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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, 2012 to December 31, 2012. 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, 2012 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)

Auditor's Reports and Financial Statements

December 31, 2012 and 2011



Fort Wayne Public Transportation Corporation
 (A Component Unit of the Consolidated City of Fort Wayne – Allen County)
 December 31, 2012 and 2011

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Independent Auditor's Report on Financial Statements and Supplementary Information

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

Report on the Financial Statements

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, which are comprised of the statements of net position as of December 31, 2012 and 2011 and statements of revenue, expenses and changes in net position and of cash flows for the years then ended and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fort Wayne Public Transportation Corporation as of December 31, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of funding progress listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information consisting of the schedule of revenue, expenses and changes in net position, budget and actual, and the schedule of expenditures of federal awards required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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, 2013, 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* considering Citilink's internal control over financial reporting and compliance.

BKD, LLP

Fort Wayne, Indiana
June 26, 2013

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

Management's Discussion and Analysis
Years Ended December 31, 2012 and 2011

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, 2012. 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 position; a statement of revenue, expenses and changes in net position; 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 position present information on all of Citilink's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position reflect the operating activity and resulting changes in net position of Citilink for the year using the accrual basis of accounting, similar to private sector companies. The change in net position 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 position. All assets and liabilities associated with the operation of Citilink are included in the statements of net position.

Financial Highlights

- Citilink's net position increased by \$4,468,344 or 30.70% over 2011. The increase in net position was primarily due to the construction of a new intermodal transfer facility as well as the purchase of two new buses which resulted in significant federal grants that are classified as capital contributions. Operating revenue increased by \$164,841 or 11.10% over 2011 and operating expenses increased by \$198,366 or 1.53% over 2011.
- Citilink reported operating losses in 2012 of \$11,507,338 as compared to the 2011 amount of \$11,473,812. This is a .29% 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
Years Ended December 31, 2012 and 2011

Table 1: Statements of Net Position

	2012	2011	2010
Current and other assets	\$ 6,941,340	\$ 6,885,113	\$ 6,516,901
Capital assets	<u>16,865,196</u>	<u>13,313,031</u>	<u>12,104,396</u>
Total assets	<u>23,806,536</u>	<u>20,198,144</u>	<u>18,621,297</u>
Current liabilities	989,493	2,450,767	1,000,590
Other long-term liabilities	<u>3,791,912</u>	<u>3,190,590</u>	<u>2,362,762</u>
Total liabilities	<u>4,781,405</u>	<u>5,641,357</u>	<u>3,363,352</u>
Net position			
Net investment in capital assets	16,779,696	11,781,603	12,076,533
Unrestricted	<u>2,245,435</u>	<u>2,775,184</u>	<u>3,181,412</u>
Total net position	<u>\$ 19,025,131</u>	<u>\$ 14,556,787</u>	<u>\$ 15,257,945</u>

Changes in Net Position

In 2012, Citilink's net position increased by \$4,468,344 or 30.70%, compared to a decrease of \$701,158 or 4.60% in 2011, as shown in Table 2. The largest portion of the increase was primarily due to the construction of a new intermodal transfer facility as well as the purchase of two new buses which resulted in significant federal grants that are classified as capital contributions. The decrease in net assets from 2010 to 2011 was due primarily to the effect of property tax caps as well as the accrual of future liabilities related to the pension plan and retiree health benefits.

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

	2012	2011	2010
Operating revenue	\$ 1,649,318	\$ 1,484,477	\$ 1,316,697
Operating expenses	<u>13,156,655</u>	<u>12,958,289</u>	<u>12,229,171</u>
Loss from operations	<u>(11,507,337)</u>	<u>(11,473,812)</u>	<u>(10,912,474)</u>
Nonoperating revenue (expenses)			
Investment income	8,324	11,052	11,790
Local government assessments and taxes	5,375,733	5,260,740	5,424,581
Federal grants and reimbursements	2,952,859	2,615,829	2,667,865
State operating grants	2,058,316	1,898,399	1,909,408
Pass-through to subrecipient	(108,571)	(77,847)	(80,850)
Other	<u>123,272</u>	<u>(4,853)</u>	<u>91,765</u>
Total nonoperating revenue (expenses)	<u>10,409,933</u>	<u>9,703,320</u>	<u>10,024,559</u>

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

Management's Discussion and Analysis
Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Net loss before capital contributions	\$ (1,097,404)	\$ (1,770,492)	\$ (887,915)
Capital contributions	<u>5,565,748</u>	<u>1,069,334</u>	<u>5,003,561</u>
Net increase (decrease)	4,468,344	(701,158)	4,115,646
Net position, beginning of year	<u>14,556,787</u>	<u>15,257,945</u>	<u>11,142,299</u>
Net position, end of year	<u>\$ 19,025,131</u>	<u>\$ 14,556,787</u>	<u>\$ 15,257,945</u>

Revenue

Operating revenue consists of passenger fares, including bus pass sales, and increased \$164,841, or 11.10% over 2011, while nonoperating revenue increased by \$706,613 or 7.28%. Nonoperating revenue consist primarily of property taxes levied by Citilink, federal and state (PMTF) grants and investment income. The major area of revenue increase was in the state (PMTF) grants which increased \$159,917 as well as a one-time federal grant in the amount of \$268,873 to be used for fuel. The decrease in nonoperating revenue from 2010 to 2011 was primarily due to a decrease in the county option income tax in the amount of \$202,221 from 2010 to 2011.

Expenses

Operating expenses increased by \$198,366 or 1.53% in 2012 compared to 2011. The major categories of expense for Citilink are salaries and wages, benefits, diesel fuel and depreciation on capital assets. The increase in operating expenses for 2012 compared to 2011 was primarily due to an increase in fuel costs as well as an increase in depreciation due to the addition of the new transfer facility being placed into service during 2012.

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
Years Ended December 31, 2012 and 2011

Table 3: Cash Flows

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Cash flows from operating activities	\$ (9,435,247)	\$ (9,359,194)	\$ (8,749,851)
Cash flows from noncapital financing activities	10,606,124	9,572,245	9,975,199
Cash flows from capital and related financing activities	(724,816)	135,481	(94,379)
Cash flows from investing activities	<u>92,694</u>	<u>61,664</u>	<u>114,672</u>
Net increase in cash and cash equivalents	538,755	410,196	1,245,641
Cash and cash equivalents, beginning of year	<u>5,021,895</u>	<u>4,611,699</u>	<u>3,366,058</u>
Cash and cash equivalents, end of year	<u>\$ 5,560,650</u>	<u>\$ 5,021,895</u>	<u>\$ 4,611,699</u>

Cash Flows

Net cash used in operating activities increased by \$76,053 over the prior year as increased expenses such as legal fees and fuel offset reduced payments to employees and benefit providers as well as an increase in receipts from passengers. Net cash provided by noncapital financing activities increased by \$1,033,879. This was due to a number of factors such as increased receipts from state (PMTF) grants, a one-time federal grant in the amount of \$268,873 to be used for fuel, and finally a change in the timing of when federal grant reimbursements were requested. Net cash used by capital and related financing activities increased by \$860,297 mainly due to the construction of the new intermodal transfer facility. Net cash provided by investing activities increased by \$31,030 primarily related to an increase in miscellaneous income.

From 2010 to 2011, 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.

Capital Assets

Citilink’s investment in capital assets amounts to \$16,865,196 as of December 31, 2012, an increase of \$3,552,165 (26.68%), consisting of capital asset additions of \$5,144,291 offset by depreciation expense of \$1,592,126. Capital assets include land, buses, shop equipment, and administrative equipment, and additions in 2012 include:

- The purchase of two fixed route hybrid buses

Fort Wayne Public Transportation Corporation
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Management's Discussion and Analysis
Years Ended December 31, 2012 and 2011

- The purchase of a fuel management system
- The purchase of a ticket vending machine to service the new transfer facility
- Construction of a new intermodal 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 Position
December 31, 2012 and 2011

	2012	2011
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,992,439	\$ 3,554,615
Receivables, net of allowance for uncollectible amounts		
Federal grants	—	284,506
State assistance	514,579	474,599
Local assistance	—	83,261
Services	138,394	72,225
Contract receivable, City of Fort Wayne	268,281	263,179
Contract receivable, accident claims	5,088	3,744
Inventories	355,012	311,258
Prepaid expenses	78,148	79,010
Total current assets	5,351,941	5,126,397
Noncurrent Assets		
Cash and cash equivalents	1,568,211	1,467,280
Contract receivable, City of Fort Wayne	—	263,805
Contract receivable, accident claims	21,188	27,631
Capital assets		
Land and construction in progress, nondepreciable assets	496,940	3,534,741
Buildings, vehicles and equipment, net	16,368,256	9,778,290
Total noncurrent assets	18,454,595	15,071,747
Total assets	23,806,536	20,198,144
Liabilities		
Current Liabilities		
Accounts payable	282,001	1,822,021
Other accrued expenses	567,492	518,746
Accrued self-insurance liability	140,000	110,000
Total current liabilities	989,493	2,450,767
Noncurrent Liabilities		
Net pension obligation	860,453	695,956
Postemployment benefit obligation	2,593,164	2,111,634
Accrued sick pay and benefits	300,827	343,000
Accrued separation liability	37,468	40,000
Total noncurrent liabilities	3,791,912	3,190,590
Total liabilities	4,781,405	5,641,357
Net Position		
Net investment in capital assets	16,779,696	11,781,603
Unrestricted	2,245,435	2,775,184
Total net position	\$ 19,025,131	\$ 14,556,787

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 Position
Years Ended December 31, 2012 and 2011

	2012	2011
Operating Revenue		
Passenger fares	\$ 1,476,935	\$ 1,230,605
Fare subsidy	5,130	94,018
Para transit	113,600	106,902
Advertising service	52,325	51,850
Other	1,328	1,102
Total operating revenue	1,649,318	1,484,477
Operating Expenses		
Salaries and wages	4,600,089	4,600,118
Fringe benefits	3,904,742	4,090,900
Services	742,884	637,002
Materials and supplies	1,772,012	1,652,170
Utilities	95,112	94,670
Casualty and liability costs	270,919	285,079
Taxes	3,190	931
Miscellaneous	153,532	159,921
Lease and rentals	1,320	1,320
Vehicle tracking system	20,729	13,855
Depreciation	1,592,126	1,422,323
Total operating expenses	13,156,655	12,958,289
Operating loss	(11,507,337)	(11,473,812)
Nonoperating Revenue (Expenses)		
Local government assessments and taxes	5,375,733	5,260,740
Federal operating grants	2,952,859	2,615,829
State operating grants	2,058,316	1,898,399
Pass-through to subrecipient	(108,571)	(77,847)
Interest income	8,324	11,052
Gain (loss) on sale of capital assets	24,034	(79,569)
Rent and miscellaneous	84,370	50,612
Interest from contract receivable	14,868	24,104
Total nonoperating revenue (expenses)	10,409,933	9,703,320
Net loss before capital contributions	(1,097,404)	(1,770,492)
Capital Contributions, Federal Grants	5,565,748	1,069,334
Net Increase (Decrease)	4,468,344	(701,158)
Net Position, Beginning of Year	14,556,787	15,257,945
Net Position, End of Year	\$ 19,025,131	\$ 14,556,787

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, 2012 and 2011

	2012	2011
Cash Flows From Operating Activities		
Receipts from passengers	\$ 1,583,149	\$ 1,474,913
Payments to employees and benefit providers	(7,828,804)	(7,999,770)
Payments to suppliers	<u>(3,189,592)</u>	<u>(2,834,337)</u>
Net cash used in operating activities	<u>(9,435,247)</u>	<u>(9,359,194)</u>
Cash Flows From Noncapital Financing Activities		
Receipts of local government assessments and taxes	5,458,994	5,177,479
Receipts of federal and state operating grants	5,255,701	4,472,613
Grant to other organization	<u>(108,571)</u>	<u>(77,847)</u>
Net cash provided by noncapital financing activities	<u>10,606,124</u>	<u>9,572,245</u>
Cash Flows From Capital and Related Financing Activities		
Capital grants received	5,565,748	1,069,334
Purchase of capital assets	(6,593,268)	(1,583,017)
Payments received on contract receivable	278,670	242,197
Proceeds from sale of capital assets	<u>24,034</u>	<u>406,967</u>
Net cash provided by (used in) capital and related financing activities	<u>(724,816)</u>	<u>135,481</u>
Cash Flows From Investing Activities		
Interest income	8,324	11,052
Other	<u>84,370</u>	<u>50,612</u>
Net cash provided by investing activities	<u>92,694</u>	<u>61,664</u>
Net Increase in Cash and Cash Equivalents	538,755	410,196
Cash and Cash Equivalents, Beginning of Year	<u>5,021,895</u>	<u>4,611,699</u>
Cash and Cash Equivalents, End of Year	<u>\$ 5,560,650</u>	<u>\$ 5,021,895</u>
Supplemental Cash Flows Information		
Accounts payable incurred for purchase of property and equipment	\$ 85,500	\$ 1,534,477

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, 2012 and 2011

	2012	2011
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (11,507,337)	\$ (11,473,812)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	1,592,126	1,422,323
Bad debt expense	503	22
Changes in assets and liabilities		
Receivables	(66,672)	(9,586)
Inventories	(43,754)	(30,873)
Prepaid expenses	862	(10,796)
Accounts payable and other accrued expenses	<u>589,025</u>	<u>743,528</u>
Net cash used in operating activities	<u>\$ (9,435,247)</u>	<u>\$ (9,359,194)</u>

Fort Wayne Public Transportation Corporation
(A Component Unit of the Consolidated City of Fort Wayne – Allen County)
Notes to Financial Statements
December 31, 2012 and 2011

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.

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 position during the reporting period. Significant estimates include the

Fort Wayne Public Transportation Corporation
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Notes to Financial Statements
December 31, 2012 and 2011

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, 2012 and 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

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 2012 and 2011) 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

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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 Position Classification

Net position is required to be classified into three components – net investment in capital assets; restricted and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation 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 net investment in capital assets.

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.

Unrestricted – This component consists of net position that does not meet the definition of “restricted” or “investment in capital assets.”

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 is 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.

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

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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:

	2012	2011
Lien date	March 2011	March 2010
Levy date	March 2012	March 2011
Tax bills mailed	April 2012	April 2011
First installment due	May 2012	May 2011
Second installment due	November 2012	November 2011

Subsequent Events

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

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.

Pursuant to legislation enacted in 2010, the Federal Deposit Insurance Corporation (FDIC) fully insured all noninterest-bearing transaction accounts beginning December 31, 2010 through December 31, 2012, at all FDIC institutions. This legislation expired on December 31, 2012. Beginning January 1, 2013, noninterest-bearing transaction accounts are subject to the \$250,000 limit on FDIC insurance per covered institution.

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 position as follows:

	2012	2011
Carrying value		
Deposits	\$ <u>5,560,650</u>	\$ <u>5,021,895</u>

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	2012	2011
Cash and cash equivalents		
Current, unrestricted, including amounts designated for local match	\$ 3,992,439	\$ 3,554,615
Noncurrent, unrestricted, including amounts designated for self-insured claims	<u>1,568,211</u>	<u>1,467,280</u>
	<u>\$ 5,560,650</u>	<u>\$ 5,021,895</u>

Note 3: Capital Assets

Capital assets activity for the years ended December 31, 2012 and 2011, was:

	2012				
	Beginning Balance	Additions	Adjustments and Retirements	Transfers	
Land, building and improvements	\$ 4,445,549	\$ 18,241	\$ —	\$ 77,169	\$ 4,540,959
Passenger shelters	601,468	3,774,336	—	2,291,762	6,667,566
Motor coaches	12,307,178	1,141,301	(749,532)	747,360	13,446,307
Service vehicles and other equipment	2,265,178	202,156	(14,434)	3,020	2,455,920
Capital lease, facilities	149,500	—	—	—	149,500
Capital projects in process	3,119,311	4,340	—	(3,119,311)	4,340
Office furniture and equipment	<u>765,345</u>	<u>3,917</u>	<u>—</u>	<u>—</u>	<u>769,262</u>
Total capital assets	23,653,529	5,144,291	(763,966)	—	28,033,854
Less accumulated depreciation	<u>10,340,498</u>	<u>1,592,126</u>	<u>(763,966)</u>	<u>—</u>	<u>11,168,658</u>
Net capital assets	<u>\$ 13,313,031</u>	<u>\$ 3,552,165</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 16,865,196</u>

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	2011				
	Beginning Balance	Additions	Adjustments and Retirements	Transfers	Ending Balance
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>

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

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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.

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 note has an imputed interest rate of 3.7%. The balance of this contract receivable was \$268,281 and \$526,984 as of December 31, 2012 and 2011, respectively. Imputed interest of \$14,868 and \$24,104 was recorded in other income for the years ending December 31, 2012 and 2011, respectively.

Note 5: Other Accrued Expenses

Other accrued expenses at December 31, 2012 and 2011, consisted of:

	<u>2012</u>	<u>2011</u>
Salaries and wages	\$ 224,464	\$ 191,985
Vacation pay	267,000	262,000
Sick pay and benefits	36,173	24,000
Net pension obligation, current portion	17,751	17,933
Payroll taxes	16,380	14,024
Accrued separation liability	1,872	4,000
Miscellaneous	<u>3,852</u>	<u>4,804</u>
	<u>\$ 567,492</u>	<u>\$ 518,746</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

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accrued insurance liability accounts for the years ended December 31, 2012 and 2011, is as follows:

	<u>Vehicle</u>	<u>Workers Compensation</u>	<u>Total</u>
Balance, December 31, 2010	\$ 75,000	\$ 50,000	\$ 125,000
Claims and expenses paid, net	(147,727)	(64,188)	(211,915)
Annual provisions for loss	<u>132,727</u>	<u>64,188</u>	<u>196,915</u>
Balance, December 31, 2011	60,000	50,000	110,000
Claims and expenses paid, net	(67,919)	(10,450)	(78,369)
Annual provisions for loss	<u>107,919</u>	<u>450</u>	<u>108,369</u>
Balance, December 31, 2012	<u>\$ 100,000</u>	<u>\$ 40,000</u>	<u>\$ 140,000</u>

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 position.

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, 2012 and 2011, total payroll for all employees amounted to \$4,600,089 and \$4,600,118 and total covered payroll amounted to \$4,162,496 and \$4,135,060, 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

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(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 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 provisions 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 2012 and 2011 are as follows:

	2012	2011
Annual pension cost	\$ 613,807	\$ 683,480
Contributions made	449,310	486,416
Increase in net pension obligation	164,497	197,064
Net pension obligation, beginning of year	695,956	498,892
Net pension obligation, end of year	\$ 860,453	\$ 695,956

Funded Status and Funding Progress

As of January 1, 2013, the Plan was 82.4% funded. The Actuarial Accrued Liability (AAL) was \$22,774,880 and the actuarial value of assets was \$18,777,697 resulting in an unfunded actuarial accrued liability (UAAL) of \$3,997,183. The covered payroll (annual payroll of active employees covered by the Plan) was \$4,162,496 and the ratio of the UAAL to the covered payroll was 96.0%.

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

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- 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
- 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 position 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	100
Members receiving benefits	74
Terminated vesting members	<u>30</u>
 Total	 <u><u>204</u></u>

Three-Year Trend Information

Year Ended December 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation/ (Asset)
2012	\$ 613,807	73.2%	\$ 860,453
2011	683,480	71.2	695,956
2010	603,362	75.0	498,892

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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.

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 to \$100 per year. Full-time employees qualifying for retirement who retire on or after January 1, 2010, have the option of continuing their group insurance coverage until age 65, at the rate of \$350 per year. Effective January 1, 2012 and 2011, the rate increased to \$600 and \$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 2012 and 2011, Citilink contributed \$213,523 and \$189,386 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

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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 Citilink's net OPEB obligation to the plan:

	2012	2011
Annual required contribution (ARC)	\$ 682,305	\$ 688,896
Interest on net OPEB obligation	95,024	72,110
Adjustment to annual required contribution	(82,276)	(62,436)
Annual OPEB cost (expense)	695,053	698,570
Contributions made	(213,523)	(189,386)
Increase in net OPEB obligation	481,530	509,184
Net OPEB obligation, beginning of year	2,111,634	1,602,450
Net OPEB obligation, end of year	\$ 2,593,164	\$ 2,111,634

Citilink's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and 2011 are as follows:

	2012	2011	2010
Annual OPEB cost	\$ 695,053	\$ 698,570	\$ 695,216
Net employer contributions	213,523	189,386	172,955
Percentage contributed	32.15%	27.11%	24.88%
End of year net OPEB obligation	\$ 2,593,164	\$ 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

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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 9% in 2012 and gradually declines to 5% by the year 2020
- Per retiree, total costs were developed using the Aging Curve for Health Care Costs, 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.

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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, 2012, 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.

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, 2012 and 2011 was \$60,000 and \$3,019,526, respectively

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, 2012

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, 2013	\$ 18,777,697	\$ 22,774,880	\$ 3,997,183	82.4%	\$ 4,162,496	96.0%
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

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Schedule of OPEB Funding Progress
Year Ended December 31, 2012

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.

	Year Ended December 31, 2012*
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%
Covered payroll	N/A
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%

* The most recent actuarial valuation was performed for the year ended December 31, 2011.

Supplementary Information

Fort Wayne Public Transportation Corporation
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Schedule of Revenue, Expenses and Changes in Net Position, Budget and Actual
Year Ended December 31, 2012

	Original Budgeted Amounts	Actual Amounts Budgetary Basis	Budget to GAAP Differences Over (Under)	Actual Amounts GAAP Basis
Operating Revenue				
Passenger fares	\$ 1,240,000	\$ 1,365,211	\$ (111,724)	\$ 1,476,935
Fare subsidy	298,616	52,727	47,597	5,130
Para transit	107,550	112,825	(775)	113,600
Advertising service	10,000	54,950	2,625	52,325
Other	600	1,328	—	1,328
	<u>1,656,766</u>	<u>1,587,041</u>	<u>(62,277)</u>	<u>1,649,318</u>
Operating Expenses				
Salaries and wages	4,926,474	4,592,926	(7,163)	4,600,089
Fringe benefits	3,148,265	3,266,222	(638,520)	3,904,742
Services	739,255	728,088	(14,796)	742,884
Materials and supplies	2,062,129	1,828,361	56,349	1,772,012
Utilities	120,000	100,916	5,804	95,112
Casualty and liability costs	228,906	232,232	(38,687)	270,919
Taxes	1,080	3,109	(81)	3,190
Miscellaneous	180,101	154,247	715	153,532
Lease and rentals	1,320	1,320	—	1,320
Vehicle tracking system	17,400	21,401	672	20,729
Depreciation	—	—	(1,592,126)	1,592,126
	<u>11,424,930</u>	<u>10,928,822</u>	<u>(2,227,833)</u>	<u>13,156,655</u>
Operating loss	<u>(9,768,164)</u>	<u>(9,341,781)</u>	<u>2,165,556</u>	<u>(11,507,337)</u>
Nonoperating Revenue (Expenses)				
Local government assessments and taxes	5,878,260	5,458,994	83,261	5,375,733
Federal operating grants	2,792,023	3,237,365	284,506	2,952,859
State operating grants	1,832,635	2,018,336	(39,980)	2,058,316
Pass-through to subrecipient	(129,380)	(118,268)	(9,697)	(108,571)
Gain on sale of capital assets	—	24,034	—	24,034
Interest income	10,000	8,324	—	8,324
Rent and miscellaneous	37,000	80,480	(3,890)	84,370
Interest from contract receivable	—	—	(14,868)	14,868
Capital expenditures	(200,000)	(21,114)	(21,114)	—
	<u>10,220,538</u>	<u>10,688,151</u>	<u>278,218</u>	<u>10,409,933</u>
Net gain (loss) before capital contributions	<u>\$ 452,374</u>	<u>\$ 1,346,370</u>	<u>\$ 2,443,774</u>	<u>\$ (1,097,404)</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 Position, Budget and Actual
Year Ended December 31, 2012

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, 2012

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount</u>
U.S. Department of Transportation		
Federal Transit Cluster		
Federal Transit Capital Investment Grant	20.500	\$ 1,786,446
Capital and Operating Assistance Formula Grants	20.507	6,179,074
American Recovery and Reinvestment Act	20.507	<u>328</u>
		<u>7,965,848</u>
Transit Service Programs Cluster		
Job Access and Reverse Commute Project	20.516	381,222
New Freedom Program	20.521	2,365
New Freedom Program	20.521	<u>118,268</u>
		<u>501,855</u>
		<u>\$ 8,467,703</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 \$108,571 to Community Transportation Network, Inc. related to the New Freedom Program.

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

Board of Directors
Fort Wayne Public Transportation Corporation
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 Public Transportation Corporation (Citilink), a component unit of the Consolidated City of Fort Wayne – Allen County, which comprise the statement of net position as of December 31, 2012, and the related statements of revenue, 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, 2013.

Internal Control over Financial Reporting

Management of Citilink is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered Citilink's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Citilink's internal control. Accordingly, we do not express an opinion on the effectiveness of Citilink'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 Citilink'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified.

Compliance

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*.

Other Matter

The purpose of this communication 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 compliance. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Citilink's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Fort Wayne, Indiana
June 26, 2013

Independent Auditor's 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

Report on Compliance for Each Major Federal Program

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 OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012. Citilink's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Citilink's management.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Citilink's major federal programs 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 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 on compliance for each major federal program. Our audit does not provide a legal determination on Citilink's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Fort Wayne Public Transportation Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Report on 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 types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Citilink's internal control over compliance with the requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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. *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. 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.

Other Matter

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Fort Wayne, Indiana
June 26, 2013

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, 2012

Findings Required to be Reported by Government Auditing Standards

Reference Number	Finding	Questioned Costs
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No matters are reportable.

Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Questioned Costs
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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, 2012

Reference Number	Summary of Finding	Status
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No matters are reportable.