



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B50675

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

August 17, 2018

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 opined on by BKD LLP, Independent Public Accountants, for the period January 1, 2017 to December 31, 2017. 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, 2017, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts.

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, 2017

Fort Wayne-Allen County Airport Authority

December 31, 2017

Contents

Independent Auditor's Report	1
Management's Discussion and Analysis (Unaudited)	3
Financial Statements	
Statement of Net Position.....	11
Statement of Revenues, Expenses and Changes in Net Position.....	13
Statement of Cash Flows.....	14
Notes to Financial Statements.....	16
Required Supplementary Information (Unaudited)	
Schedule of the Authority's Proportionate Share of Net Pension	
Liability – Public Employees Retirement Fund.....	38
Schedule of Contributions – Public Employees Retirement Fund.....	38
Schedule of Funding Progress – Retiree Healthcare Plan.....	39
Supplementary Information	
Schedule of Passenger Facility Charge Revenues and Expenditures.....	40
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 <i>Government Auditing Standards</i> – Independent Auditor's Report	41
Report on Compliance for the Passenger Facility Charge Program and Report on Internal Control Over Compliance - Independent Auditor's Report	43
Passenger Facility Charge Audit Summary	45

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 financial statements of Fort Wayne-Allen County Airport Authority (Authority), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statement 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. 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 the Fort Wayne-Allen County Airport Authority as of December 31, 2017, 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.

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 information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. 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 and other supplementary information, including the schedule of passenger facility charges revenues and expenditures, 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 June 28, 2018, 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
June 28, 2018

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, 2017. Please read it in conjunction with the letter of transmittal to the Authority Board, located on pages 3 through 7.

Financial Highlights

The Authority's net position increased approximately \$4.5 million as a result of this year's operations. The unrestricted net position component of net position increased 78.4 percent due to an increase in current assets generated from operations and nonoperating resources.

Current assets increased approximately \$6.6 million primarily due increases in cash and investments.

Current liabilities decreased due to a \$1.1 million decrease in accounts payable related to construction.

Bonds payable decreased approximately \$1.8 million. This was due primarily to the normal retirement of bonds as maturities came due.

Capital contributions decreased \$19.8 million due to decreases in federal and state grants received.

Overview of the Financial Statements

The Authority's financial report consists of three financial statements: Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and 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 Governmental Accounting Standards Board (GASB). The reporting entity consists of the Authority and its component unit: 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 Statement 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 pages 50 and 51 of this report.

Condensed Financial Information

Net Position - The Authority's net position increased \$4.5 million or 3.2 percent from 2016 to 2017. The growth in net position is attributed primarily to a \$6.4 million increase in current assets and a \$1.1 million decrease in current liabilities. The increase in current assets was partially offset by a reduction of \$3.2 million in net investment in capital assets as the increase in accumulated depreciation exceeded capital asset additions. Restricted net position increased slightly due to a \$1.5 million increase in passenger facility charge cash and a \$485,000 increase in

cumulative building fund account cash and investments. However, these increases were offset by a \$1.5 million reduction in federal and state grants receivable. 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.

Current assets increased approximately \$6.4 million or 26.6 percent due to increases in cash and investments. This increase was the result of a \$7.9 million increase in cash and investments generated from operations and nonoperating resources. As noted above, this increase was offset by a reduction in federal and state grants receivable.

Current liabilities decreased \$1.1 million or 25.8 percent due to a decrease in accounts payable related to construction. Accounts payable for construction decreased from \$1.4 million at the end of 2016 to \$213,000 at the end of 2017. Most of this reduction was due to the completion of the Runway 14-32 Reconstruction project during the spring of 2017.

Deferred outflows of resources decreased 20.4 percent primarily due to a \$177,000 decrease in the net difference between projected and actual investment earnings on pension plan investments, and a \$94,000 reduction in changes of assumptions.

Other noncurrent assets increased approximately \$518,000 due to a \$488,000 increase in cumulative building fund account cash received from property and other taxes.

The Authority's net investment in capital assets (e.g., land, buildings and improvements, infrastructure items, and equipment) is the largest component (77.2 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, 10.6 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 (12.2 percent) of \$17,611,198 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 2017 net position compared to 2016 follows:

	Authority's Net Position			Percent Change
	2017	2016	Increase (Decrease)	
Current assets	\$ 30,405,596	\$24,014,858	\$ 6,390,738	26.6
Noncurrent assets				
Other noncurrent assets	8,460,259	7,942,008	518,251	6.5
Capital assets (net)	<u>116,696,697</u>	<u>121,616,321</u>	<u>(4,919,624)</u>	-4.0
Total assets	<u>155,562,552</u>	<u>153,573,187</u>	<u>1,989,365</u>	1.3
Deferred outflows of resources . .	<u>883,599</u>	<u>1,110,616</u>	<u>(227,017)</u>	-20.4
Total assets and deferred outflows of resources .	156,446,151	154,683,803	1,762,348	1.1
Current liabilities	3,240,779	4,364,714	(1,123,935)	-25.8
Noncurrent liabilities				
Other noncurrent liabilities . .	5,199,024	5,016,668	182,356	3.6
Bonds and other long-term debt	<u>2,850,000</u>	<u>4,630,000</u>	<u>(1,780,000)</u>	-38.4
Total liabilities	<u>11,289,803</u>	<u>14,011,382</u>	<u>(2,721,579)</u>	-19.4
Deferred inflows of resources . .	<u>42,198</u>	<u>96,876</u>	<u>(54,678)</u>	-56.4
Net position:				
Net investment in capital				
assets	112,079,293	115,312,332	(3,233,039)	-2.8
Restricted	15,423,659	15,388,948	34,711	0.2
Unrestricted	<u>17,611,198</u>	<u>9,874,265</u>	<u>7,736,933</u>	78.4
Total net position	<u>\$145,114,150</u>	<u>\$140,575,545</u>	<u>\$ 4,538,605</u>	3.2

Changes in Net Position - Total revenues increased only slightly by approximately \$129,000 (or 0.5 percent) from 2016 to 2017. Operating revenues increased 1.4 percent while nonoperating revenues decreased 0.9 percent. Parking and Terminal revenues accounted for most of the increases. Parking increased due to an increase in passengers at Fort Wayne International. Terminal revenue increased due to a rental rate increase from \$32.20 to \$32.54 per square foot from 2016 to 2017. In addition, one airline paid 20 percent higher fees because they were not a signatory to the Airport's Use and Lease Agreement. Revenue from fixed based operations decreased by approximately \$192,000 offsetting other increases in operating

revenue. This was due to a decrease in revenue from deicer operations because of a milder winter. Nonoperating revenues decreased primarily because the Authority received revenue from a federal operating grant in 2016 but not in 2017.

Total operating expenses increased approximately \$432,000 (or 2.1 percent). Depreciation increased approximately \$1 million, accounting for most of the increase. The huge increase in depreciation occurred due to the Runway 14-32 project that was placed into service near the end of 2016. In addition, fixed base operations increased \$155,000 primarily due to increases in equipment leases (\$53,130); GASB 68 pension expense (\$69,485); and supplies for resale (\$39,729). Airfield, buildings and grounds, and administration expenses offset most of these increases, by decreasing \$127,000, \$397,000, and \$379,000, respectively. Airfield decreased due to a reduction in runway sand and deicing materials. Buildings and grounds decreased primarily due to a \$460,561 reduction in promotional services for new airline service. Administration expenses decreased due to a reduction in legal fees; promotional and professional service fees; health insurance; and wages and salaries.

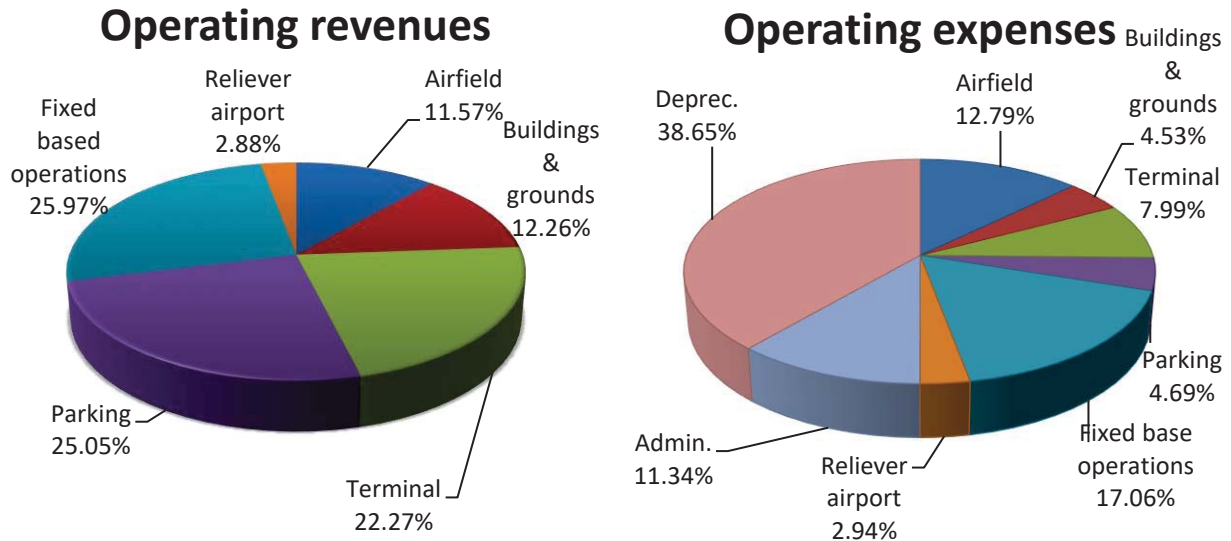
Capital contributions decreased approximately \$19.8 million due to decreases in the amount of federal and state grants received. Most of the capital contributions in 2016 came from federal and state grants for the reconstruction of Runway 14-32 during that year. Some federal and state grants also financed the removal of obstructions at the end of Runway 31 at Smith Field; and construction of a taxiway for access to new T-hangars at Smith Field.

A summary of the Authority's 2017 changes in net position compared to 2016 follows below.

Authority's Changes in Net Position

	2017	2016	Increase (Decrease)	Percent Change
Operating revenues:				
Airfield.	\$ 1,858,754	\$ 1,844,989	\$ 13,765	0.7
Buildings and grounds . . .	1,969,020	1,886,026	82,994	4.4
Terminal.	3,576,821	3,422,333	154,488	4.5
Parking	4,025,083	3,913,995	111,088	2.8
Fixed based operations. . .	4,171,448	4,363,804	(192,356)	-4.4
Reliever airport.	<u>463,148</u>	<u>413,174</u>	<u>49,974</u>	12.1
Total operating revenues. . .	16,064,274	15,844,321	219,953	1.4
Nonoperating revenues:				
Property and other taxes. . .	7,396,810	7,380,016	16,794	0.2
Federal operating grant . . .	---	114,823	(114,823)	-100.0
Passenger facility charges.	1,490,578	1,505,445	(14,867)	-1.0
Customer facility charges . .	522,988	530,879	(7,891)	-1.5
Interest income	190,877	116,878	73,999	63.3
Net increase in fair value of				
Investments.	18,783	---	18,783	
Gain on capital asset disposal	<u>8,168</u>	<u>70,687</u>	<u>(62,519)</u>	-88.4
Total nonoperating revenues .	9,628,204	9,718,728	(90,524)	-0.9
 Total revenues.	<u>25,692,478</u>	<u>25,563,049</u>	<u>129,429</u>	-0.5
Operating expenses:				
Airfield.	2,742,176	2,868,861	(126,685)	-4.4
Buildings and grounds . . .	971,373	1,368,638	(397,265)	-29.0
Terminal.	1,712,984	1,639,569	73,415	4.5
Parking	1,006,049	1,011,256	(5,207)	-0.5
Fixed base operations . . .	3,656,203	3,500,788	155,415	4.4
Reliever airport.	631,186	547,604	83,582	15.3
Administration.	2,430,899	2,809,674	(378,775)	-13.5
Depreciation.	<u>8,286,226</u>	<u>7,259,509</u>	<u>1,026,717</u>	14.1
Total Operating expenses. . .	21,437,096	21,005,899	431,197	2.1
 Nonoperating expenses	<u>279,596</u>	<u>360,136</u>	<u>(80,540)</u>	-22.4
Total expenses.	<u>21,716,692</u>	<u>21,366,035</u>	<u>350,657</u>	1.6
Income before capital				
contributions	3,975,786	4,197,014	(221,228)	-5.3
Capital contributions	<u>562,819</u>	<u>20,392,838</u>	<u>(19,830,019)</u>	-97.2
 Increase in net position. . .	4,538,605	24,589,852	(20,051,247)	-81.5
Total net position, beginning	<u>140,575,545</u>	<u>115,985,693</u>	<u>24,589,852</u>	21.2
 Total net position, ending. . .	<u>\$145,114,150</u>	<u>\$140,575,545</u>	<u>\$ 4,538,605</u>	3.2

The following charts show the major sources and percentages of operating revenues and expenses for the year ended December 31, 2017:



Capital Asset Activity

During 2017, the Authority expended approximately \$3.5 million for capital improvements. The Authority completed the following projects at Fort Wayne International: Terminal Planning Study for \$370,878; final phase (phase 6) of the Terminal building roof project for \$597,104; regional holding area restrooms were remodeled for \$210,783; purchased snow removal equipment for \$654,091 and several vehicles for approximately \$128,000. During the year, the Authority paid \$264,487 for design of phases 1 and 2 of the Runway 05-23 rehabilitation projects; and paid \$143,400 for fuel farm improvements. A substantial amount of these projects was financed with federal and state grants, and passenger facility charges. At Smith Field, the Authority completed the removal of obstructions (phase 2) from the end of Runway 31 for \$156,619.

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 A by Fitch Ratings and Aa3 by Moody's.

During 2017, Fitch Ratings downgraded the outstanding First Mortgage

Refunding Bonds to A from AA+. The downgrade of the bonds reflects Fitch's application of its 'Rating Criteria for Infrastructure and Project Finance' and 'Rating Criteria for Airports' to tax supported transportation infrastructure enterprises, thus capping the unlimited tax general obligation bond rating at the Issuer Default Rating of A. The downgrade does not reflect a degrading of the Authority's finance, but a reflection of Fitch Ratings' change in rating criteria.

The Authority has a legal debt limit of \$93,833,470 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 \$93,833,470 as of December 31, 2017. 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

The Authority's property tax rates include a debt service levy in addition to the operating and cumulative building fund. In 2018, the operating, debt service and cumulative building tax rates are .0297, .0127, and .0032, respectively. The rates are per \$100 of assessed value and will be applied on an assessed value of \$14,586,996,908. These rates compare to the 2017 rates for operating, debt service and cumulative building of .0296, .0133 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, 2017

ASSETS	<u>Totals</u>
CURRENT ASSETS:	
Unrestricted assets:	
Cash and cash equivalents--note 2.....	\$ 11,701,277
Equity securities--note 1.....	18,783
Investments--note 2.....	10,000,000
Accounts receivable, net of allowance.....	387,177
Unbilled revenue.....	442,508
Property tax receivables, net of allowance--note 1.....	46,805
Other receivables.....	28,989
Inventory--note 4.....	359,859
Prepaid items.....	<u>215,151</u>
Total unrestricted assets.....	<u>23,200,549</u>
Restricted assets:	
Cash and cash equivalents--note 2.....	4,263,681
Passenger facility charge receivable.....	191,480
Federal and state grants receivable.....	2,720,417
Property tax receivable, net of allowance--note 1.....	<u>29,469</u>
Total restricted assets.....	<u>7,205,047</u>
Total current assets.....	<u>30,405,596</u>
NONCURRENT ASSETS:	
Restricted assets:	
Cash and cash equivalents, including \$7,940 held by trustee--notes 2 and 3.....	401,484
Investments--notes 2 and 3.....	8,000,000
Property tax receivables, net of allowance--note 1.....	5,501
Other receivables.....	<u>53,274</u>
Total restricted assets.....	<u>8,460,259</u>
Capital assets, net--note 5.....	<u>116,696,697</u>
Total noncurrent assets.....	<u>125,156,956</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amount on refunding bonds.....	12,595
Deferred outflow of resources related to pensions--note 7.....	<u>871,004</u>
Total deferred outflows of resources.....	<u>883,599</u>
Total assets and deferred outflows of resources.....	<u><u>\$ 156,446,151</u></u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	Totals
CURRENT LIABILITIES	
Payable from unrestricted:	
Accounts payable.....	\$ 813,753
Accrued liabilities.....	326,809
Advance rent.....	78,570
	<hr/>
Total unrestricted.....	1,219,132
	<hr/>
Payable from restricted:	
Accounts payable.....	118,469
Current portion of bonds payable--note 9.....	1,780,000
Accrued interest on bonds payable.....	123,178
	<hr/>
Total restricted.....	2,021,647
	<hr/>
Total current liabilities.....	3,240,779
	<hr/>
NONCURRENT LIABILITIES	
Net pension liability--note 7.....	3,583,066
Net other postemployment benefits obligation--note 8.....	895,597
Accrued compensated absences.....	720,361
Bonds payable, net--note 9,.....	2,850,000
	<hr/>
Total noncurrent liabilities.....	8,049,024
	<hr/>
Total liabilities.....	11,289,803
	<hr/>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions--note 7.....	42,198
	<hr/>
NET POSITION	
Net investment in capital assets.....	112,079,293
Restricted for:	
Debt Service.....	949,579
Capital projects.....	14,474,080
Unrestricted.....	17,611,198
	<hr/>
Total net position.....	145,114,150
	<hr/>
Total liabilities, deferred inflows of resources and net position.....	<u>\$ 156,446,151</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, 2017

	Totals
OPERATING REVENUES:	
Airfield.....	\$ 1,858,754
Buildings and grounds.....	1,969,020
Terminal.....	3,576,821
Parking.....	4,025,083
Fixed based operations.....	4,171,448
Reliever airport.....	463,148
Total operating revenues.....	16,064,274
OPERATING EXPENSES:	
Airfield.....	2,742,176
Buildings and grounds.....	971,373
Terminal.....	1,712,984
Parking.....	1,006,049
Fixed based operations.....	3,656,203
Reliever airport.....	631,186
Administration.....	2,430,899
Depreciation.....	8,286,226
Total operating expenses.....	21,437,096
OPERATING LOSS.....	(5,372,822)
NONOPERATING REVENUES (EXPENSES):	
Property and other taxes.....	7,396,810
Passenger facility charge.....	1,490,578
Customer facility charge.....	522,988
Interest income.....	190,877
Net increase in fair value of investments.....	18,783
Interest expense.....	(279,596)
Gain on disposal of capital assets.....	8,168
Net nonoperating revenues (expenses).....	9,348,608
INCOME BEFORE CAPITAL CONTRIBUTIONS.....	3,975,786
CAPITAL CONTRIBUTIONS:	
Federal and state grants.....	562,819
NET POSITION:	
Increase in net position.....	4,538,605
Total net position, beginning of year.....	140,575,545
Total net position, end of year.....	\$ 145,114,150

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, 2017

	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers.....	\$ 16,284,788
Payments to suppliers.....	(6,760,738)
Payments to employees.....	(4,306,029)
Payments of benefits on behalf of employees.....	(1,917,713)
Refunds and return of customer deposits.....	(2,768)
	3,297,540
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITY:	
Receipts of property and other taxes.....	4,945,820
Receipts of nonoperating federal grant.....	447,581
	5,393,401
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Receipts of property and other taxes.....	2,452,634
Acquisition and construction of capital assets.....	(4,691,132)
Sale of capital assets.....	139,782
Principal paid on bonds and other long-term debt.....	(1,700,000)
Interest paid on bonds and other long-term debt.....	(305,363)
Capital grant receipts.....	1,641,821
Passenger facility charge receipts.....	1,473,521
Customer facility charge receipts.....	525,679
	(463,058)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investment securities.....	(24,000,000)
Proceeds from sale and maturities of investment securities.....	18,000,000
Interest received on investments.....	152,641
	(5,847,359)
NET INCREASE IN CASH AND CASH EQUIVALENTS.....	2,380,524
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR.....	13,985,918
CASH AND CASH EQUIVALENTS, END OF YEAR.....	\$ 16,366,442

continued

FORT WAYNE-ALLEN COUNTY AIRPORT AUTHORITY
Statement of Cash Flows-Continued
For the Year Ended December 31, 2017

	Totals
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss.....	\$ (5,372,822)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation.....	8,286,226
Changes in assets and liabilities:	
Accounts receivable and unbilled revenue.....	(35,110)
Other assets.....	49,802
Accounts payable.....	50,563
Accrued liabilities.....	(115,034)
Net pension liability.....	296,071
Deferred outflows of resources related to pensions.....	2,144
Net OPEB.....	135,700
Net cash provided by operating activities.....	\$ 3,297,540

NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:

CAPITAL AND RELATED FINANCING ACTIVITIES:

Capital assets included in accounts payable.....	\$ 234,797
Capital contributions from federal and state grants.....	(1,526,584)
Fair value of equity securities received to settle accounts receivable.....	18,783

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, deferred outflows of resources, liabilities, and deferred inflows of resources, 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 and taxable 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 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 - GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*

This Statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The requirements of this Statement are effective for financial reporting periods beginning after June 15, 2017. This Statement will be implemented beginning with the 2018 CAFR.

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

GASB Statement 80, Blending Requirements for Certain Component Units

This Statement improves financial reporting by clarifying the financial statement presentation requirements for certain component units. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Since the Authority already blends its component unit, no additional changes are required to implement this Statement.

GASB Statement 82, Pension Issues

This Statement improves consistency in the application of pension accounting and financial reporting requirements by addressing certain issues that have been raised with respect to Statements 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement No. 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Management has evaluated this Statement and determined that it does not apply to the Authority.

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.

Equity Securities - During 2017, the Authority received equity securities to settle an airline bankruptcy claim. The Authority does not intend to hold the securities as a long-term investment, and will sell the securities during 2018. The securities are reported at fair value (\$18,743) based upon quoted market price at year-end.

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.

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

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. 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, 2017. Maintenance and repairs that do not add value to the assets or materially extend assets lives are not capitalized. When capital assets are disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any gain or loss on disposition is credited or charged to expense. Runways, taxiways, parking areas, sewers and other similar items are written off when fully depreciated unless clearly identified as still being in use. Except for inexhaustible capital assets such as land, land improvements, aviation easements and construction in progress, all capital assets, including infrastructure assets, are depreciated or amortized (intangibles) using the straight-line method over the estimated useful lives of the assets as follows:

	<u>Years</u>
Buildings 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 \$279,596 for the year ended December 31, 2017. The Authority did not capitalize any interest during 2017.

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

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

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.

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.

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

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

On October 27, 2016, the Authority received approval for the following projects and equipment purchases:

- (1) Terminal Roofing, Phases 3 through 6
- (2) Runway 14-32 Reconstruction, Design and Phases 1, 2 and 3
- (3) Jet Bridge 4 Installation
- (4) Airfield Perimeter Fence Reinstallation, Phases 1 and 2
- (5) Bathroom Remodeling, First and Second Floors
- (6) Snow Removal Vehicle with Plow and Broom Attachments
- (7) High Speed 4 X 4 Snow Blower
- (8) Public Address System, Phase 2
- (10) Ground power Units for Gates 5 and 6
- (11) New Terminal Entrance Road

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

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

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, 2016
Levy date	January 1, 2017
Tax bills mailed	April 1 and October 1, 2017
First installment payment due	May 10, 2017
Second installment payment due	November 10, 2017
Authority collection dates	June and December 2017
Tax sale - 2016 delinquent property taxes	August 2019

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 \$184,576 with an allowance of \$102,800 for delinquent taxes, at December 31, 2017.

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 2017.

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.

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

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.

NOTE 2 CASH, CASH EQUIVALENTS AND INVESTMENTS

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

Cash and Cash Equivalents:	<u>Amount</u>
Current	\$11,701,277
Current, restricted	4,263,681
Noncurrent, restricted	<u>401,483</u>
	16,366,441
Investments:	
Current	10,000,000
Noncurrent, restricted	<u>8,000,000</u>
	18,000,000
	<u>\$34,366,441</u>

Deposits and investments with financial institutions at December 31, 2017 are as follows:

Cash deposits	\$16,406,816
Certificates of deposit (CD's)	<u>18,000,000</u>
Total deposits	<u>\$34,406,816</u>

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

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

1. Authority deposits totaling \$1,250,000 are insured by the FDIC. Remaining deposits are insured by the IPDIF.

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

Short-term government money market funds \$ 7,940

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, 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, 2017, the Authority's investments met these criteria.

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

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

NOTE 3 RESTRICTED ASSETS

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

Pursuant to the FWIAATCBC First Mortgage Taxable Refunding Bonds of 2011 Trust Indenture:	
Bond Operation and Reserve Account	\$ 7,940
Property Tax Revenues Reserved for Debt Service.	1,035,347
Pursuant to the Aviation Safety and Capacity Expansion Act of 1990, Federal Aviation Regulation Part 158:	
Passenger Facility Charge Account.	3,228,334
Pursuant to the Cumulative Building Fund	
Account Established in 2001.	8,275,074
Security Deposits.	118,469
Total.	<u>\$12,665,164</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, 2017.

NOTE 4 INVENTORIES

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

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

	Amount
Supply inventories held for consumption.	\$ 124,710
Fixed based operator inventories held for resale	235,149
 Total inventories.	 \$ 359,859

NOTE 5 CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land.	\$ 21,058,948			\$ 21,058,948
Intangibles	118,357			118,357
Work in progress.	622,891	1,324,436	1,168,713	778,614
Total capital assets, not being depreciated	21,800,196	1,324,436	1,168,713	21,955,919
 Capital assets, being depreciated:				
Buildings and improvements.	85,934,687	1,111,235	721,070	86,324,852
Infrastructure items.	166,861,153	690,909	182,095	167,369,967
Intangibles	2,795,858	636,627	109,749	3,322,736
Equipment	11,886,550	903,722	823,634	11,966,638
Total capital assets, being depreciated	267,478,248	3,342,493	1,836,548	268,984,193
 Less accumulated depreciation for:				
Buildings and improvements.	51,471,252	2,582,105	589,457	53,463,900
Infrastructure items.	107,149,345	4,757,693	182,095	111,724,943
Intangibles	1,720,751	239,937	109,749	1,850,939
Equipment	7,320,775	706,491	823,633	7,203,633
 Total accumulated depreciation	167,662,123	8,286,226	1,704,934	174,243,415
 Net capital assets	\$121,616,321	\$(3,619,297)	\$ 1,300,327	\$116,696,697

All depreciation expense, \$8,286,226 for the current year, was charged to the Authority fund. There was no depreciation expense charged to the component unit.

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

NOTE 6 PROPERTY TAXES

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

	Rate	Property
	<u>Per \$100</u>	<u>Tax Levies</u>
Operating.	\$.0296	\$ 4,166,206
Debt Service0133	1,871,978
Cumulative Building.	<u>.0032</u>	<u>450,401</u>
 Total.	 <u>\$.0461</u>	 <u>\$ 6,488,585</u>

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, 2017; however, eligible

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

members received a one-time check in September 2016 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 contractually required contribution rate for the year ended December 31, 2017, 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 \$437,379 for the year ended December 31, 2017.

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

At December 31, 2017, the Authority reported a liability of \$3,583,066 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017, the Authority's proportion was .08031 percent, which was an increase of .00443 from its proportion of .07588 percent measured as of June 30, 2016.

For the year ended December 31, 2017, the Authority recognized pension expense of \$753,396. At December 31, 2017, 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
Differences between expected and actual experience	\$ 68,046	\$ 2,781
Net difference between projected and actual investment earnings on pension plan investments	387,135	---
Changes of assumptions	57,529	---
Changes in proportion and differences between Authority contributions and proportionate share of contributions	141,996	39,417

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

Authority contributions subsequent to the measurement date	216,298	---
Total	\$ 871,004	\$ 42,198

The \$216,298 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2018	\$ 250,766
2019	295,230
2020	85,788
2021	(19,276)
2022	---
Thereafter	---

Actuarial assumptions - The total pension liability in the June 30, 2017 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	
Funding	6.75 percent, net of administrative and investment expense
Accounting and Reporting	6.75 percent, net of investment expense
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 2006 based on the Social Security Administration's 2014 Trustee Report.

The actuarial assumptions used in the June 30, 2016 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 assumptions used in the June 30, 2017 valuation are the same as those used in the 2016 valuation, except for the mortality assumptions for disabled members and the additional salary load. For the actuarial valuation as of June 30, 2017, an actuarial audit was completed that included updating the following assumptions: adding a load on final average salary of \$400 to reflect unused sick leave accumulated at termination of employment for active and inactive

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

vested members. Additionally, for disabled members, the RP-2014 (with MP-2014 improvement removed) Disability Mortality tables are assumed instead of the RP-2014 (with MP-2014 improvement removed) Total Data Set Mortality Tables.

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 geometric real rates of return for 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	22.0%	4.9 %
Private markets	14.0	5.7
Fixed income - ex inflation-linked	20.0	2.3
Fixed income - inflation-linked	7.0	0.6
Commodities	8.0	2.3
Real estate	7.0	3.7
Absolute return	10.0	3.9
Risk parity	<u>12.0</u>	5.1
Total	<u><u>100.0%</u></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 was 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

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

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:

	1% Decrease <u>(5.75%)</u>	Current Discount <u>Rate (6.75%)</u>	1% Increase <u>(7.75%)</u>
Authority's proportionate share of the net pension liability	\$ 5,225,757	\$ 3,583,066	\$ 2,217,532

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

Payable to the pension plan - At December 31, 2017, 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 2017, the Authority contributed \$116,975 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

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

contributes \$193 per month for the retiree and \$211 for the spouse. Under Option 2, each retiree contributes \$138 per month for the retiree and \$163 for the spouse. For the year ended December 31, 2017, four (number of participants currently eligible) retirees contributed \$13,254 and the Authority contributed \$20,609 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 actually contributed to the plan, and changes in the Authority's net OPEB obligation to the Plan.

Annual required contribution	\$ 172,281
Interest on net OPEB obligation	22,797
Adjustment to annual required contribution	<u>(38,769)</u>
Annual OPEB cost (expense)	156,309
Contributions made	<u>(20,609)</u>
Increase in net OPEB obligation	135,700
Net OPEB obligation, beginning of year	<u>759,897</u>
Net OPEB obligation, end of year	<u>\$ 895,597</u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 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>
2015	\$ 105,713	27.3%	\$ 698,917
2016	90,215	32.4	759,897
2017	156,309	13.2	895,597

Funded Status and Funding Progress - As of December 31, 2016, the most recent valuation date, the actuarial accrued liability for benefits was \$977,779, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3.9 million, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 24.9 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

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

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 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, 2016 actuarial valuation, the most recent valuation date, 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 3 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, 2016 was 21 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, 2018
to January 15, 2020 in payments ranging from
\$975,000 in 2020 to \$1,875,000 in 2019.

Interest at 4.97 to 5.54% due semi- annually
on January 15 and July 15 \$ 4,630,000

Less: Current portion. (1,780,000)
\$ 2,850,000

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

The Authority has a legal debt limit of \$93,833,470 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 \$93,833,470 as of December 31, 2017.

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 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.

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

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, 2017:

Debt Service Requirements

Years ending December 31:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,780,000	\$ 224,488	\$ 2,004,488
2019	1,875,000	132,268	2,007,268
2020	975,000	27,008	1,002,008
	<u>\$ 4,630,000</u>	<u>\$ 383,764</u>	<u>\$ 5,013,764</u>

Changes in Bonds and Long-Term Liabilities

Bonds and long-term liability activity for the year ended December 31, 2017, 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.	\$ 1,013,864	\$ 256,424	\$ (353,475)	\$ 916,813	\$ 196,454
Bonds:					
Revenue bonds	6,330,000	---	(1,700,000)	4,630,000	1,780,000
Total bonds and long-term liabilities	<u>\$ 7,343,864</u>	<u>\$ 256,424</u>	<u>\$(2,053,475)</u>	<u>\$ 5,546,813</u>	<u>\$ 1,976,454</u>

NOTE 10 COMMITMENTS AND CONTINGENCIES

Capital Improvements - At December 31, 2017, the Authority was obligated for completion of Airport runway improvements and various smaller projects under commitments aggregating \$8,732,331 with an estimated \$3,726,477 eligible for reimbursement at 94 or 95 percent from the FAA and the State of Indiana, and \$3,365,331 eligible for reimbursement at 82 percent from passenger facility charges (PFC); \$180,055 eligible for reimbursement at 100 percent from PFC; and \$64,168 eligible for reimbursement at 95 percent from the FAA, State of Indiana, and the remainder from PFC.

Rebatable Arbitrage - Based upon calculations through December 31, 2017, there are no rebatable arbitrage liabilities.

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

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.

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:	
2018	\$2,962,752
2019	2,331,103
2020	1,758,561
2021	1,345,039
2022	1,202,913
Later Years	<u>1,971,056</u>
Total	<u>\$11,571,424</u>

The schedule above includes changes in rental rates that became effective on January 1, 2018. These rates are adjusted annually.

Contingent rentals and fees aggregated \$7,689,222 for the year ended December 31, 2017.

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

NOTE 12 MAJOR CUSTOMERS

During the year ended December 31, 2017, the Authority received significant operating revenue from one airline. Rentals, landing fees, apron fees and other revenues from this airline aggregated approximately 7.2 percent of operating revenues.

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

NOTE 13 TAX ABATEMENTS

The Authority has not entered into any tax abatement agreements. However, other local governmental units entered into tax abatement agreements that reduced the Authority's revenues during 2017. The table below summarizes taxes that have been abated.

<u>Unit</u>	<u>Real Property Tax</u>	<u>Personal Property Tax</u>	<u>Total Abated</u>
Allen County	\$ 46,389	\$ 53,061	\$ 99,450
Fort Wayne	46,348	31,048	77,396
Grabill	93	---	93
Hunbertown	175	22	197
Monroeville	454	338	792
New Haven	7,371	9,974	17,345
Woodburn	2,965	1,432	4,397
Totals - All Units	<u>\$ 103,795</u>	<u>\$ 95,875</u>	<u>\$199,670</u>

No amounts have been received and no amounts are receivable from other governments in association with the forgone tax revenue.

**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 4 Fiscal Years (C)

	<u>2017 *</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Authority's proportion of the net pension liability	.08031%	.07588%	.07416%	.07144%
Authority's proportionate share of the net pension liability	\$3,583,066	\$3,443,772	\$3,020,464	\$1,877,397
Authority's covered-employee payroll	\$3,984,364	\$3,636,819	\$3,552,188	\$3,487,775
Authority's proportionate share of the net pension liability as a percentage of covered payroll	89.9%	94.7%	85.0%	53.8%
Plan fiduciary net position as a percentage of the total pension liability	73.7%	75.3%	77.3%	84.3%

- - The amounts presented for the fiscal year were determined as of June 30, 2017 (measurement date)

Schedule of Contributions
Public Employees Retirement Fund

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 457,325	\$ 430,755	\$ 372,707	\$ 373,698
Contributions in relation to the contractually required contribution	\$457,325	\$ 430,755	\$ 372,707	\$ 373,698
Contribution deficiency (excess)	---	---	---	---
Authority's covered-employee payroll	\$3,984,364	\$3,923,803	\$3,385,663	\$3,580,305
Contributions as a percentage of covered employee payroll	11.48%	10.98%	10.76%	10.44%

Notes to Schedules:

Note A - Valuation Date: 06/30/17

Note B - Changes of assumptions: In 2017, a second mortality table was added creating both the healthy and disabled mortality tables. 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))
12/31/08	\$ 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(A)	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(A)	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(A)	0	N/A	N/A	N/A	3,385,663	N/A
12/31/16	0	977,779	977,779	0.0	3,923,803	24.9
12/31/17(A)	0	N/A	N/A	N/A	3,984,364	N/A

Notes to Schedule:

Note A: No actuarial valuations were completed on December 31, 2011, December 31, 2013, December 31, 2015, and December 31, 2017.

**SUPPLEMENTARY
INFORMATION**

Fort Wayne-Allen County Airport Authority
Schedule of Passenger Facility Charge Revenues and Expenditures
Year Ended December 31, 2017

Revenues	Date Approved	Amount Approved For Use	Cumulative Total - December 31, 2016	Quarter Ended				Year Ended December 31, 2017	Cumulative Total - December 31, 2017
				March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017		
Passenger facility charge revenues received			\$ 24,066,968	\$ 341,653	\$ 483,574	\$ 246,962	\$ 401,332	\$ 1,473,521	\$ 25,540,489
Interest earned			544,358	191	235	406	632	1,464	545,822
Total passenger facility charge revenue received			<u>\$ 24,611,326</u>	<u>\$ 341,844</u>	<u>\$ 483,809</u>	<u>\$ 247,368</u>	<u>\$ 401,964</u>	<u>\$ 1,474,985</u>	<u>\$ 26,086,311</u>
Expenditures									
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	4,055,000	2,304,547	-	-	-	-	-	2,304,547
Application 16-05	October 27, 2016	8,049,986	-	-	-	-	-	-	-
Total passenger facility charge revenue expended			<u>\$ 40,713,443</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,864,146</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 October 27, 2016, a total of \$40,713,443 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.

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

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, 2017, and the related statement 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 June 28, 2018.

Internal Control Over Financial Reporting

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

Our consideration of internal control 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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
June 28, 2018

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 the Passenger Facility Charge 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 each of the Authority's passenger facility charge programs for the year ended December 31, 2017.

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 passenger facility charge program.

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 programs for the year ended December 31, 2017.

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 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 an 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 the passenger facility charge program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a 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 the passenger facility charge 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 passenger facility charge 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
June 28, 2018

Fort Wayne-Allen County Airport Authority

Passenger Facility Charge Audit Summary

Year Ended December 31, 2017

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 |