   |
| 11. The Public Agency is in compliance with Assurances 5, 6, 7 and 8.  | <input checked="" type="checkbox"/> Yes        | <input type="checkbox"/> No        |   |
| 12. Project design and implementation is carried out in accordance with Assurance 9.   | <input checked="" type="checkbox"/> Yes        | <input type="checkbox"/> No        |   |
| 13. Program administration is carried out in accordance with Assurance 10.   | <input checked="" type="checkbox"/> Yes        | <input type="checkbox"/> No        |   |
| 14. For those public agencies with excess revenue, a plan for the use of this revenue has been submitted to the FAA for review and concurrence.      | <input type="checkbox"/> Yes                   | <input type="checkbox"/> No        | <input checked="" type="checkbox"/> N/A |