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September 17, 2019

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 of Fort Wayne-Allen County Airport Authority which was opined on by BKD LLP, Independent Public Accountants, for the period January 1, 2018 to December 31, 2018. 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, 2018, 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.

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

Fort Wayne-Allen County Airport Authority

Independent Auditor's Report and Financial Statements

December 31, 2018

Fort Wayne-Allen County Airport Authority

December 31, 2018

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Fort Wayne-Allen County Airport Authority (Authority), as of and for the year ended December 31, 2018, 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, 2018, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 of the financial statements, in 2018, Fort Wayne-Allen County Airport Authority adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension and other postemployment 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, including the schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and 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 26, 2019, 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 result 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 26, 2019

Fort Wayne-Allen County Airport Authority

Management's Discussion and Analysis

December 31, 2018

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, 2018.

Financial Highlights

The Authority's net position increased approximately \$9.3 million as a result of this year's operations. The unrestricted net position component of net position increased 26.1 percent due to an increase in current assets generated from operations and nonoperating resources.

Current assets increased approximately \$4.6 million primarily due increases in cash and investments.

Current liabilities increased 5.0 percent due to an increase in accounts payable related to construction.

Bonds payable decreased approximately \$1.9 million. This was due primarily to the normal retirement of bonds as maturities came due.

Capital contributions increased \$2.9 million due to increases in federal and state grants received.

In 2018, the Authority adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Prior year comparative information contained herein has not been updated for adoption of GASB 75, as such retroactive restatement was deemed impractical.

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.

Fort Wayne-Allen County Airport Authority

Management's Discussion and Analysis

December 31, 2018

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 17 through 38 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 40 and 41 of this report.

Condensed Financial Information

Net Position - The Authority's net position increased \$9.3 million or 13.1 percent from 2017 to 2018. The growth in net position is attributed primarily to a \$3.9 million increase in current assets and a \$2.8 million decrease in noncurrent liabilities. There was also an increase of \$4.6 million in net investment of capital assets as the increase of capital asset additions exceeded the increase in accumulated depreciation. Restricted net position increased slightly due to a \$1.2 million increase in passenger facility charge cash and cash equivalents, as well as a smaller increase to interest receivable on Cumulative Building Fund investments. However, those increases were offset by a \$1.3 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 \$3.9 million or 15.1 percent due to increases in cash and investments. This increase was the result of a \$3.9 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.

Total liabilities decreased \$2.8 million or 24.4% mainly due to a decrease of \$1.8 million in bonds payable related to the normal retirement of the 2011 Air Trade Center Bonds and a \$924,878 decrease in net pension liability.

Deferred outflows of resources decreased 51.3 percent primarily due to a \$488,000 decrease in the net difference between projected and actual investment earnings on pension plan investments, and a \$80,000 reduction in changes in proportion and differences between employer contributions and proportionate share of contributions.

The Authority's net investment in capital assets (e.g., land, buildings and improvements, infrastructure items, and equipment) is the largest component (75.6 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.

Fort Wayne-Allen County Airport Authority
Management's Discussion and Analysis
December 31, 2018

In addition, 10.0 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 (14.4 percent) of \$22,209,744 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.

Fort Wayne-Allen County Airport Authority
Management's Discussion and Analysis
December 31, 2018

A summary of the Authority's 2018 net position compared to 2017 follows:

	Authority's Net Position			
	2018	2017	Increase (Decrease)	Percent Change
Assets				
Current Assets	\$ 34,397,865	\$ 30,405,596	\$ 3,992,269	13.1
Noncurrent Assets				
Other noncurrent assets	9,172,064	8,460,259	711,805	8.4
Capital assets, net	<u>119,603,071</u>	<u>116,696,697</u>	<u>2,906,374</u>	2.5
Total assets	<u>163,173,000</u>	<u>155,562,552</u>	<u>7,610,448</u>	4.9
Deferred Outflows of Resources				
	<u>430,393</u>	<u>883,599</u>	<u>(453,206)</u>	(51.3)
Total assets and deferred outflows of resources	<u>\$ 163,603,393</u>	<u>\$ 156,446,151</u>	<u>\$ 7,157,242</u>	4.6
Liabilities				
Current Liabilities	\$ 3,402,105	\$ 3,240,779	\$ 161,326	5.0
Noncurrent Liabilities				
Other noncurrent liabilities	4,156,632	5,199,024	(1,042,392)	(20.0)
Bonds and other long-term debt	<u>975,000</u>	<u>2,850,000</u>	<u>(1,875,000)</u>	(65.8)
Total liabilities	<u>8,533,737</u>	<u>11,289,803</u>	<u>(2,756,066)</u>	(24.4)
Deferred Inflows of Resources				
	<u>563,213</u>	<u>42,198</u>	<u>521,015</u>	1,234.7
Net Position				
Net investment in capital assets	116,756,916	112,079,293	4,677,623	4.2
Restricted	15,539,783	15,423,659	116,124	0.8
Unrestricted	<u>22,209,744</u>	<u>17,611,198</u>	<u>4,598,546</u>	26.1
Total net position	<u>\$ 154,506,443</u>	<u>\$ 145,114,150</u>	<u>\$ 9,392,293</u>	6.5

Fort Wayne-Allen County Airport Authority
Management's Discussion and Analysis
December 31, 2018

Changes in Net Position – Total revenues increased approximately \$2.7 million (or 10.5 percent) from 2017 to 2018. Operating revenues increased 11.0 percent and nonoperating revenues increased 9.8 percent. Revenue from fixed based operations, interest income and gains on sale of capital assets accounted for most of the increases. Revenue from fixed based operations increased largely because of more aircraft operations in 2018 compared to 2017 which resulted in an increase of fuel sales, which accounts for approximately \$1.0 million of the increase. The other increases in fixed based operations were due to increased revenue from deicer operations, as 2017 was a much milder winter compared to 2018. Interest income and the sale of capital assets were primarily the reasons for the increase in nonoperating revenues. A combination of higher interest rates on investments and an increase of \$8 million of principal invested accounted for the increase in interest revenue. Gains on the sale of capital assets were mostly the result of the sale of two runway snowblowers during the year.

Total operating expenses increased approximately \$1.0 million (or 4.8 percent). Expenses for Fixed Base Operations increased approximately \$1 million, accounting for most of the increase, primarily for supplies for resale. Airfield, buildings and grounds, and terminal expenses offset most of these increases, by decreasing \$78,913, \$150,913, and \$64,511, respectively.

Capital contributions increased approximately \$3.0 million due to increases in the amount of federal and state grants received. Most of the capital contributions in 2018 came from federal and state grants for the reconstruction of Runways 14-32 and 05-23. Some federal and state grants also financed construction of a taxiway for access to new T-hangars at Smith Field.

Fort Wayne-Allen County Airport Authority

Management's Discussion and Analysis

December 31, 2018

A summary of the Authority's 2018 changes in net position compared to 2017 follows below:

Authority's Changes in Net Position

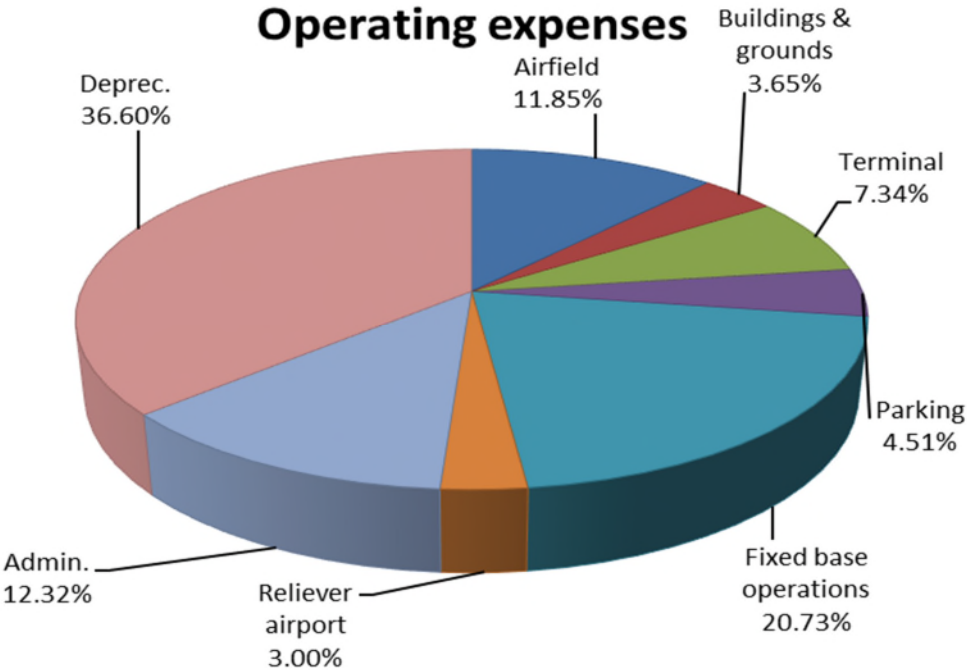
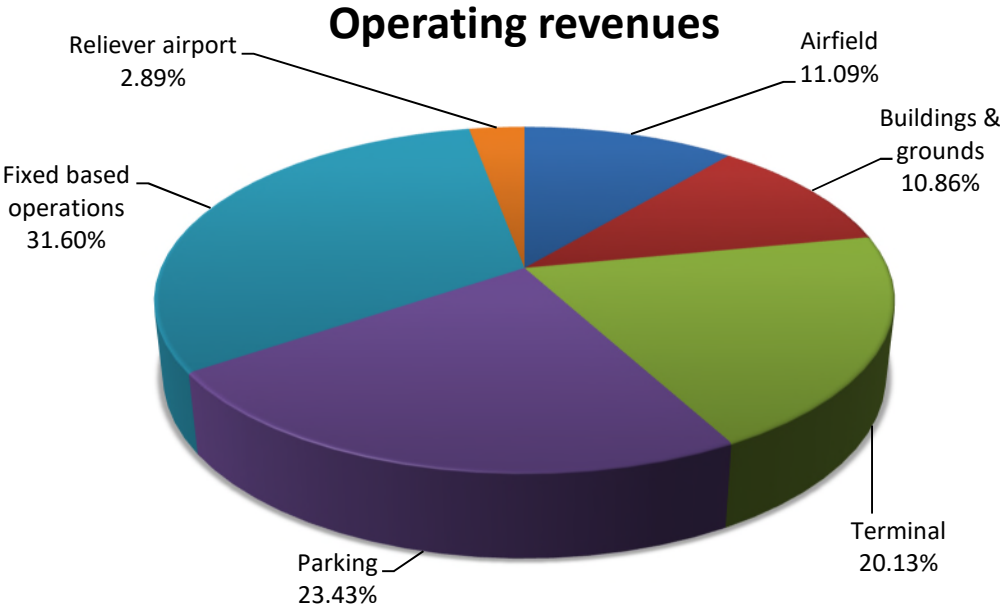
	2018	2017	Increase (Decrease)	Percent Change
Operating Revenues				
Airfield	\$ 1,977,473	\$ 1,858,754	\$ 118,719	6.4
Buildings and grounds	1,937,263	1,969,020	(31,757)	(1.6)
Terminal	3,589,067	3,576,821	12,246	0.3
Parking	4,177,885	4,025,083	152,802	3.8
Fixed base operations	5,634,972	4,171,448	1,463,524	35.1
Reliever airport	<u>515,896</u>	<u>463,148</u>	<u>52,748</u>	11.4
Total operating revenues	<u>17,832,556</u>	<u>16,064,274</u>	<u>1,768,282</u>	11.0
Nonoperating Revenues				
Property and other taxes	7,664,720	7,396,810	267,910	3.6
Passenger facility charges	1,603,462	1,490,578	112,884	7.6
Customer facility charges	526,835	522,988	3,847	0.7
Interest income	552,330	190,877	361,453	189.4
Net increase in fair value of investments	—	18,783	(18,783)	(100.0)
Gain on capital asset disposal	<u>223,410</u>	<u>8,168</u>	<u>215,242</u>	2635.2
Total nonoperating revenues	<u>10,570,757</u>	<u>9,628,204</u>	<u>942,553</u>	9.8
Total revenues	<u>28,403,313</u>	<u>25,692,478</u>	<u>2,710,835</u>	10.5
Operating Expenses				
Airfield	2,663,263	2,742,176	(78,913)	(2.9)
Buildings and grounds	820,460	971,373	(150,913)	(15.5)
Terminal	1,648,473	1,712,984	(64,511)	(3.8)
Parking	1,013,967	1,006,049	7,918	0.8
Fixed base operations	4,657,272	3,656,203	1,001,069	27.4
Reliever airport	674,411	631,186	43,225	6.8
Administration	2,768,194	2,430,899	337,295	13.9
Depreciation	<u>8,224,543</u>	<u>8,286,226</u>	<u>(61,683)</u>	(0.7)
Total operating expenses	22,470,584	21,437,096	1,033,488	4.8
Nonoperating Expenses	<u>189,006</u>	<u>279,596</u>	<u>(90,590)</u>	(32.4)
Total expenses	<u>22,659,590</u>	<u>21,716,692</u>	<u>942,897</u>	4.3
Income Before Capital Contributions	5,743,723	3,975,786	1,767,937	44.5
Capital Contributions				
Federal and state grants	<u>3,547,994</u>	<u>562,819</u>	<u>2,985,175</u>	530.4
Increase in Net Position	9,291,717	4,538,605	4,753,112	104.7
Net Position, Beginning of Year, as Previously Reported	145,114,150	140,575,545	4,639,181	3.3
Cumulative Effect of Change in Accounting Principle	<u>100,576</u>	---	<u>100,576</u>	N/A
Net Position, Beginning of Year, as Restated	<u>145,214,726</u>	---	<u>145,214,726</u>	N/A
Net Position, End of Year	<u>\$ 154,506,443</u>	<u>\$ 145,114,150</u>	<u>\$ 9,392,293</u>	6.5

Fort Wayne-Allen County Airport Authority

Management's Discussion and Analysis

December 31, 2018

The following charts show the major sources and percentages of operating revenues and expenses for the year ended December 31, 2018:



Fort Wayne-Allen County Airport Authority

Management's Discussion and Analysis

December 31, 2018

Capital Asset Activity

During 2018, the Authority expended approximately \$11.2 million for capital improvements. The Authority completed the following projects at Fort Wayne International: Terminal entrance road improvements for \$3.3 million, 82% of which was funded by passenger facility charges; phase 1 reconstruction of a portion of runway 05-23 for \$3.5 million; phase 2 design work for reconstruction of runway 05-23 for \$180,000; and purchased snow removal equipment for \$657,800. During the year, the Authority paid \$1.6 million for a new corporate hangar and ramp at the FBO; and paid \$285,000 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 paid \$41,196 for the design of the rehabilitation of taxiway A.

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.

Bond ratings did not change during 2018. The Authority has a legal debt limit of \$97,246,646 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 \$97,246,646 as of December 31, 2018. 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 2019, the operating, debt service and cumulative building tax rates are .0287, .0089, and .0031, respectively. The rates are per \$100 of assessed value and will be applied on an assessed value of \$15,591,737,704. These rates compare to the 2018 rates for operating, debt service and cumulative building of .0297, .0127 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, 2018

Assets

Current Assets

Unrestricted assets	
Cash and cash equivalents (note 2)	\$ 8,512,546
Investments (note 2)	17,410,000
Accounts receivable, net of allowance	230,450
Unbilled revenue	430,908
Property tax receivables, net of allowance (note 1)	54,665
Other receivables	96,456
Inventory (note 4)	271,927
Prepaid items	231,349
Total unrestricted assets	<u>27,238,301</u>
Restricted assets	
Cash and cash equivalents (note 2)	5,486,629
Passenger facility charge receivable	224,151
Federal and state grants receivable	1,422,338
Property tax receivable, net of allowance (note 1)	26,446
Total restricted assets	<u>7,159,564</u>
Total current assets	<u>34,397,865</u>

Noncurrent Assets

Restricted assets	
Cash and cash equivalents, including \$8,080 held by trustee (notes 2 and 3)	396,928
Investments (notes 2 and 3)	8,590,000
Property tax receivables, net of allowance (note 1)	5,890
Other receivables	179,246
Total restricted assets	<u>9,172,064</u>
Capital assets, net (note 5)	<u>119,603,071</u>
Total noncurrent assets	<u>128,775,135</u>

Deferred Outflows of Resources

Deferred amount on refunding bonds	3,845
Deferred outflow of resources related to pensions (note 7)	401,985
Deferred outflow of resources related to OPEB (note 8)	24,563
Total deferred outflows of resources	<u>430,393</u>

Total assets and deferred outflows of resources	<u>\$ 163,603,393</u>
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Fort Wayne-Allen County Airport Authority
Statement of Net Position (Continued)
December 31, 2018

**Liabilities, Deferred Inflows of Resources and
Net Position**

Current Liabilities

Payable from unrestricted	
Accounts payable	\$ 973,942
Accrued liabilities	314,505
Advance rent	36,813
Total unrestricted	<u>1,325,260</u>
Payable from restricted	
Accounts payable	122,900
Current portion of bonds payable (note 9)	1,875,000
Accrued interest on bonds payable	78,945
Total restricted	<u>2,076,845</u>
Total current liabilities	<u>3,402,105</u>

Noncurrent Liabilities

Net pension liability (note 7)	2,658,188
Net other postemployment benefits obligation (note 8)	848,211
Accrued compensated absences	650,233
Bonds payable, net (note 9)	975,000
Total noncurrent liabilities	<u>5,131,632</u>
Total liabilities	<u>8,533,737</u>

Deferred Inflows of Resources

Deferred inflows of resources related to pensions (note 7)	490,989
Deferred inflows of resources related to OPEB (note 8)	72,224
Total deferred inflows of resources	<u>563,213</u>

Net Position

Net investment in capital assets	116,756,916
Restricted for	
Debt service	995,321
Capital projects	14,544,688
Other purposes	(226)
Unrestricted	22,209,744
Total net position	<u>154,506,443</u>

Total liabilities, deferred inflows of resources and net position	<u>\$ 163,603,393</u>
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Fort Wayne-Allen County Airport Authority
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2018

Operating Revenues	
Airfield	\$ 1,977,473
Buildings and grounds	1,937,263
Terminal	3,589,067
Parking	4,177,885
Fixed based operations	5,634,972
Reliever airport	515,896
Total operating revenues	<u>17,832,556</u>
Operating Expenses	
Airfield	2,663,263
Buildings and grounds	820,460
Terminal	1,648,473
Parking	1,013,967
Fixed based operations	4,657,272
Reliever airport	674,411
Administration	2,768,194
Depreciation	8,224,543
Total operating expenses	<u>22,470,584</u>
Operating Loss	<u>(4,638,028)</u>
Nonoperating Revenues (Expenses)	
Property and other taxes	7,664,720
Passenger facility charge	1,603,462
Customer facility charge	526,835
Interest income	552,330
Interest expense	(189,006)
Gain on disposal of capital assets	223,410
Net nonoperating revenues (expenses)	<u>10,381,751</u>
Income Before Capital Contributions	5,743,723
Capital Contributions	
Federal and state grants	<u>3,547,994</u>
Net Position	
Increase in net position	9,291,717
Net Position, Beginning of Year, as Previously Reported	145,114,150
Cumulative Effect of Change in Accounting Principle	<u>100,576</u>
Net Position, Beginning of Year, as Restated	<u>145,214,726</u>
Net Position, End of Year	<u><u>\$ 154,506,443</u></u>

Fort Wayne-Allen County Airport Authority
Statement of Cash Flows
For the Year Ended December 31, 2018

Cash Flows From Operating Activities

Receipts from customers	\$ 18,071,611
Payments to suppliers	(8,388,518)
Payments to employees	(4,399,349)
Payments of benefits on behalf of employees	(1,924,101)
Refunds and return of customer deposits	4,431
Net cash provided by operating activities	<u>3,364,074</u>

Cash Flows From Noncapital Financing Activities

Receipts of property and other taxes	<u>5,196,737</u>
Net cash provided by noncapital financing activities	<u>5,196,737</u>

Cash Flows From Capital and Related Financing Activities

Receipts of property and other taxes	2,462,755
Acquisition and construction of capital assets	(10,607,213)
Sale of capital assets	260,941
Principal paid on bonds and other long-term debt	(1,780,000)
Interest paid on bonds and other long-term debt	(189,006)
Capital grant receipts	4,846,073
Passenger facility charge receipts	1,570,791
Customer facility charge receipts	526,835
Net cash used in capital and related financing activities	<u>(2,908,824)</u>

Cash Flows From Investing Activities

Purchase of investment securities	(36,000,000)
Proceeds from sale and maturities of investment securities	28,000,000
Interest received on investments	377,674
Net cash used in investing activities	<u>(7,622,326)</u>

Net Decrease in Cash and Cash Equivalents (1,970,339)

Cash and Cash Equivalents, Beginning of Year 16,366,442

Cash and Cash Equivalents, End of Year \$ 14,396,103

Fort Wayne-Allen County Airport Authority
Statement of Cash Flows (Continued)
For the Year Ended December 31, 2018

Reconciliation of Operating Loss to Net Cash

Provided by Operating Activities

Operating loss	\$ (4,638,028)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	8,224,543
Changes in assets and liabilities	
Accounts receivable and unbilled revenue	168,327
Other assets	71,734
Accounts payable	(396,614)
Accrued liabilities	(168,422)
Net pension liability	49,343
Deferred outflows of resources related to pensions	-
Net OPEB	<u>53,191</u>
Net cash provided by operating activities	<u><u>\$ 3,364,074</u></u>

Noncash Capital and Related Financing Activities

Capital and related financing activities	
Capital assets included in accounts payable	\$ (796,031)
Capital contributions from federal and state grants	(1,298,079)

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

Fort Wayne-Allen County Airport Authority

Notes to the 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 the Financial Statements

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 87, *Leases*

This Statement provides a new framework for accounting for leases under the principle that leases are financings. No longer will leases be classified between capital and operating. Lessees will recognize an intangible asset and a corresponding liability. The requirements of this Statement are effective for financial reporting periods beginning after December 15, 2019. This statement will be implemented beginning with the 2020 CAFR.

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.

Fort Wayne-Allen County Airport Authority

Notes to the Financial Statements

Investments

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

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

Unbilled Revenue

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

Inventories

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

Capital Assets

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

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, 2018. 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 \$189,006 for the year ended December 31, 2018. The Authority did not capitalize any interest during 2018.

Fort Wayne-Allen County Airport Authority

Notes to the Financial Statements

Compensated Absences

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

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

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.

Fort Wayne-Allen County Airport Authority

Notes to the Financial Statements

Passenger Facility Charge (PFC) Revenue

The Authority received approval from the FAA to impose and use a PFC of \$3 per enplaned passenger beginning July 1, 1993.

Subsequently, the Authority received approval from the FAA to increase the PFC from \$3 to \$4.50 per enplaned passenger beginning December 1, 2005. All projects for these two PFC applications have been completed. In addition, on January 6, 2015, the following projects (equipment purchases) were approved:

- (1) Replace Jet Bridge 8
- (2) Upgrade Public Address System to Digital
- (3) Snow Removal Vehicles with Plow and Mid Mount Broom Attachments (2)
- (4) Replace Jet Bridge 7
- (5) High Speed Runway Snow Broom
- (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
- (9) Ground power Units for Gates 5 and 6
- (10) New Terminal Entrance Road

PFC's are collected by the airlines and are recognized as capital contributions by the Authority.

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 capital contributions by the Authority.

Fort Wayne-Allen County Airport Authority

Notes to the Financial Statements

Rental Income

All leases of the Authority are accounted for as operating leases. Rental income is generally recognized as it becomes receivable over the respective lease terms. The Authority has no significant leases that would require the recording of income in accordance with GASB No. 13, Accounting for Operating Leases with Scheduled Rent Increases.

Property Taxes

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

Lien date	March 1, 2017
Levy date	January 1, 2018
Tax bills mailed	April 1 and October 1, 2018
First installment payment due	May 10, 2018
Second installment payment due	November 10, 2018
Authority collection dates	June and December 2018
Tax sale - 2017 delinquent property taxes	August 2020

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 \$196,231 with an allowance of \$109,230 for delinquent taxes, at December 31, 2018.

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 2018.

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 the Financial Statements

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.

Non-Trusted Single Employer Other Postemployment Benefit Plan

The Authority has a single-employer other postemployment benefit (OPEB) plan, Fort Wayne-Allen County Airport Authority Postretirement Benefit Plan, (the OPEB Plan). For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information has been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Change in Accounting Principle

During 2018, the Authority adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. GASB Statement No. 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources and expense based on the Authority's defined benefit plan. The Authority's OPEB liability, OPEB expense and deferred inflows and outflows of resources related to OPEB have been recognized in the accompanying financial statements.

Adoption of this statement resulted in an increase to the beginning net position as of January 1, 2018, to recognize the cumulative effect of applying this statement to beginning net position of \$100,576.

Fort Wayne-Allen County Airport Authority

Notes to the Financial Statements

Note 2: Cash, Cash Equivalents and Investments

Cash, cash equivalents and investments included in the statement of net position at December 31, 2018 consist of the following:

	Amount
Cash and cash equivalents	
Current	\$ 8,512,546
Current, restricted	5,486,629
Noncurrent, restricted	396,928
	14,396,103
 Investments	
Current	17,410,000
Noncurrent, restricted	8,590,000
	26,000,000
	\$ 40,396,103

Deposits and investments with financial institutions at December 31, 2018 are as follows:

Cash deposits	\$ 14,448,905
Certificates of deposits (CD's)	26,000,000
	\$ 40,448,905

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

At December 31, 2018, the Authority had the following cash equivalents (maturity of three months or less):

Short-term government money market funds	<u>\$ 8,080</u>
--	-----------------

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.

Fort Wayne-Allen County Airport Authority

Notes to the Financial Statements

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, 2018, the Authority's investments met these criteria.

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

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

Note 3: Restricted Assets

Cash, Cash Equivalents and Investments

Cash, cash equivalents and investments are restricted as follows:

	Amount
Pursuant to the FWIAATCBC First Mortgage Taxable Refunding Bonds of 2011 Trust Indenture Bond Operation and Reserve Account	\$ 8,080
Property Tax Revenues Reserved For Debt Service Pursuant to the Aviation Safety and Capacity Expansion Act of 1990, Federal Aviation Regulation Part 158 Passenger Facility Charge Account	1,039,739
Pursuant to Cumulative Building Fund Account established in 2001	4,446,889
Security deposits	8,856,174
	122,675
Total	\$ 14,473,557

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.

Fort Wayne-Allen County Airport Authority

Notes to the Financial Statements

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, 2018.

Note 4: Inventories

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

	<u>Amount</u>
Supply inventories held for consumption	\$ 118,364
Fixed based operator inventories held for sale	<u>153,563</u>
Total inventories	<u>\$ 271,927</u>

Fort Wayne-Allen County Airport Authority

Notes to the Financial Statements

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	\$ 654,871	\$ -	\$ 21,713,819
Intangibles	118,357			118,357
Work in progress	<u>778,614</u>	<u>8,573,068</u>	<u>6,673,217</u>	<u>2,678,465</u>
Total capital assets, not being depreciated	21,955,919	9,227,939	6,673,217	24,510,641
Capital assets, being depreciated				
Buildings and improvements	86,324,852	459,805		86,784,657
Infrastructure items	167,369,967	6,910,544	89,158	174,191,353
Intangibles	3,322,736	2,592		3,325,328
Equipment	<u>11,966,638</u>	<u>1,253,444</u>	<u>699,996</u>	<u>12,520,086</u>
Total capital asset, being depreciated	<u>268,984,193</u>	<u>8,626,385</u>	<u>789,154</u>	<u>276,821,424</u>
Less accumulated depreciation for				
Buildings and improvements	53,463,900	2,624,962		56,088,862
Infrastructure items	111,724,943	4,583,937	85,506	116,223,374
Intangibles	1,850,939	259,904		2,110,843
Equipment	<u>7,203,633</u>	<u>755,741</u>	<u>653,459</u>	<u>7,305,915</u>
Total accumulated depreciation	<u>174,243,415</u>	<u>8,224,544</u>	<u>738,965</u>	<u>181,728,994</u>
Net capital assets	<u>\$ 116,696,697</u>	<u>\$ 9,629,780</u>	<u>\$ 6,723,406</u>	<u>\$ 119,603,071</u>

Fort Wayne-Allen County Airport Authority

Notes to the Financial Statements

Note 6: Property Taxes

The applicable property tax rates and related levies in 2018 are as follows:

	Rate per \$100	Property Tax Levies
Operating	\$ 0.0297	\$ 4,332,338
Debt service	0.0127	1,852,549
Cumulative building	0.0032	466,784
Total	\$ 0.0456	\$ 6,651,671

Note 7: 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, 2018.

Fort Wayne-Allen County Airport Authority

Notes to the Financial Statements

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, 2018, 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 \$447,708 for the year ended December 31, 2018.

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

At December 31, 2018, the Authority reported a liability of \$2,658,188 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2018, the Authority's proportion was .07825 percent, which was a decrease of .00206 from its proportion of .08031 percent measured as of June 30, 2017.

For the year ended December 31, 2018, the Authority recognized pension expense of \$440,976. At December 31, 2018, 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	\$ 34,764	\$ 181
Net difference between projected and actual investment earnings earnings on pension plan investments	78,725	
Change of assumptions	6,333	426,809
Changes in proportion and differences between Authority contributions and proportionate share of contributions	61,167	63,999
Authority contributions subsequent to the measurement date	220,996	-
Total	\$ 401,985	\$ 490,989

Fort Wayne-Allen County Airport Authority

Notes to the Financial Statements

The \$220,996 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, 2019. 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:

2019	\$ 79,591
2020	(125,686)
2021	(216,828)
2022	(47,077)
2023	-
Thereafter	-

Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	2.5 – 4.25%
Investment rate of return	
Funding	6.75%, net of administrative and investment expense
Accounting and reporting	6.75%, net of investment expense
Cost of living adjustments	1%

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, 2018 valuation were based on the results of an actuarial experience study completed in April 2018 that resulted in an adjustment of retirement, termination and disability rates to reflect recent experience. The study was based on member experience between July 1, 2010 and June 30, 2014. For the actuarial valuation as of June 30, 2018, the COLA assumption was changed due to passage of Senate Enrolled Act No. 373. In lieu of a 1.0 percent COLA beginning on January 1, 2020, INPRS assumes the COLA will be replaced by a 13th check for 2020 and 2021. The COLA assumption thereafter, would be 0.4 percent beginning on January 1, 2022, changing to 0.5 percent beginning on January 1, 2034, and ultimately 0.6 percent beginning on January 1, 2039.

Fort Wayne-Allen County Airport Authority

Notes to the Financial Statements

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:

Asset Class	Target Asset Allocation	Long Term Expected Real Rate of Return
Public equity	22.0%	4.4%
Private markets	14.0%	5.4%
Fixed income – ex inflation-linked	20.0%	2.2%
Fixed income – inflation-linked	7.0%	0.8%
Commodities	8.0%	2.3%
Real estate	7.0%	6.5%
Absolute return	10.0%	2.7%
Risk parity	12.0%	5.2%
Total	100.0%	

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.

Fort Wayne-Allen County Airport Authority

Notes to the Financial Statements

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 what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75 percent), or one percentage point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Authority's proportionate share of the net pension liability	\$4,184,415	\$2,658,188	\$1,385,481

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, 2018, 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. Effective January 1, 2018, funds previously known as an Annuity Savings Account (ASA), were recategorized as a Defined Contribution (DC) fund based on Internal Revenue Service Private Letter Rulings PLR-193-2016 and PLR-110249-18. Employees are required to contribute 3 percent of their annual salary to a defined contribution account. Since 1987, the Authority has been funding the employee contribution requirement. During 2018, the Authority contributed \$121,295 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.

Fort Wayne-Allen County Airport Authority

Notes to the Financial Statements

Note 8: Other Postemployment Benefits (OPEB)

Non-Trusted Plan - Single-Employer Defined Benefit Other Postemployment Benefit Plan

Plan Description

The Authority contributes to the Fort Wayne-Allen County Airport Authority Postretirement Benefit Plan (the OPEB Plan), a single-employer defined benefit other postemployment benefit (OPEB) plan covering eligible retirees and their spouses. The OPEB Plan is administered by the Fort Wayne-Allen County Airport Authority Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided

The OPEB 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. Benefits are provided through a third-party insurer, and seventy percent of the medical benefits and the full cost of dental benefits are covered by the OPEB Plan. Life insurance benefits are not provided to retirees.

Actuarial Assumptions

The total OPEB liability in the December 31, 2018 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Discount rate	3.64%
Health care cost trend rates	9.0% for 2018, decreasing 0.3% per year to an ultimate rate of 5.0% for 2030 and later years

Mortality rates were based on the RP-2014 total Dataset Mortality Table, adjusted to 2006, as appropriate with adjustments for mortality improvements based on MP-2018.

The employees covered by the benefit terms at December 31, 2018, are:

	<u>2018</u>
Inactive employees or beneficiaries currently receiving benefit payments	4
Covered spouses of living retirees	3
Active employees	<u>65</u>
	<u><u>72</u></u>

Contributions

The Authority's governing body has the authority to establish and amend the contribution requirements of the Authority and active employees. The governing body establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Fort Wayne-Allen County Airport Authority

Notes to the Financial Statements

For the years ended December 31, 2018 and 2017, the Authority contributed \$24,563 and \$20,609, respectively, to the OPEB Plan. Employees are not required to contribute to the OPEB Plan.

Total OPEB Liability

The Authority's total OPEB liability of \$855,439 was measured as of December 31, 2018, for the year ended December 31, 2018, and was determined by actuarial valuations as of those dates.

Changes in the total OPEB liability are:

	2018
Total OPEB Liability	
Service cost	\$ 104,882
Interest	28,872
Differences between expected and actual experience	(34,312)
Changes of assumptions	(46,252)
Benefit payments	(24,563)
Net Change in Total OPEB Liability	28,627
Total OPEB Liability - Beginning	826,812
Total OPEB Liability - Ending	\$ 855,439
Covered-Employee Payroll	\$3,611,413
Net OPEB Liability as a Percentage of Covered-Employee Payroll	23.69%

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and Health Care Cost Trend Rates

The total OPEB liability of the Authority has been calculated using a discount rate of 3.64 percent. The following presents the total OPEB liability using a discount rate 1 percent higher and 1 percent lower than the current discount rate:

	1% Decrease 2.64%	Current Discount Rate 3.64%	1% Increase 4.64%
Authority's total OPEB liability	\$ 913,914	\$ 855,439	\$ 800,252

Fort Wayne-Allen County Airport Authority

Notes to the Financial Statements

The total OPEB liability of the Authority has been calculated using health care cost trend rates of 9 percent decreasing to 5 percent over 12 years. The following presents the total OPEB liability using health care cost trend rates 1 percent higher and 1 percent lower than the current health care cost trend rates:

	1% Decrease (8% Decreasing to 4%)	Current (9% Decreasing to 5%)	1% Increase (10% Decreasing to 6%)
Total OPEB liability	\$ 766,057	\$ 855,439	\$ 962,380

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the Authority recognized OPEB expense of \$125,414. At December 31, 2018, the Authority reported deferred inflows of resources related to OPEB from the following sources:

	2018
Liability experience gains	\$ 30,760
Changes in assumptions	41,464
	65
Total	\$ 72,224

Note 9: Bonds and Other Long-Term Liabilities

Bonds consist of:

First Mortgage Federally Taxable Refunding Bonds of 2011	
Fort Wayne International Airport Air	
Trade Center Building Corporation	
Principal payable semi annually on January 15, 2019	
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	\$ 2,850,000
Less: current portion	(1,875,000)
	\$ 975,000

The Authority has a legal debt limit of \$97,246,646 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 \$97,246,646 as of December 31, 2018.

Fort Wayne-Allen County Airport Authority

Notes to the Financial Statements

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.

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, 2018:

Debt Service Requirements

Years ending December 31:

		\$	1,875,000	\$	132,268	\$	2,007,268
2019							
2020			975,000		27,008		1,002,008
		\$	2,850,000	\$	159,276	\$	3,009,276

Fort Wayne-Allen County Airport Authority

Notes to the Financial Statements

Changes in Bonds and Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-term liabilities					
Compensated absences	\$ 916,813	\$ 288,583	\$ (368,124)	\$ 837,273	\$ 187,040
Pension	3,583,066	843,806.00	(1,768,684.00)	2,658,188.00	-
OPEB	895,597	-	(47,386.00)	848,211.00	-
Bonds					
Revenue bonds	4,630,000	-	(1,780,000)	2,850,000	1,875,000
Total bonds and long-term liabilities	<u>\$ 10,025,476</u>	<u>\$ 1,132,389</u>	<u>\$ (3,964,194)</u>	<u>\$ 7,193,672</u>	<u>\$ 2,062,040</u>

Note 10: Commitments and Contingencies

Capital Improvements

At December 31, 2018, the Authority was obligated for completion of Airport runway improvements and various smaller projects under commitments aggregating \$8,180,485 with an estimated \$6,589,900 eligible for reimbursement at 95 percent from the FAA and the State of Indiana, and \$561,829 eligible for reimbursement at 82 percent from passenger facility charges (PFC); and \$99,228 eligible for reimbursement at 100 percent from PFC.

Rebatable Arbitrage

Based upon calculations through December 31, 2018, there are no rebatable arbitrage liabilities.

Litigation

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

Note 11: Rental Income Under Operating Leases

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

Fort Wayne-Allen County Airport Authority

Notes to the Financial Statements

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:

Year ended December 31:	
2019	\$ 3,549,367
2020	2,433,059
2021	1,854,922
2022	1,681,923
2023	646,596
Thereafter	<u>1,347,815</u>
 Total	 <u>\$ 11,513,682</u>

The schedule above includes changes in rental rates that became effective on January 1, 2019. These rates are adjusted annually.

Contingent rentals and fees aggregated \$7,715,198 for the year ended December 31, 2018.

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, 2018, the Authority received significant operating revenue from one airline. Rentals, landing fees, apron fees and other revenues from this airline aggregated approximately 6.6 percent of operating revenues.

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 2018. The table below summarizes taxes that have been abated.

	Real Property Tax	Personal Property Tax	Total Abated
Allen County	\$ 99,446	\$ 64,876	\$ 164,322
Fort Wayne	52,998	37,963	90,961
Grabill	37	-	37
Huntertown	79	153	232
Monroeville	304	184	488
New Haven	5,470	7,391	12,861
Woodburn	3,683	1,080	4,763
 Total - all units	 <u>\$ 162,017</u>	 <u>\$ 111,647</u>	 <u>\$ 273,664</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 5 Fiscal Years (C)

	2018	2017	2016	2015	2014
Authority's proportion of the net pension liability	0.07825%	0.08031%	0.07588%	0.07416%	0.07144%
Authority's proportionate share of the net pension liability	\$2,658,188	\$3,583,066	\$3,443,772	\$3,020,464	\$1,877,397
Authority's covered-employee payroll	\$3,992,660	\$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	66.6%	89.9%	94.7%	85.0%	53.8%
Plan fiduciary net position as a percentage of the total pension liability**	78.9%	72.7%	71.2%	73.3%	81.1%

* The amounts presented for each fiscal year were determined as of June 30, 2018 (measurement date)

** The amounts for 2014-2017 were restated to coincide with INPRS adjustments made to total pension liability for those years in the 2018 INPRS Annual Report.

Schedule of Contributions Public Employees Retirement Fund

	2018	2017	2016	2015	2014
Contractually required contribution	\$443,346	\$457,325	\$430,755	\$372,707	\$373,698
Contributions in relation to the contractually required contribution	\$443,346	\$457,325	\$430,755	\$372,707	\$373,698
Contribution deficiency (excess)	-	-	-	-	-
Authority's covered-employee payroll	\$3,992,660	\$3,984,364	\$3,923,803	\$3,385,663	\$3,580,305
Contributions as a percentage of covered-employee payroll	11.10%	11.48%	10.98%	10.76%	10.44%

Fort Wayne-Allen County Airport Authority

Required Supplementary Information

Notes to Schedules

Note A - Valuation Date: 06/30/18

Note B - Changes of assumptions: In 2018, the COLA assumption was changed due to passage of Senate Enrolled Act No.373. In lieu of a 1.0% COLA beginning on January 1, 2020, INPRS now assumes that the COLA will be replaced by a thirteenth check for 2020 and 2021. The COLA assumption thereafter, would be 0.4% beginning on January 1, 2022, changing to 0.5% beginning on January 1, 2034, and ultimately 0.6% beginning on January 1, 2039. 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.

Schedule of Changes in the Authority's Net OPEB Liability and Related Ratios

	2018
Total OPEB Liability	
Service cost	\$ 104,882
Interest	28,872
Differences between expected and actual experience	(34,312)
Changes of assumptions	(46,252)
Benefit payments, including refunds of employee contributions	(24,563)
Net Change in Total OPEB Liability	28,627
Total OPEB Liability - Beginning	826,812
Total OPEB Liability - Ending	\$ 855,439
Covered-Employee Payroll	\$3,611,413
Total OPEB Liability as a Percentage of Covered-Employee Payroll	23.69%

Fort Wayne-Allen County Airport Authority

Required Supplementary Information

Notes to Schedule

The discount rate changed from 3.00 percent at the beginning of the measurement period to 3.64 percent at the end of the measurement period.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The schedule is presented as of the measurement date which is one year prior to the current fiscal year.

Schedule of the Authority's OPEB Contributions

	2018
Actuarially determined contribution	\$ 150,298
Actual employer contributions	24,563
Contribution deficiency	125,735
Covered-employee payroll	3,611,413
Contributions as a percentage of covered-employee payroll	0.68%

Schedule of the OPEB Funding Progress

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))
12/31/2009	-	\$978,354	\$978,354	-	\$3,652,914	26.80%
12/31/2010	-	964,500	964,500	-	3,608,928	26.70%
12/31/11(A)	-	N/A	N/A	N/A	3,654,941	N/A
12/31/2012	-	1,126,517	1,126,517	-	3,539,674	31.80%
12/31/13(A)	-	N/A	N/A	N/A	3,505,194	N/A
12/31/2014	-	902,202	902,202	-	3,580,305	25.20%
12/31/15(A)	-	N/A	N/A	N/A	3,385,663	N/A
12/31/2016	-	977,779	977,779	-	3,923,803	24.90%
12/31/17(A)	-	N/A	N/A	N/A	3,984,364	N/A
12/31/2018	-	828,572	828,572	-	3,611,413	22.95%

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 Expenditures of Federal Awards
Year Ended December 31, 2018

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Grantor/ Pass-Through Grantor Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Transportation - Federal Aviation Administration (FAA)				
Airport Improvement Program (AIP)				
	20.106	3-18-0024-019	\$ -	\$ 40,834
	20.106	3-18-0024-065	-	1,243
	20.106	3-18-0022-068	-	78,687
	20.106	3-18-0022-069	-	3,464,312
	20.106	3-18-0022-070	-	834
Subtotal			-	3,585,910
Grand Total			\$ -	\$ 3,585,910

Notes to Schedule:

1. The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the Fort Wayne-Allen County Airport Authority (Authority) under programs of the federal government for the year ended December 31, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Authority.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Authority has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.
3. The Fort Wayne-Allen County Airport Authority had no federal loans that they were administering as of December 31, 2018.

Fort Wayne-Allen County Airport Authority
Schedule of Passenger Facility Charge Revenues and Expenditures
Year Ended December 31, 2018

Revenues	Date Approved	Amount Approved For Use	Cumulative Total - December 31, 2017	Quarter Ended				Year Ended December 31, 2018	Cumulative Total - December 31, 2018
				March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018		
Passenger facility charge revenues received			\$ 25,540,489	\$ 335,761	\$ 430,785	\$ 408,680	\$ 418,271	\$ 1,593,497	\$ 27,133,986
Interest earned			545,822	828	1,703	7,543	12,569	22,643	568,465
Total passenger facility charge revenue received			<u>\$ 26,086,311</u>	<u>\$ 336,589</u>	<u>\$ 432,488</u>	<u>\$ 416,223</u>	<u>\$ 430,840</u>	<u>\$ 1,616,140</u>	<u>\$ 27,702,451</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	373,417	-	-	-	373,417	2,677,964
Application 16-05	October 27, 2016	8,049,986	-	-	-	-	-	-	-
Total passenger facility charge revenue expended			<u>\$ 40,713,443</u>	<u>\$ 22,864,146</u>	<u>\$ 373,417</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 373,417</u>	<u>\$ 23,237,563</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, 2018, 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 26, 2019. Our report contained an *Emphasis of Matter* paragraph regarding a change in accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Fort Wayne, Indiana
June 26, 2019

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

Independent Auditor's Report

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

Report on Compliance for the Major Federal Program

We have audited Fort Wayne-Allen County Airport Authority's (Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended December 31, 2018. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 major federal program. However, our audit does not provide a legal determination of Authority's compliance.

Opinion on the Major Federal Program

In our opinion, Fort Wayne-Allen County Airport Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2018.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

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

BKD, LLP

Fort Wayne, Indiana
June 26, 2019

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 the Authority's passenger facility charge program for the year ended December 31, 2018.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations 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 a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the passenger facility charge program. However, our audit does not provide a legal determination of 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, 2018.

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 its 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 Authority's internal control over compliance.

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

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

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

BKD, LLP

Fort Wayne, Indiana
June 26, 2019

Fort Wayne-Allen County Airport Authority
Schedule of Findings and Questioned Costs
Year Ended December 31, 2018

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

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
	No matters are reportable.

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
	No matters are reportable.

Fort Wayne-Allen County Airport Authority
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2018

Reference Number	Summary of Finding	Status
	No matters are reportable.	

Fort Wayne-Allen County Airport Authority
Passenger Facility Charge Audit Summary
Year Ended December 31, 2018

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 |