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April 28, 2016

Board of Directors  
Fort Wayne Public Transportation Corporation  
801 Leesburg Road  
Fort Wayne, IN 46808

We have reviewed the audit report prepared by BKD, LLP, Independent Public Accountants, for the period January 1, 2011 to December 31, 2011. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants opinion, the financial statements included in the report present fairly the financial condition of Fort Wayne Public Transportation Corporation, as of December 31, 2011 and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountant's 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 Public Transportation Corporation**  
(A Component Unit of the Consolidated City of Fort Wayne – Allen County)

Accountants' Reports and Financial Statements

December 31, 2011 and 2010



**Fort Wayne Public Transportation Corporation**  
 (A Component Unit of the Consolidated City of Fort Wayne – Allen County)  
 December 31, 2011 and 2010

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## Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Directors  
Fort Wayne Public Transportation Corporation  
Fort Wayne, Indiana

We have audited the accompanying basic financial statements of Fort Wayne Public Transportation Corporation (Citilink), a component unit of the Consolidated City of Fort Wayne – Allen County, as of and for the years ended December 31, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of Citilink's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fort Wayne Public Transportation Corporation as of December 31, 2011 and 2010, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2012, on our consideration of Citilink's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally

accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, including the schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the schedule of revenue, expenses and changes in net assets, budget and actual, 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.

BKD, LLP

June 11, 2012

**Fort Wayne Public Transportation Corporation**  
**(A Component Unit of the Consolidated City of Fort Wayne – Allen County)**  
**Management's Discussion and Analysis – Unaudited**

As financial management of the Fort Wayne Public Transportation Corporation (A Component Unit of the Consolidated City of Fort Wayne – Allen County) (d/b/a Citilink), we offer readers of these financial statements this narrative overview and analysis of the financial activities of Citilink for the fiscal year ended December 31, 2011. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

***Overview of the Financial Statements***

Citilink's financial statements consist of three statements – statement of net assets; a statement of revenue, expenses and changes in net assets; and a statement of cash flows. These statements provide information about the activities of Citilink, including resources held by Citilink but restricted for specific purposes by creditors, contributors, grantors or enabling legislation.

The statements of net assets present information on all of Citilink's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Citilink is improving or deteriorating.

The statements of revenue, expenses and changes in net assets reflect the operating activity and resulting changes in net assets of Citilink for the year using the accrual basis of accounting, similar to private sector companies. The change in net assets is an indicator of whether the overall fiscal condition of Citilink has improved or worsened during the year.

***Measurement Focus and Basis of Accounting***

Citilink is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting. Under this basis of accounting, revenue is recognized in the period in which it is earned, expenses are recognized in the period in which they are incurred and depreciation of assets is recognized in the statements of revenue, expenses and changes in net assets. All assets and liabilities associated with the operation of Citilink are included in the statements of net assets.

***Financial Highlights***

- Cash and cash equivalents increased in 2011 by \$410,196 or 9% over 2010. The major area contributing to the net cash increase is an increase in proceeds from the sale of capital assets. This is related to the sale of real estate on West Jefferson Blvd. that had been held for the location of a new intermodal transfer facility.
- Citilink's net assets decreased by \$701,158 or 4.60% over 2010. This decrease in net assets was due to the accruals for future liabilities related to the pension plan and retiree health benefits. Operating revenue increased by \$167,780 or 12.74% over 2010 and operating expenses increased by \$729,118 or 5.96% over 2010.
- Citilink reported operating losses in 2011 of \$11,473,812 as compared to the 2010 amount of \$10,912,474. This is a 5.14% increase. Citilink receives nonoperating revenue in the form of property taxes and governmental grants to support operations. This is consistent with Citilink's operating history as it was formed and is operated primarily to provide public transportation to the residents of Fort Wayne and New Haven and is subsidized to that end.

**Fort Wayne Public Transportation Corporation**  
(A Component Unit of the Consolidated City of Fort Wayne – Allen County)  
**Management's Discussion and Analysis – Unaudited**

**Table 1: Statements of Net Assets**

	2011	2010	2009
Current and other assets	\$ 6,885,113	\$ 6,516,901	\$ 5,507,841
Capital assets	<u>13,313,031</u>	<u>12,104,396</u>	<u>8,171,081</u>
Total assets	<u>20,198,144</u>	<u>18,621,297</u>	<u>13,678,922</u>
Current liabilities	2,450,767	1,000,590	781,655
Other long-term liabilities	<u>3,190,590</u>	<u>2,362,762</u>	<u>1,754,968</u>
Total liabilities	<u>5,641,357</u>	<u>3,363,352</u>	<u>2,536,623</u>
Net assets			
Invested in capital assets	11,781,603	12,076,533	8,171,081
Unrestricted	<u>2,775,184</u>	<u>3,181,412</u>	<u>2,971,218</u>
Total net assets	<u>\$ 14,556,787</u>	<u>\$ 15,257,945</u>	<u>\$ 11,142,299</u>

**Changes in Net Assets**

In 2011, Citilink's net assets decreased by \$701,158 or 4.60%, compared to an increase of \$4,115,646 or 36.94% in 2010, as shown in Table 2. A slight decrease was seen in local government taxes under non-operating revenue, which is attributed to the effects of property tax caps and a decrease in local income taxes collected. The largest portion of the decrease was due to the accrual of future liabilities related to the pension plan and retiree health benefits. The increase in net assets from 2009 to 2010 was due primarily to the purchase of eleven new buses in 2010. The majority of the funding for these buses was Federal ARRA grants, which require zero local match.

**Table 2: Statements of Revenue, Expenses and Changes in Net Assets**

	2011	2010	2009
Operating revenue	\$ 1,484,477	\$ 1,316,697	\$ 1,298,310
Operating expenses	<u>12,958,289</u>	<u>12,229,171</u>	<u>12,563,826</u>
Loss from operations	<u>(11,473,812)</u>	<u>(10,912,474)</u>	<u>(11,265,516)</u>
Net nonoperating revenue (expenses)			
Investment income	11,052	11,790	13,785
Local government assessments and taxes	5,260,740	5,424,581	5,375,583
Federal grants and reimbursements	2,615,829	2,667,865	2,405,728
State operating grants	1,898,399	1,909,408	1,889,931
Pass-through to subrecipient	(77,847)	(80,850)	(59,997)
Other	<u>(4,853)</u>	<u>91,765</u>	<u>92,371</u>
Net nonoperating revenue (expenses)	<u>9,703,320</u>	<u>10,024,559</u>	<u>9,717,401</u>

**Fort Wayne Public Transportation Corporation**  
(A Component Unit of the Consolidated City of Fort Wayne – Allen County)  
**Management's Discussion and Analysis – Unaudited**

	2011	2010	2009
Net loss before capital contributions	\$ (1,770,492)	\$ (887,915)	\$ (1,548,115)
Capital contributions	<u>1,069,334</u>	<u>5,003,561</u>	<u>1,135,961</u>
Net increase (decrease)	(701,158)	4,115,646	(412,154)
Net assets, beginning of year	<u>15,257,945</u>	<u>11,142,299</u>	<u>11,554,453</u>
Net assets, end of year	<u>\$ 14,556,787</u>	<u>\$ 15,257,945</u>	<u>\$ 11,142,299</u>

**Revenue**

Operating revenue consists of passenger fares, including bus pass sales, and increased \$167,780, or 12.74% over 2010, while nonoperating revenue decreased by \$321,239 or 3.20%. Nonoperating revenues consist primarily of property taxes levied by Citilink, federal and state (PMTF) grants, and investment income. The major area of revenue decrease was in county option income tax, which decreased by \$202,221 from 2010 to 2011. The increase in nonoperating revenue from 2009 to 2010 was due to an increase in ridership, and an increase in federal grants for Job Access Reverse Commute (JARC), Congestion Mitigation Air Quality (CMAQ), and Complementary Paratransit.

**Expenses**

Operating expenses increased by \$729,118 or 5.96% in 2011 compared to 2010. The major categories of expense for Citilink are salaries and wages, benefits, and diesel fuel. The increase in operating expenses for 2011 compared to 2010 was due to the pension plan and retiree health benefits that must be accrued to account for future liabilities. Citilink was able to lock in fuel prices for 2010 through a vendor contract which allowed for a significant decrease, \$299,766, in fuel expense for 2010 compared to 2009.

**Operating Losses**

Operating income or loss is generally the difference between net passenger service and other operating revenue and the expenses incurred to perform those services. Citilink has reported an operating loss in each of the past three years. This is consistent with Citilink's operating history as the PTC was formed and is operated primarily to provide public transportation to the residents of Fort Wayne and New Haven and is subsidized to that end. Citilink levies property taxes and receives federal grants to provide sufficient resources to enable it to serve residents in the metropolitan area.



**Fort Wayne Public Transportation Corporation**  
**(A Component Unit of the Consolidated City of Fort Wayne – Allen County)**  
**Management’s Discussion and Analysis – Unaudited**

**Table 3: Cash Flows**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Cash flows from operating activities	\$ (9,359,194)	\$ (8,749,851)	\$ (9,371,331)
Cash flows from noncapital financing activities	9,572,245	9,975,199	9,835,289
Cash flows from capital and related financing activities	135,481	(94,379)	54,712
Cash flows from investing activities	<u>61,664</u>	<u>114,672</u>	<u>64,557</u>
Net increase in cash and cash equivalents	410,196	1,245,641	583,227
Cash and cash equivalents, beginning of year	<u>4,611,699</u>	<u>3,366,058</u>	<u>2,782,831</u>
Cash and cash equivalents, end of year	<u>\$ 5,021,895</u>	<u>\$ 4,611,699</u>	<u>\$ 3,366,058</u>

**Cash Flows**

Net cash used in operating activities increased by \$609,343 due to increased amounts paid to suppliers (primarily fuel costs) and for salaries and wages. Net cash provided by noncapital financing activities decreased by \$402,954. This was due primarily to decreased local government assessments and taxes (mainly COIT taxes) and decreases in state and federal funding. Net cash provided by capital and related financing activities increased by \$229,860 mainly due to the sale of real estate that had been held for the location of a new intermodal transfer facility. Net cash provided by investing activities decreased by \$53,008 related to a decrease in rental income from property that has been designated for the new transfer facility.

From 2009 to 2010, net cash used in operating activities decreased by \$621,480 due primarily to decreased amounts paid to suppliers (primarily fuel costs) which was offset by an increase in payments for employee benefits. Net cash provided by noncapital financing activities increased by \$139,910. This was due primarily to increased local government assessments and taxes (mainly property and COIT taxes) and increases in state and federal funding. Net cash provided by capital and related financing activities decreased by \$149,091 mainly due to receiving grants under the American Recovery and Reinvestment Act of 2009 (ARRA), which provides 100% funding of capital projects from federal grants. Net cash provided by investing activities increased by \$50,115 related to a decrease in interest income from investments due to timing of local funding and decreased interest rates.

**Capital Assets**

Citilink’s investment in capital assets amounts to \$13,313,031 as of December 31, 2011, an increase of \$1,208,635 (9.99%), consisting of depreciation expense of \$1,422,323 offset by capital asset additions of \$1,583,017. Capital assets include land, buses, shop equipment, and administrative equipment, and additions in 2011 include:

- The purchase of one paratransit bus

**Fort Wayne Public Transportation Corporation**  
**(A Component Unit of the Consolidated City of Fort Wayne – Allen County)**  
**Management's Discussion and Analysis – Unaudited**

- The purchase of one flex-route bus
- Construction in progress related to the transfer facility

***Economic Factors***

Other than the uncertainty of general economic indicators on Citilink, its funding sources and its customers, there are no significant facts, decisions or conditions expected that management believes will have a significant impact on the financial position or results of its operations.

***Requests for Information***

This financial report is designed to provide a general overview of Citilink's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Controller, Fort Wayne Public Transportation Corporation, 801 Leesburg Road, Fort Wayne, Indiana 46808.

**Fort Wayne Public Transportation Corporation**  
**(A Component Unit of the Consolidated City of Fort Wayne – Allen County)**  
**Statements of Net Assets**  
**December 31, 2011 and 2010**

	<b>2011</b>	<b>2010</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 3,554,615	\$ 3,221,843
Receivables, net of allowance for uncollectible amounts		
Federal grants	284,506	241,703
State assistance	474,599	475,787
Local assistance	83,261	—
Services	72,225	62,661
Contract receivable, City of Fort Wayne	263,179	258,259
Contract receivable, accident claims	3,744	
Inventories	311,258	280,385
Prepaid expenses	79,010	68,214
Total current assets	5,126,397	4,608,852
<b>Noncurrent Assets</b>		
Cash and cash equivalents	1,467,280	1,389,856
Contract receivable, City of Fort Wayne	263,805	518,193
Contract receivable, accident claims	27,631	—
Capital assets		
Land and construction in progress, nondepreciable assets	3,534,741	1,151,602
Buildings, vehicles and equipment, net	9,778,290	10,952,794
Total noncurrent assets	15,071,747	14,012,445
Total assets	20,198,144	18,621,297
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	1,822,021	349,421
Other accrued expenses	518,746	526,169
Accrued self-insurance liability	110,000	125,000
Total current liabilities	2,450,767	1,000,590
<b>Noncurrent Liabilities</b>		
Net pension obligation	695,956	498,892
Postemployment benefit obligation	2,111,634	1,602,450
Accrued sick pay and benefits	343,000	228,000
Accrued separation liability	40,000	33,420
Total noncurrent liabilities	3,190,590	2,362,762
Total liabilities	5,641,357	3,363,352
<b>Net Assets</b>		
Invested in capital assets	11,781,603	12,076,533
Unrestricted	2,775,184	3,181,412
Total net assets	\$ 14,556,787	\$ 15,257,945

**Fort Wayne Public Transportation Corporation**  
(A Component Unit of the Consolidated City of Fort Wayne – Allen County)  
**Statements of Revenue, Expenses and Changes in Net Assets**  
**Years Ended December 31, 2011 and 2010**

	2011	2010
<b>Operating Revenue</b>		
Passenger fares	\$ 1,230,605	\$ 1,115,442
Fare subsidy	94,018	89,544
Para transit	106,902	111,017
Advertising service	51,850	—
Other	1,102	694
Total operating revenue	1,484,477	1,316,697
<b>Operating Expenses</b>		
Salaries and wages	4,600,118	4,348,823
Fringe benefits	4,090,900	3,811,346
Services	637,002	663,555
Materials and supplies	1,652,170	1,537,551
Utilities	94,670	102,288
Casualty and liability costs	285,079	238,934
Taxes	931	922
Miscellaneous	159,921	171,355
Lease and rentals	1,320	1,320
Vehicle tracking system	13,855	18,551
Depreciation	1,422,323	1,334,526
Total operating expenses	12,958,289	12,229,171
Operating loss	(11,473,812)	(10,912,474)
<b>Nonoperating Revenue (Expenses)</b>		
Local government assessments and taxes	5,260,740	5,424,581
Federal operating grants	2,615,829	2,667,865
State operating grants	1,898,399	1,909,408
Pass-through to subrecipient	(77,847)	(80,850)
Interest income	11,052	11,790
Loss on sale of capital assets	(79,569)	(11,117)
Rent and miscellaneous	50,612	69,871
Interest from contract receivable	24,104	33,011
Total nonoperating revenue (expenses)	9,703,320	10,024,559
Net loss before capital contributions	(1,770,492)	(887,915)
<b>Capital Contributions, Federal Grants</b>	1,069,334	5,003,561
<b>Net Increase (Decrease)</b>	(701,158)	4,115,646
<b>Net Assets, Beginning of Year</b>	15,257,945	11,142,299
<b>Net assets, End of Year</b>	\$ 14,556,787	\$ 15,257,945

**Fort Wayne Public Transportation Corporation**  
(A Component Unit of the Consolidated City of Fort Wayne – Allen County)  
**Statements of Cash Flows**  
**Years Ended December 31, 2011 and 2010**

	<b>2011</b>	<b>2010</b>
<b>Cash Flows From Operating Activities</b>		
Receipts from passengers	\$ 1,474,913	\$ 1,313,022
Payments to employees and benefit providers	(7,999,770)	(7,661,875)
Payments to suppliers	<u>(2,834,337)</u>	<u>(2,400,998)</u>
Net cash used in operating activities	<u>(9,359,194)</u>	<u>(8,749,851)</u>
<b>Cash Flows From Noncapital Financing Activities</b>		
Receipts of local government assessments and taxes	5,177,479	5,424,581
Receipts of federal and state operating grants	4,472,613	4,631,468
Grant to other organization	<u>(77,847)</u>	<u>(80,850)</u>
Net cash provided by noncapital financing activities	<u>9,572,245</u>	<u>9,975,199</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Capital grants received	1,069,334	5,003,561
Purchase of capital assets	(1,583,017)	(5,393,425)
Payments received on contract receivable	242,197	240,560
Proceeds from sale of capital assets	<u>406,967</u>	<u>54,925</u>
Net cash provided by (used in) capital and related financing activities	<u>135,481</u>	<u>(94,379)</u>
<b>Cash Flows From Investing Activities</b>		
Interest income	11,052	11,790
Other	<u>50,612</u>	<u>102,882</u>
Net cash provided by investing activities	<u>61,664</u>	<u>114,672</u>
<b>Net Increase in Cash and Cash Equivalents</b>	410,196	1,245,641
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>4,611,699</u>	<u>3,366,058</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 5,021,895</u>	<u>\$ 4,611,699</u>
<b>Supplemental Cash Flows Information</b>		
Accounts payable incurred for purchase of property and equipment	\$ 1,534,477	\$ 59,542

**Fort Wayne Public Transportation Corporation**  
(A Component Unit of the Consolidated City of Fort Wayne – Allen County)  
**Statements of Cash Flows**  
**Years Ended December 31, 2011 and 2010**

	2011	2010
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>		
Operating loss	\$ (11,473,812)	\$ (10,912,474)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	1,422,323	1,334,526
Bad debt expense	22	45
Changes in assets and liabilities		
Receivables	(9,586)	(3,720)
Inventories	(30,873)	(56,313)
Prepaid expenses	(10,796)	1,814
Accounts payable and other accrued expenses	<u>743,528</u>	<u>886,271</u>
Net cash used in operating activities	<u>\$ (9,359,194)</u>	<u>\$ (8,749,851)</u>

**Fort Wayne Public Transportation Corporation**  
(A Component Unit of the Consolidated City of Fort Wayne – Allen County)  
**Notes to Financial Statements**  
**December 31, 2011 and 2010**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

***Significant Accounting Policies***

The financial statements of the Fort Wayne Public Transportation Corporation (A Component Unit of the Consolidated City of Fort Wayne – Allen County) (d/b/a Citilink), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of Citilink's accounting policies are described below.

***Reporting Entity***

Citilink is a municipal corporation organized pursuant to Indiana Code 36-9-4 and general ordinance G-107-67 adopted by the Common Council of the City of Fort Wayne in September 1967. Citilink operates as a public transit system in a service area, which includes the cities of Fort Wayne, New Haven and certain unincorporated areas of Allen County.

Management of Citilink has determined that it is a component unit of the Consolidated City of Fort Wayne – Allen County in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 14. Citilink has based this determination on the fact that the Consolidated City of Fort Wayne – Allen County is considered to be financially accountable for Citilink and its operations.

The Board of Directors of Citilink consists of seven members, three of whom are appointed by the mayor of the City of Fort Wayne and four of whom are appointed by the City of Fort Wayne – Allen County Council (Council). The Citilink Board designates the management of Citilink, namely the General Manager and the other principal members of the management staff. The Citilink Board adopts the budget and tax levy, and approves the issuance of debt. In addition, the Council may review and modify the budget and tax levy, although its approval is not required for the issuance of debt.

***Basis of Accounting***

Citilink's financial statements consist of a single-purpose business type activity which is reported on the accrual basis of accounting using the economic resources measurement focus. Revenue is recognized in the period it is earned and expenses are recognized in the period they are incurred. Citilink is not subject to federal or state income taxes.

Effective January 1, 2010, Citilink adopted Statement of Governmental Accounting Standards No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which supersedes Governmental Accounting Standards No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in Paragraph 7 of that Statement for business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. This

**Fort Wayne Public Transportation Corporation**  
(A Component Unit of the Consolidated City of Fort Wayne – Allen County)

**Notes to Financial Statements**  
**December 31, 2011 and 2010**

Statement has been applied retrospectively and had no impact on Citilink's net assets, changes in net assets or financial reporting disclosures.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses and other changes in net assets during the reporting period. Significant estimates include the assumptions used in computing Citilink's pension benefit obligation. Actual results could differ from those estimates.

***Cash and Cash Equivalents***

For the purpose of the statements of cash flows, Citilink considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. At December 31, 2011, cash equivalents consisted of money market accounts with brokers.

***Accounts Receivable***

Accounts receivable are reported at their contract amounts adjusted for any charge-offs and the allowance for doubtful accounts. Accounts are considered past due based on their individual contract terms.

***Inventories (Materials and Supplies)***

Inventories are valued at the lower of cost or market. Cost is determined on the first-in, first-out basis.

***Capital Assets***

Capital assets purchased or acquired with federal, state and local funds with an original cost of \$1,000 or more are reported at cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on a straight-line basis over the following estimated lives:

Passenger shelters	5 – 10 years
Service vehicles	2 – 8 years
Buildings and improvements	10 – 36 years
Shop and garage equipment	2 – 10 years
Revenue vehicle movement control facilities	2 – 10 years
Revenue collection facilities and equipment	5 – 15 years
General administrative equipment	2 – 10 years
Passenger revenue vehicles	3 – 12 years



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***Compensated Absences***

Full-time union personnel and most administrative staff receive compensation for vacations, holidays and sick pay. The number of weeks of compensation for vacation is based upon length of service. Vacation which has been earned but not paid has been accrued in the accompanying financial statements. Accumulated but unused sick pay benefits are nonvesting; however, employees will receive a percentage (70% in 2011 and 2010) of unused sick pay upon retirement. The maximum accumulated sick pay hours for retirement benefit is 1,600. Unused sick pay benefits are accrued under the termination-payment method, which estimates sick pay liability on past history, adjusted for pay rate changes, administrative policies and other relevant factors, including the probability that employees will become eligible to receive these benefits in the future.

***Net Asset Classification***

Net assets are required to be classified into three components - invested in capital assets, net of related debt; restricted and unrestricted. These classifications are defined as follows:

***Invested in Capital Assets, Net of Related Debt*** – This component of net assets consists of capital assets, net of accumulated depreciation and costs to be recovered from future revenue, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt.

***Restricted*** – This category presents external restrictions imposed by creditors (such as through debt covenants), contributors or law or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Citilink had no restricted net assets at December 31, 2011 and 2010.

***Unrestricted*** – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

When both restricted and unrestricted resources are available for use, it is Citilink’s policy to use restricted resources first, then unrestricted resources as they are needed.

***Revenue and Expenses and Net Asset Recognition***

Operating revenue are derived from passenger fares, service contracts, rental of property and sale of advertising space. Operating expenses include the cost of sales and service, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is Citilink’s policy to use restricted resources first, then unrestricted resources as they are needed.

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**Revenue Recognition**

Passenger fares are recorded as revenue at the time the service is provided.

Property taxes receivable are recorded when Citilink has an enforceable legal claim to the resources and the related revenue is recorded as nonoperating in the period for which the taxes are levied.

Citilink recognizes federal and state grant income when eligibility requirements are met. The Federal Transit Administration (FTA) and the state of Indiana provide financial assistance and distribute grants directly to Citilink for operations and acquisition of property and equipment. Operating grants made on the basis of entitlement periods are recorded as grant receivables and revenue over the entitlement periods, based on qualifying expenditures. Capital grants for the acquisition of property and equipment (reimbursement type grants) are recorded as grant receivables when the related grant expenditures are incurred. Costs claimed under federal and state grants are subject to audit and acceptance by the granting agency.

Resources received or recognized as receivable before time requirements are met, are reported as deferred revenue.

**Property Taxes**

The following summarizes the property tax calendar for Citilink:

	2011	2010
Lien date	March 2010	March 2009
Levy date	March 2011	March 2010
Tax bills mailed	April 2011	April 2010
First installment due	May 2011	May 2010
Second installment due	November 2011	November 2010

**Reclassifications**

Certain reclassifications have been made to the 2010 financial statements to conform to the 2011 presentation. The reclassifications had no effect on the changes in net assets.

**Subsequent Events**

Subsequent events have been evaluated through the date of the Independent Accountants' Report which is the date the financial statements were available to be issued.

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**Note 2: Deposits**

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. Citilink's deposit policy for custodial credit risk requires compliance with the provisions of Indiana law.

The financial institutions holding Citilink's deposit accounts are participating in the Federal Deposit Insurance Corporation's (FDIC) Transaction Account Guarantee Program. Under that program, all noninterest-bearing accounts are fully guaranteed by the FDIC for the entire amount in the accounts.

Effective July 21, 2010, the FDIC's insurance limits were permanently increased to \$250,000 for all interest-bearing accounts.

Any cash deposits in excess of the FDIC limits described above are insured by the Indiana Public Deposits Insurance Fund. The Indiana Public Deposits Insurance Fund is a multiple financial institution collateral pool as provided under Indiana Code, Section 5-13-12-1.

**Summary of Carrying Values**

The carrying values of cash and deposits are included in the statements of net assets as follows:

	<b>2011</b>	<b>2010</b>
Carrying value		
Deposits	\$ <u>5,021,895</u>	\$ <u>4,611,699</u>
	<b>2011</b>	<b>2010</b>
Cash and cash equivalents		
Current, unrestricted, including amounts designated for local match	\$ 3,554,615	\$ 3,221,843
Noncurrent, unrestricted, including amounts designated for self-insured claims	<u>1,467,280</u>	<u>1,389,856</u>
	<u>\$ 5,021,895</u>	<u>\$ 4,611,699</u>

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**Note 3: Capital Assets**

Capital assets activity for the years ended December 31, 2011 and 2010, was:

	<b>2011</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Adjustments and Retirements</b>	<b>Transfers</b>	<b>Ending Balance</b>
Land, building and improvements	\$ 4,445,549	\$ —	\$ —	\$ —	\$ 4,445,549
Passenger shelters	601,468	—	—	—	601,468
Motor coaches	13,646,072	201,840	(1,540,734)	—	12,307,178
Service vehicles and other equipment	2,252,894	53,785	(41,501)	—	2,265,178
Capital lease, facilities	149,500	—	—	—	149,500
Capital projects in process	736,172	2,845,371	(462,232)	—	3,119,311
Office furniture and equipment	<u>800,885</u>	<u>—</u>	<u>(35,540)</u>	<u>—</u>	<u>765,345</u>
Total capital assets	22,632,540	3,100,996	(2,080,007)	—	23,653,529
Less accumulated depreciation	<u>10,528,144</u>	<u>1,422,323</u>	<u>(1,609,969)</u>	<u>—</u>	<u>10,340,498</u>
Net capital assets	<u>\$ 12,104,396</u>	<u>\$ 1,678,673</u>	<u>\$ (470,038)</u>	<u>\$ 0</u>	<u>\$ 13,313,031</u>

	<b>2010</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Adjustments and Retirements</b>	<b>Transfers</b>	<b>Ending Balance</b>
Land, building and improvements	\$ 3,859,597	\$ 558,019	\$ —	\$ 27,933	\$ 4,445,549
Passenger shelters	559,922	41,546	—	—	601,468
Motor coaches	10,495,174	4,153,932	(1,003,034)	—	13,646,072
Service vehicles and other equipment	2,123,314	144,406	(14,826)	—	2,252,894

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	2010				
	Beginning Balance	Additions	Adjustments and Retirements	Transfers	Ending Balance
Capital lease, facilities	\$ 149,500	\$ —	\$ —	\$ —	\$ 149,500
Capital projects in process	600,755	163,350	—	(27,933)	736,172
Office furniture and equipment	<u>540,671</u>	<u>272,631</u>	<u>(12,417)</u>	<u>—</u>	<u>800,885</u>
Total capital assets	18,328,933	5,333,884	(1,030,277)	—	22,632,540
Less accumulated depreciation	<u>10,157,851</u>	<u>1,334,526</u>	<u>(964,233)</u>	<u>—</u>	<u>10,528,144</u>
Net capital assets	<u>\$ 8,171,082</u>	<u>\$ 3,999,358</u>	<u>\$ (66,044)</u>	<u>\$ 0</u>	<u>\$ 12,104,396</u>

**Capital Leases**

During 2004, Citilink entered into a lease with the Fort Wayne Urban League (FWUL), a local nonprofit organization. FWUL constructed a new facility as part of the Hannah-Creighton project, which also includes new facilities for the Allen County Public Library and the Community Action of Northeast Indiana Headstart. Citilink provided the circular driveway that serves as the public entrance. Citilink paid \$119,500 for a 40-year lease with the option to extend the term for up to two consecutive ten-year periods. Citilink was also obligated to design and construct the circular drive that serves as the public entrance and the center “park/public art” space for a total cost not to exceed \$150,000.

During 2005, Citilink entered into an agreement with FWUL to lease part of the FWUL’s new facility at the Hannah-Creighton project. The purpose of this lease is to provide an indoor passenger waiting area. Citilink paid \$30,000 in February 2005 to the FWUL. This is also a 40-year lease with the option to extend the term for up to two consecutive ten-year periods.

These capital leases are being depreciated over 40 years on a straight-line basis. Depreciation expense relating to these leases for the years ended December 31, 2011 and 2010, was \$3,738.

**Note 4: City of Fort Wayne Contract Receivable**

In July 2004, Citilink entered into a purchase and sale agreement for the downtown parking garage with the City of Fort Wayne, Indiana (City). Prior to this agreement, Citilink and the City each owned 50% in Phase II of the Civic Parking garage located in Fort Wayne, Indiana. In the agreement, the City purchased Citilink’s share of the parking garage for \$1,915,000 to be paid in seven annual installments of \$273,571 beginning July 15, 2007, and ending July 15, 2013. The

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note has an imputed interest rate of 3.7%. The balance of this contract receivable was \$526,984 and \$776,452 as of December 31, 2011 and 2010, respectively. Imputed interest of \$24,104 and \$36,136 was recorded in other income for the years ending December 31, 2011 and 2010, respectively.

**Note 5: Other Accrued Expenses**

Other accrued expenses at December 31, 2011 and 2010, consisted of:

	2011	2010
Salaries and wages	\$ 191,985	\$ 183,581
Vacation pay	262,000	252,000
Sick pay and benefits	24,000	53,000
Net pension obligation, current portion	17,933	19,460
Payroll taxes	14,024	14,044
Accrued separation liability	4,000	4,000
Miscellaneous	4,804	84
	<u>\$ 518,746</u>	<u>\$ 526,169</u>

**Note 6: Risk Management**

Citilink is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption, errors and omissions; employee injuries and illnesses; natural disasters and employee health and accident benefits. Citilink is self insured for worker's compensation, general liability and vehicle risks up to \$50,000 per individual, \$5,000,000 per occurrence. Property and public transportation liability risks are covered by policies which provide from \$1,000,000 up to \$7,244,850 per occurrence. Employee health insurance claims have an unlimited lifetime maximum coverage. Settlements have not exceeded coverages for the last three years. The accrual of estimated expense is based on Citilink's past history of losses and current outstanding claims. Citilink funds its self-insured program on an "incurred loss" basis. Citilink has designated cash as a reserve for the self insured obligations. A summary of changes in the accrued insurance liability accounts for the years ended December 31, 2011 and 2010, is as follows:

	Vehicle	Workers Compensation	Total
Balance, December 31, 2009	\$ 174,000	\$ 125,500	\$ 299,500
Claims and expenses paid, net	(149,371)	(150,363)	(299,734)
Annual provisions for loss	50,371	74,863	125,234
Balance, December 31, 2010	75,000	50,000	125,000

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	Vehicle	Workers Compensation	Total
Claims and expenses paid, net	\$ (147,727)	\$ (64,188)	\$ (211,915)
Annual provisions for loss	132,727	64,188	196,915
Balance, December 31, 2011	\$ 60,000	\$ 50,000	\$ 110,000

**Note 7: Deferred Compensation Plan**

Citilink offers its employees a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457. The plan permits employees to defer a portion of their salary until termination, retirement, death or unforeseeable emergency and avoid paying taxes on the deferred portion until the withdrawal date. Participation in the plan is optional. The plan assets are held in trust for the exclusive benefit of participants and their beneficiaries and therefore are not reflected in Citilink's statements of net assets.

**Note 8: Employee Pension Plan**

***Plan Description***

Citilink contributes to the Fort Wayne Public Transportation Corporation Employees' Retirement Plan (Plan), which is a single-employer defined benefit pension plan administered by a third party. The plan covers substantially all full-time employees and is administered by a Retirement Committee consisting of four trustees. For the years ended December 31, 2011 and 2010, total payroll for all employees amounted to \$4,600,118 and \$4,348,823 and total covered payroll amounted to \$4,135,060 and \$4,291,950, respectively. Covered payroll is based on the basic hourly rate figured on a 40-hour work week. The Plan does not issue a stand-alone report.

All full-time employees who complete 90 days of continuous employment and earn 1,000 hours of service in a plan year are eligible to participate in the Plan on January 1 of the year in which the 1,000 hours were earned. Under the provisions of the Plan, pension benefits from employer's contributions are fully vested after 5 years of service. An employee may retire at age 65 or after attaining age 55, provided the sum of the employee's age and years of continuous service total 85 (the "85 Rule"). The Plan was established by the Board of Directors and the Amalgamated Transit Union and the Plan trustees reserve the right to amend, suspend or terminate the Plan at any time.

The retiree receives annual pension benefits equal to \$225 times the number of years of continuous service prior to May 1, 1970; plus 3.2% of earnings after May 1, 1970, and prior to July 1, 2003; plus 3.0% of earnings after July 1, 2003, and prior to July 1, 2006; plus 2.7% of earnings after July 1, 2006, and prior to June 1, 2009; plus 2.0% of earnings after June 1, 2009, subject to a cost of living adjustment. Also, the Plan provides for reduced benefits for any participant who retires at

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age 55 and has 5 or more years of credited service. The Plan also provides for disability benefits if a participant becomes totally and permanently disabled from service with the employer if the employee has completed 10 years of continuous service.

**Funding Policy**

Under the provision of Citilink’s agreement with bargaining unit employees and personnel policies, all employees must contribute .65% of their gross covered earnings to the plan. Citilink contributes 10.6% of employee’s gross covered earnings to the pension plan.

**Annual Pension Cost and Net Pension Obligation**

Citilink’s annual pension costs and net pension obligation to the Plan for 2011 and 2010 are as follows:

	<b>2011</b>	<b>2010</b>
Annual pension cost	\$ 683,480	\$ 603,362
Contributions made	486,416	452,829
Increase in net pension obligation	197,064	150,533
Net pension obligation, beginning of year	498,892	348,359
Net pension obligation, end of year	\$ 695,956	\$ 498,892

**Funded Status and Funding Progress**

As of January 1, 2012, the most recent valuation date, the Plan was 79.7% funded. The Actuarial Accrued Liability (AAL) was \$22,591,529 and the actuarial value of assets was \$18,000,052 resulting in an unfunded actuarial accrued liability (UAAL) of \$4,591,477. The covered payroll (annual payroll of active employees covered by the Plan) was \$4,135,060 and the ratio of the UAAL to the covered payroll was 111.1%.

**Actuarial Methods and Assumptions**

The actuarial assumptions used to determine the unfunded actuarial liability are summarized below:

- An investment return of 7.5% per year, net after expenses
- The entry age normal actuarial cost method was used
- Wage increases of 4.0% per year
- Cost of living adjustment of 2.5% per year
- Rates of mortality before retirement and after normal, early and disability retirement are based on the UP 1994 Mortality Table for males and females. For disabled members the RP 2000 Mortality Table for male and female disabled retirees was used



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- Termination rates: Varied from .018 at age 25 to .000 at age 60 and over
- Disability rate: Varied from .0014 at age 25 to .0278 at age 60 and over
- Retirement rates: Varied from .0075 at age 55 to .075 at age 64 for reduced/subsidized early retirement and from .2625 at age 55 to 1.00 at age 65 for fully subsidized retirement
- Marital status was assumed to be 80% of participants and that the age of the spouse was 3 years younger than that of the participant
- The net assets available for benefits was determined by smoothing unexpected gains and losses over a four-year period

**Additional Information**

The Schedule of Pension Funding Progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of Plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of the limitation of funding percentage on the employer's portion.

Participant summary:

Active members	98
Members receiving benefits	66
Terminated vesting members	30
Total	194

**Three-Year Trend Information**

Year Ended December 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation/ (Asset)
2011	\$ 683,480	74.0%	\$ 695,956
2010	603,362	75.0	498,892
2009	580,561	79.5	348,359

**Note 9: Other Post Employment Benefit Plan**

**Plan Description**

The plan is a single-employer defined benefit plan providing medical, dental and life insurance benefits to retirees. Employees who retire prior to age 65 and also meet the 85 Rule are eligible to be covered under the same health insurance plan that is available for active employees until attainment of age 65. The spouse and family of the retiree are eligible for the same health insurance coverage provided the retiree if the spouse has no other health insurance coverage from the spouse's employer. The plan does not issue a stand-alone report.

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**Life Insurance** – Citilink provides a life insurance benefit of \$10,000 to all retirees as defined by the union agreement.

**Health Insurance** – Under Citilink’s union agreement, full-time employees qualifying for full retirement benefits (age plus service equaling 85) who retire have the option of continuing their group insurance coverage until age 65, at the rate of \$1.00 per year. Full-time employees qualifying for retirement who retire on or after January 1, 2011, have the option of continuing their group insurance coverage until age 65, at the rate of \$350 per year. Effective January 1, 2011, the rate increased to \$500 per year and the Company pays the remaining balance of the health care coverage.

**Medicare Supplemental Benefits** – Under Citilink’s union agreement, retirees and spouses eligible for Medicare are provided an annual Medicare Supplemental Benefit payment.

**Funding Policy**

The contributions requirements of plan members are established by Citilink’s management. The plan is currently funded on a pay-as-you-go basis. Citilink funds on a cash basis as benefits are paid. For the year ended 2011 and 2010, Citilink contributed \$189,386 and \$172,955 to the postemployment retirement plan. No assets have been segregated and restricted to provide postretirement benefits within the definition of Plan Assets under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*.

**Annual OPEB Cost and Net OPEB Obligation**

Citilink’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Citilink’s annual OPEB cost for the year, the amount actually contributed to the plan and changes in the state’s net OPEB obligation to the plan:

	<b>2011</b>	<b>2010</b>
Annual required contribution (ARC)	\$ 688,896	\$ 688,696
Interest on net OPEB obligation	72,110	48,608
Adjustment to annual required contribution	(62,436)	(42,088)
Annual OPEB cost (expense)	698,570	695,216
Contributions made	(189,386)	(172,955)
Increase in net OPEB obligation	509,184	522,261
Net OPEB obligation, beginning of year	1,602,450	1,080,189
Net OPEB obligation, end of year	\$ 2,111,634	\$ 1,602,450

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Citilink’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and 2010 are as follows:

	<b>2011</b>	<b>2010</b>
Annual OPEB cost	\$ 698,570	\$ 695,216
Net employer contributions	189,386	172,955
Percentage contributed	27.11%	24.88%
End of year net OPEB obligation	\$ 2,111,634	\$ 1,602,450

***Funded Status and Funding Progress***

As of December 31, 2011, the most recent valuation date, the Actuarial Accrued Liability (AAL) was \$6,646,103. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

***Actuarial Methods and Assumptions***

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations and are subject to continual revision.

Benefit obligations shown in this report are computed using the projected unit credit method. Benefits are attributed to service based on the plan’s benefit eligibility provisions. The beginning of the attribution period is the date of hire and the end is the full eligibility date. The unfunded actuarial accrual liability is amortized over a 30-year closed period level dollar amounts. Cumulative gains and losses are amortized over the same 30-year period as other UAAL. Other assumptions are as follows:

- Interest rate assumption of 4.5%
- Inflation rate assumption of 3%
- Medical trend rate assumption used to increase per member medical costs in future years starts at 10% in 2012 and gradually declines to 5% by the year 2020

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- Per retiree, total costs were developed using the Aging Curve for Health Care Costs (Table 4), applied to 5-year age groups. Assumed that 39% of retirees would have “employee only” coverage and that 61% of retirees would have “employee plus 1 dependent” coverage
- Participation rate assumption used was 75%
- Mortality rates: For active employees and retired members, the UP-1994 Mortality Table for Males and Females. For disabled members, the RP-2000 Mortality Table for Male and Female Disabled Retirees
- Termination rates: Varied from .018 at age 25 to .000 at age 60 and over
- Disability rate: Varied from .0014 at age 25 to .0278 at age 60 and over
- Retirement rates: Varied from .010 at age 55 to .100 at age 64 for reduced/subsidized early retirement and from .35 at age 55 to 1.00 at age 65 for fully subsidized retirement

**Note 10: Union Contract**

Citilink has a Collective Bargaining Agreement with the Amalgamated Transit Union, Local 682, which covers all full-time and part-time employees of the operating and shop departments as defined in the Agreement. The Agreement establishes rates of pay, wages, hours of employment and other conditions of employment. The newest contract was approved in late 2009 and covers the period from January 1, 2010 through December 31, 2012.

**Note 11: Commitments and Contingencies**

***Federal Funds***

Citilink participates in various federally assisted grant programs that are subject to review and audit by the grantor agencies. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. At December 31, 2011, in the opinion of management of Citilink, any disallowances resulting from a federal audit would not be material.

***Litigation***

Citilink is a defendant in a number of lawsuits in its normal course of operations. Management is of the opinion that ultimate settlement of such lawsuits will not have a materially adverse effect on the financial statements.

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***Construction***

Citilink has entered into an agreement to construct a new station at Baker Street. The outstanding amount not yet completed on this contract at December 31, 2011 was \$3,019,526.

***Current Economic Conditions***

The current protracted economic decline presents Citilink and similar entities with difficult circumstances and challenges that in some cases may result in large declines in passengers and related revenue, declines in grant and tax revenues, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to Citilink.

In addition, given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments that could negatively impact Citilink's financial results.

## **Required Supplementary Information**

**Fort Wayne Public Transportation Corporation**  
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**Schedule of Pension Funding Progress**  
**Year Ended December 31, 2011**

**Three-Year Trend Information**  
**Employees' Pension Plan**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2012	\$ 18,000,052	\$ 22,591,529	\$ 4,591,477	79.7%	\$ 4,135,060	111.1%
January 1, 2009	18,422,665	20,980,668	2,558,003	87.8	4,386,713	58.3
January 1, 2006	16,810,413	18,152,651	1,342,238	92.6	3,644,368	36.8

**Fort Wayne Public Transportation Corporation**  
 (A Component Unit of the Consolidated City of Fort Wayne – Allen County)  
**Schedule of OPEB Funding Progress**  
**Year Ended December 31, 2011**

Fort Wayne Public Transportation Corporation Retiree Health Insurance Plan is a single-employer defined benefit plan administered by the Fort Wayne Public Transportation Corporation. Please refer to Note 9 for more detailed information.

	<b>Year Ended December 31, 2011</b>
Actuarial valuation date	December 31, 2011
Actuarial cost method	Projected Unit Credit
Actuarial accrued liability	\$ 6,646,103
Actuarial value of assets	<u>                    </u>
Total unfunded actuarial liability	<u>\$ 6,646,103</u>
Funded ratio	0%
Participant summary:	
Active employees	116
Retirees	<u>47</u>
	<u>163</u>
Actuarial assumptions:	
UAAL amortization method	Level % of pay
UAAL amortization period, closed/open	30 years, closed
Investment return (discount) rate	4.50%



## **Supplementary Information**

**Fort Wayne Public Transportation Corporation**  
(A Component Unit of the Consolidated City of Fort Wayne – Allen County)  
**Schedule of Revenue, Expenses and Changes in Net Assets, Budget and Actual  
Year Ended December 31, 2011**

	Original Budgeted Amounts	Actual Amounts Budgetary Basis	Budget to GAAP Differences Over (Under)	Actual Amounts GAAP Basis
<b>Operating Revenue</b>				
Passenger fares	\$ 1,145,532	\$ 1,254,861	\$ 24,256	\$ 1,230,605
Fare subsidy	94,021	69,087	(24,931)	94,018
Para transit	102,303	106,902	—	106,902
Advertising service	—	51,850	—	51,850
Other	571	1,102	—	1,102
	<u>1,342,427</u>	<u>1,483,802</u>	<u>(675)</u>	<u>1,484,477</u>
<b>Operating Expenses</b>				
Salaries and wages	5,085,182	5,108,242	508,124	4,600,118
Fringe benefits	2,833,264	2,764,300	(1,326,600)	4,090,900
Services	737,645	637,874	872	637,002
Materials and supplies	1,882,900	1,583,694	(68,476)	1,652,170
Utilities	102,000	93,273	(1,397)	94,670
Casualty and liability costs	296,375	305,204	20,125	285,079
Taxes	1,265	922	(9)	931
Miscellaneous	182,766	157,540	(2,381)	159,921
Lease and rentals	2,322	1,210	(110)	1,320
Vehicle tracking system	5,000	3,928	(9,927)	13,855
Depreciation	—	—	(1,422,323)	1,422,323
	<u>11,128,719</u>	<u>10,656,187</u>	<u>(2,302,102)</u>	<u>12,958,289</u>
Operating loss	<u>(9,786,292)</u>	<u>(9,172,385)</u>	<u>2,301,427</u>	<u>(11,473,812)</u>
<b>Nonoperating Revenue (Expenses)</b>				
Local government assessments and taxes	5,299,244	5,165,535	(95,205)	5,260,740
Federal operating grants	2,910,625	2,516,550	(99,279)	2,615,829
State operating grants	1,832,635	1,899,587	1,188	1,898,399
Pass-through to subrecipient	(79,380)	(68,150)	9,697	(77,847)
Loss on sale of capital assets	—	—	79,569	(79,569)
Interest income	10,000	11,052	—	11,052
Rent and miscellaneous	7,122	50,610	(2)	50,612
Interest from contract receivable	—	—	(24,104)	24,104
Capital expenditures	(100,000)	—	—	—
	<u>9,880,246</u>	<u>9,575,184</u>	<u>(128,136)</u>	<u>9,703,320</u>
Net gain (loss) before capital contributions	<u>\$ 93,954</u>	<u>\$ 402,799</u>	<u>\$ 2,173,291</u>	<u>\$ (1,770,492)</u>

**Fort Wayne Public Transportation Corporation**  
**(A Component Unit of the Consolidated City of Fort Wayne – Allen County)**  
**Schedule of Revenue, Expenses and Changes in Net Assets, Budget and Actual**  
**Year Ended December 31, 2011**

Explanation of Differences:

- (a) Citilink budgets on the cash basis of accounting. These differences are due to receivables and accruals that are recorded in the financial statements prepared on the GAAP basis of accounting.
- (b) These differences occur because these items are not cash basis and are not included in the budget.

**Fort Wayne Public Transportation Corporation**  
(A Component Unit of the Consolidated City of Fort Wayne – Allen County)  
**Schedule of Expenditures of Federal Awards**  
Year Ended December 31, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Agency or Pass- Through Number	Federal CFDA Number	Amount
U.S. Department of Transportation			
Federal Transit Cluster			
Federal Transit Capital Investment Grant	N/A	20.500	\$ 449,551
Capital and Operating Assistance Formula Grants	N/A	20.507	2,776,214
American Recovery and Reinvestment Act	N/A	20.507	<u>219,465</u>
			<u>3,445,230</u>
Transit Service Programs Cluster			
Job Access and Reverse Commute Project	N/A	20.516	227,552
New Freedom Program	N/A	20.521	8,649
	Community Transportation		
New Freedom Program	Network	20.521	<u>61,709</u>
			<u>297,910</u>
			<u>\$ 3,743,140</u>

**Notes to Schedule**

1. This schedule includes the federal awards activity of the Fort Wayne Public Transportation Corporation and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
2. Fort Wayne Public Transportation Corporation provided federal awards of \$61,709 to Community Transportation Network, Inc. related to the New Freedom Program.

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

Board of Directors  
Fort Wayne Public Transportation Corporation  
Fort Wayne, Indiana

We have audited the financial statements of Fort Wayne Public Transportation Corporation (Citilink), a component unit of the Consolidated City of Fort Wayne – Allen County, as of and for the year ended December 31, 2011, and have issued our report thereon dated June 11, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

In planning and performing our audit, we considered Citilink's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Citilink's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Citilink's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the proceeding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal controls over financial reporting that we consider to be a material weakness.

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 organization's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 11-1 to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Citilink's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion

on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Citilink's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Citilink's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the governing body, management and others within Citilink and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

June 11, 2012

## **Independent Accountants' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

Board of Directors  
Fort Wayne Public Transportation Corporation  
Fort Wayne, Indiana

### **Compliance**

We have audited the compliance of Fort Wayne Public Transportation Corporation (Citilink), a component unit of the Consolidated City of Fort Wayne – Allen County, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2011. Citilink's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Citilink's management. Our responsibility is to express an opinion on the compliance of Fort Wayne Public Transportation Corporation based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Citilink'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. Our audit does not provide a legal determination on Citilink's compliance with those requirements.

In our opinion, Fort Wayne Public Transportation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2011.

### **Internal Control Over Compliance**

The management of Fort Wayne Public Transportation Corporation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Citilink's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Citilink's internal control over compliance.

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

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the governing body, management, others within Citilink, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

June 11, 2012



**Fort Wayne Public Transportation Corporation**  
**(A Component Unit of the Consolidated City of Fort Wayne – Allen County)**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2011**

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

1. The opinion expressed in the independent accountants' report was:  
 Unqualified     Qualified     Adverse     Disclaimed
  
2. The independent accountants' report on internal control over financial reporting disclosed:  
Significant deficiency(ies)?     Yes             No  
Material weakness(es)?     Yes             No
  
3. Noncompliance considered material to the financial statements was disclosed by the audit?     Yes             No
  
4. The independent accountants' report on internal control over compliance with requirements applicable to major federal awards programs described:  
Significant deficiency(ies)?     Yes             No  
Material weakness(es)?     Yes             No
  
5. The opinion expressed in the independent accountants' report on compliance with requirements that could have a direct material effect on major federal awards was:  
 Unqualified     Qualified     Adverse     Disclaimed
  
6. The audit disclosed findings required to be reported by OMB Circular A-133?     Yes             No
  
7. Citilink's major program was:

Cluster/Program	CFDA Number
Federal Transit Cluster	20.500, 20.507

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$300,000
  
9. Citilink qualified as a low-risk auditee as that term is defined in OMB Circular A-133?     Yes             No

**Fort Wayne Public Transportation Corporation**  
 (A Component Unit of the Consolidated City of Fort Wayne – Allen County)  
**Schedule of Findings and Questioned Costs**  
 Year Ended December 31, 2011

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

Reference Number	Finding	Questioned Costs
11-1	<p><b>Condition:</b> The actuarial report issued for the retirement pension plan included a material error in calculating the required annual contribution and unfunded pension obligation.</p> <p><b>Effect:</b> The required annual contribution was overstated by approximately \$180,000; and the unfunded pension obligation was overstated by approximately \$3,000,000.</p> <p><b>Cause:</b> Input error by actuary.</p> <p><b>Recommendation:</b> Management should perform a detailed review of the actuarial calculations to determine that the estimates are reasonable.</p> <p><b>Management's Response:</b> Management will establish a more formalized process to review the adequacy of the actuarial report for the pension plan.</p>	None

***Findings Required to be Reported by OMB Circular A-133***

Reference Number	Finding	Questioned Costs
	No matters are reportable.	

**Fort Wayne Public Transportation Corporation**  
(A Component Unit of the Consolidated City of Fort Wayne – Allen County)  
**Summary Schedule of Prior Audit Findings**  
**Year Ended December 31, 2011**

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