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September 7, 2011

Board of Directors  
Fort Wayne Public Transportation Corporation  
801 Leesburg Road  
Fort Wayne, IN 46808-2571

We have reviewed the audit report prepared by Baden, Gage & Schroeder, LLC, Independent Public Accountants, for the period January 1, 2008 to December 31, 2008. 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 the Fort Wayne Public Transportation Corporation, as of December 31, 2008 and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS

*Financial Statements*

**Fort Wayne Public  
Transportation Corporation**

December 31, 2008 and 2007

**FORT WAYNE PUBLIC TRANSPORTATION CORPORATION**

Audit Report  
with Accompanying Information  
December 31, 2008 and 2007

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## Independent Auditors' Report

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

We have audited the accompanying financial statements of Fort Wayne Public Transportation Corporation, a component unit of the City of Fort Wayne, Indiana, as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of Fort Wayne Public Transportation Corporation's management. Our responsibility is to express opinions on these financial statements based on our audits.

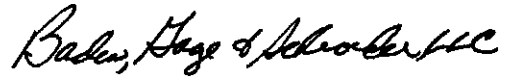
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

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, 2008 and 2007, and the changes in financial position and cash flows for the years 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 May 12, 2009 on our consideration of Fort Wayne Public Transportation Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 6 and budgetary comparison information on pages 26 - 27 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**BADEN, GAGE & SCHROEDER, LLC**

Fort Wayne, Indiana  
May 12, 2009

# FORT WAYNE PUBLIC TRANSPORTATION CORPORATION

## Management's Discussion and Analysis (Unaudited)

As financial management of the Fort Wayne Public Transportation Corporation, D/B/A Citilink, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Corporation for the fiscal year ended December 31, 2008. 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.

**All amounts, unless otherwise indicated, are expressed in actual dollars.**

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Citilink's financial statements, which are comprised of the basic financial statements and the notes to the financial statements. Since the Corporation is comprised of a single enterprise fund, no fund level financial statements are shown. This report also contains other supplementary information concerning Citilink's net revenues, operating expenses, and comparison of budget to actual in addition to the basic financial statements themselves.

**Basic financial statements.** The basic financial statements are designed to provide readers with a broad overview of Citilink's finances, in a manner similar to a private-sector business.

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. Net assets increase when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities results in increased net assets, which indicate an improved financial position.

The statements of revenues, expenses, and changes in net assets present information showing how a corporation's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event occurs, regardless of timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused sick leave).

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

### Financial Analysis

Net assets may serve, over time, as a useful indicator of a corporation's financial position. In the case of Citilink, assets exceeded liabilities by \$11,554,453 at the close of the most recent fiscal year. This represents an increase of \$866,691 (8%) over the previous year mainly attributable to the acquisition of vehicles and equipment. At the end of the year, the unrestricted net assets were \$3,602,099; this represents a decrease of \$1,398,381 over the previous year. This decrease was mainly attributable to the increase in operating expenses from 2007 to 2008.

By far, the largest portion of Citilink's net assets reflects its investment in capital assets (e.g. buses, buildings and improvements, etc.). Citilink uses these capital assets to provide service and, consequently, these assets are not available to liquidate liabilities or other spending. In fiscal year 2008, Citilink obtained Federal Transit Administration capital assistance.

## FORT WAYNE PUBLIC TRANSPORTATION CORPORATION

Management's Discussion and Analysis (Continued)  
(Unaudited)

### Fort Wayne Public Transportation Corporation Net Assets

	2008	2007
Current and other assets	\$ 5,450,866	\$ 6,476,942
Capital assets	<u>7,952,354</u>	<u>5,687,282</u>
<b>Total assets</b>	<b><u>\$ 13,403,220</u></b>	<b><u>\$ 12,164,224</u></b>
Current liabilities	\$ 1,038,760	\$ 1,265,427
Other long-term liabilities	<u>810,007</u>	<u>211,035</u>
<b>Total liabilities</b>	<b>1,848,767</b>	<b>1,476,462</b>
<b>Net assets:</b>		
Invested in capital assets	7,952,354	5,687,282
Unrestricted	<u>3,602,099</u>	<u>5,000,480</u>
<b>Total net assets</b>	<b><u>11,554,453</u></b>	<b><u>10,687,762</u></b>
 <b>Total liabilities and net assets</b>	 <b><u>\$ 13,403,220</u></b>	 <b><u>\$ 12,164,224</u></b>

### Fort Wayne Public Transportation Corporation Changes in Net Assets

	2008	2007
Operating revenues	\$ 1,354,893	\$ 1,106,877
Operating expenses	<u>12,245,758</u>	<u>11,103,876</u>
Loss from operations	(10,890,865)	(9,996,999)
<b>Net nonoperating revenues (expenses):</b>		
Investment income	57,905	155,753
Local government assessments and taxes	4,835,260	4,200,238
Federal grants and reimbursements	2,239,530	1,994,290
State operating grants	2,000,446	1,726,215
Pass-through to subrecipient	(73,344)	-
Other	<u>171,185</u>	<u>125,428</u>
<b>Net nonoperating revenues (expenses)</b>	<b><u>9,230,982</u></b>	<b><u>8,201,924</u></b>
 Net loss before capital contributions	 (1,659,883)	 (1,795,075)
Capital contributions	2,526,574	640,711
Net assets, beginning of year	<u>10,687,762</u>	<u>11,842,126</u>
Net assets, end of year	<b><u>\$ 11,554,453</u></b>	<b><u>\$ 10,687,762</u></b>

# FORT WAYNE PUBLIC TRANSPORTATION CORPORATION

## Management's Discussion and Analysis (Continued) (Unaudited)

**Significant Events:** Operating revenues increased \$248,016 or 22% over the prior year. Fares increased in every category. Operating expenses increased \$1,141,882, of which \$449,354 related to materials and supplies, and \$809,301 related to fringe benefits. The increase was offset by a decrease of \$132,436 related to salaries and wages. Operating expenses are relative to the level of service provided.

**Cash Flows:** Net cash used in operating activities increased by \$1,108,071 due primarily to increased fringe benefits paid and accrued and amounts paid to suppliers. Net cash provided by non-capital financing activities increased by \$778,832. This was due primarily to increased local government assessments and taxes (mainly property taxes). Net cash used in capital and related financing activities increased by \$474,101 mainly due to the acquisition of passenger buses, garage equipment and building renovations. Net cash provided by investing activities decreased by \$110,793 related to a decrease in interest income from investments caused by a decrease in the cash available due to timing of local funding and decreased interest rates. Citilink's investment opportunities are primarily limited to short term Certificates of Deposit and a Money Market Account.

### Budgetary Highlights

The 2008 expenditure budget was adopted by the Board of Directors on September 13, 2007 and was amended during 2008 to reflect the additional appropriation of \$501,369. There were also certain fund transfers between line items which are done at the end of each year.

The actual operating revenue on a budgetary basis was more than the budgeted operating revenue in 2008 by \$188,667.

Operation, maintenance, and administrative expenses on a budgetary basis were \$90,918 under budget.

### Capital Asset Administration

**Capital Assets:** Citilink's investment in capital assets amounts to \$7,952,354 as of December 31, 2008, an increase of \$2,265,072 (40%), consisting of depreciation expense of \$1,095,933 offset by capital asset additions of \$3,361,000. Capital assets include land, buses, shop equipment, and administrative equipment, and additions in 2008 included:

- The purchase of six new 35' low-floor buses
- The purchase of three new supervisor vans and one maintenance truck
- Installation of garage equipment (bus wash and scissor lifts)
- Completion of phase one of the bus barn renovation

# FORT WAYNE PUBLIC TRANSPORTATION CORPORATION

## Management's Discussion and Analysis (Continued) (Unaudited)

### Currently Known Facts, Decisions and Conditions

The Mission Statement of Citilink is to provide the community with transportation services that are safe, courteous and reliable, at the most reasonable cost. The following items are notable changes or events that management would like to highlight:

- Fixed route ridership was up 6% from last year and ended the year at 2,061,609 passenger trips. This was the highest number of trips since 1990. Citilink Access provided 51,688 trips; an increase of 6% over last year.
- We made a special effort to attract new riders, including the Summer Lunch Time Trolley, the Festival Arts Connection, sponsored by Arts United, participation in Clean Air Force activities such as Free Fare Ozone Action Days and a new "Dump the Pump" television commercial which won an APTA AdWheel Grand Award. Check it out at [www.fwcitilink.com](http://www.fwcitilink.com).
- Ken Housden became our new General Manager in July 2008, after Dave Gionet lost his battle with cancer in June. The administration building on Leesburg Road was named the Gionet Transit Center in honor of the ten years of service that Dave gave Citilink.
- The first fare increase in 17 years was implemented effective July 7, 2008. The single ride fare increased 25% from \$1.00 to \$1.25. An All Day Pass for \$3 was initiated in place of free transfers.
- In an effort to cut the cost of operations, route reductions and employee layoffs were put in place effective September 2, 2008. The unexpected rising cost of fuel throughout 2008 made it necessary to trim expenses to end the year with a balanced budget.
- We completed the lift project in our maintenance facility, which will significantly improve the safety conditions for our mechanics and maintenance personnel.

### 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 financial information should be addressed to the Controller, Fort Wayne Public Transportation Corporation, 801 Leesburg Road, Fort Wayne, IN 46808.

# FORT WAYNE PUBLIC TRANSPORTATION CORPORATION

## Statements of Net Assets December 31, 2008 and 2007

	2008	2007
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 248,067	\$ 981,321
Receivables, net of allowance for uncollectibles:		
Federal grants	499,899	224,766
State assistance	495,830	431,553
Services	47,487	36,502
Inventories	297,227	172,896
Prepaid expenses	78,607	75,109
Total Current Assets	1,667,117	1,922,147
<b>NONCURRENT ASSETS</b>		
Restricted cash and cash equivalents	2,534,764	3,082,119
Contract receivable	1,248,985	1,472,676
Capital assets:		
Land	415,430	415,430
Buildings and equipment, net	7,404,615	5,135,805
Prepaid lease, net	132,309	136,047
Total Noncurrent Assets	11,736,103	10,242,077
<b>TOTAL ASSETS</b>	<b>\$ 13,403,220</b>	<b>\$ 12,164,224</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 58,341	\$ 169,846
Other accrued expenses	705,319	851,781
Accrued self-insurance liability	271,100	239,800
Accrued separation liability, current portion	4,000	4,000
Total Current Liabilities	1,038,760	1,265,427
<b>NONCURRENT LIABILITIES</b>		
Pension contribution liability, long-term portion	229,806	175,835
Post retirement benefit liability	546,781	-
Accrued separation liability, long-term portion	33,420	35,200
Total Noncurrent Liabilities	810,007	211,035
Total Liabilities	1,848,767	1,476,462
<b>NET ASSETS</b>		
Invested in capital assets	7,952,354	5,687,282
Unrestricted	3,602,099	5,000,480
Total Net Assets	11,554,453	10,687,762
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 13,403,220</b>	<b>\$ 12,164,224</b>

See Notes to Financial Statements.

## FORT WAYNE PUBLIC TRANSPORTATION CORPORATION

### Statements of Revenues, Expenses and Changes in Net Assets Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>OPERATING REVENUES</b>		
Passenger fares	\$ 1,219,143	\$ 987,758
Fare subsidy	20,439	19,248
Para transit	114,402	99,226
Other	<u>909</u>	<u>645</u>
Total Operating Revenues	1,354,893	1,106,877
<b>OPERATING EXPENSES</b>		
Salaries and wages	4,119,486	4,251,922
Fringe benefits	3,435,085	2,625,784
Services	632,861	644,761
Materials and supplies	2,258,445	1,809,091
Utilities	128,304	109,168
Casualty and liability costs	396,200	389,140
Taxes	821	954
Miscellaneous	160,156	171,675
Lease and rentals	1,410	6,701
Vehicle tracking system	17,057	17,444
Depreciation	<u>1,095,933</u>	<u>1,077,236</u>
Total Operating Expenses	<u>12,245,758</u>	<u>11,103,876</u>
Operating Loss	(10,890,865)	(9,996,999)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Local government assessments and taxes	4,835,260	4,200,238
Federal grants and reimbursements	2,239,530	1,994,290
State operating grants	2,000,446	1,726,215
Pass-through to subrecipient	(73,344)	-
Interest income	57,905	155,753
Gain on sale of capital assets	65,515	-
Rent and miscellaneous	55,790	68,735
Other income	<u>49,880</u>	<u>56,693</u>
Total Nonoperating Revenues (Expenses)	<u>9,230,982</u>	<u>8,201,924</u>
Net loss before capital contributions	(1,659,883)	(1,795,075)
<b>CAPITAL CONTRIBUTIONS</b>	2,526,574	640,711
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>10,687,762</u>	<u>11,842,126</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 11,554,453</u>	<u>\$ 10,687,762</u>

See Notes to Financial Statements.

## FORT WAYNE PUBLIC TRANSPORTATION CORPORATION

Statements of Cash Flows  
Years Ended December 31, 2008 and 2007

	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from passengers	\$ 1,343,908	\$ 1,113,291
Payments to employees and benefit providers	(7,106,659)	(6,515,636)
Payments to suppliers	<u>(3,798,695)</u>	<u>(3,051,030)</u>
Net Cash Used In Operating Activities	(9,561,446)	(8,453,375)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Receipts of local government assessments and taxes	4,835,260	4,200,238
Receipts of federal and state government grants and reimbursements	3,780,772	3,563,618
Pass-through to subrecipient	<u>(73,344)</u>	<u>-</u>
Net Cash Provided By Noncapital Financing Activities	8,542,688	7,763,856
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital contributions	2,646,368	640,711
Purchase of capital assets	(3,361,000)	(815,727)
Payments received on garage contract	273,571	273,571
Proceeds from sale of capital assets	<u>65,515</u>	<u>-</u>
Net Cash Provided By (Used In) Capital and Related Financing Activities	(375,546)	98,555
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	57,905	155,753
Other	<u>55,790</u>	<u>68,735</u>
Net Cash Provided By Investing Activities	<u>113,695</u>	<u>224,488</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(1,280,609)	(366,476)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>4,063,440</u>	<u>4,429,916</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 2,782,831</u>	<u>\$ 4,063,440</u>
Cash, including time deposits	\$ 248,067	\$ 981,321
Restricted Cash, including time deposits	<u>2,534,764</u>	<u>3,082,119</u>
<b>Total cash and cash equivalents, end of year</b>	<u>\$ 2,782,831</u>	<u>\$ 4,063,440</u>

(Continued)

# FORT WAYNE PUBLIC TRANSPORTATION CORPORATION

Statements of Cash Flows (Continued)  
Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Operating loss	\$ (10,890,865)	\$ (9,996,999)
Adjustments to Reconcile Operating Loss to Net Cash Used In Operating Activities:		
Depreciation	1,095,933	1,077,236
Bad debt expense	215	-
(Increase) Decrease in Assets:		
Receivables	(11,200)	6,414
Inventories	(124,331)	(11,179)
Prepaid expenses	(3,498)	13,735
Increase (Decrease) in Liabilities:		
Accounts payable and other accrued expenses	<u>372,300</u>	<u>457,418</u>
Net Cash Used In Operating Activities	<u>\$ (9,561,446)</u>	<u>\$ (8,453,375)</u>

See Notes to Financial Statements.

# FORT WAYNE PUBLIC TRANSPORTATION CORPORATION

Notes to Financial Statements  
December 31, 2008 and 2007

## Note 1. Significant Accounting Policies

### Organization:

The Fort Wayne Public Transportation Corporation, D/B/A 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 a public transit system in a service area which includes the cities of Fort Wayne, New Haven and certain unincorporated areas of Allen County.

Citilink operates in one business segment, public transportation, as an enterprise fund.

Management of Citilink has determined that it is a component unit of the Consolidated City of Fort Wayne - Allen County Government Reporting Entity in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 and is considered to be financially accountable to such reporting entity.

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 Presentation:

The accounting policies of Citilink conform to accounting principles generally accepted in the United States of America as applicable to governments. Accounting policies follow all Governmental Accounting Standards Board (GASB) Pronouncements and all Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins, except those that conflict with a GASB pronouncement.

### Use of Estimates:

Preparation of Citilink's financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management's estimates. Accordingly, actual results could differ from those estimates.

### Tax Status:

Income taxes have not been provided as Citilink is a municipality and is exempt under Section 115 of the Internal Revenue Code.

### Cash and Cash Equivalents:

For purposes of the statement of cash flows, Citilink considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

# FORT WAYNE PUBLIC TRANSPORTATION CORPORATION

Notes to Financial Statements (Continued)  
December 31, 2008 and 2007

## Note 1. Significant Accounting Policies (Continued)

### 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.

The allowance for doubtful accounts is maintained at a level, which, in management's judgment, is adequate to absorb potential losses inherent in the accounts receivable. The amount of the allowance is based on management's evaluation of the collectibility of the accounts, including the credit concentrations, trends in historical loss experience, specific impaired accounts receivable, and economic conditions. The allowance is increased by a provision for bad debts, which is charged to expense. Write-offs are charged against the allowance when management believes the uncollectibility of an account is confirmed. Subsequent recoveries, if any, are credited to the allowance. Changes in the allowance relating to impaired accounts are charged or credited to the provision for bad debts. The allowance for uncollectible accounts receivable at December 31, 2008 and 2007 was \$2,000 and \$2,000, respectively.

### Inventories:

Inventories are valued at the lower of cost or market. Cost is determined on the first-in, first-out basis. The expenditure is recognized when the individual inventory item is consumed.

### Prepaid Expenses:

Prepaid expenses are accounted for under the consumption method, whereby the cost of such benefits is recognized as an expenditure in the period when the benefit is derived.

### Buildings and Equipment:

Assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost. Contributed assets are reported at fair market value as of the date received. 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

# FORT WAYNE PUBLIC TRANSPORTATION CORPORATION

Notes to Financial Statements (Continued)  
December 31, 2008 and 2007

## Note 1. Significant Accounting Policies (Continued)

### 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 2008 and 2007) 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.

### Revenue Recognition:

Operating revenues are reported on the accrual basis. Revenues from federal and state operating grants are reported in the year the grant is available and the funds are requested by Citilink. Local government assessments consist of real estate taxes, property taxes, excise taxes, bank franchise taxes and county option income taxes, which are collected by the Allen County Treasurer and periodically remitted to Citilink. Local government assessments are accrued monthly over the calendar year in which they are levied, collected and remitted to Citilink.

### Expenditures:

Expenditures are reported on the accrual basis of accounting.

### Advertising Costs:

Citilink expenses advertising costs as incurred. For the years ended December 31, 2008 and 2007, advertising expenses totaled \$70,743 and \$88,257, respectively.

### Property Taxes:

The following summarizes the property tax calendar for Citilink:

	<u>2008</u>	<u>2007</u>
Lien date	March 1, 2007	March 1, 2006
Levy date	January 1, 2008	January 1, 2007
Tax bills mailed	July 18, 2008	April 22, 2007
First installment due	August 18, 2008	May 10, 2007
Second installment due	November 13, 2008	November 10, 2007

### Reclassifications:

Certain prior year amounts have been reclassified to conform to current year presentation. The reclassifications had no effect on the changes in net assets previously reported.

## FORT WAYNE PUBLIC TRANSPORTATION CORPORATION

Notes to Financial Statements (Continued)  
December 31, 2008 and 2007

### Note 2. Cash and Cash Equivalents

Citilink's cash and cash equivalents at December 31, 2008 and 2007 consisted of the following:

	2008	2007
Cash on hand and in bank:		
Unrestricted	\$ 248,067	\$ 863,440
Certificates of Deposit or Money Market:		
Unrestricted	-	117,881
Restricted - self-insurance claims	1,392,395	1,349,091
Restricted - local match on capital grants	1,142,369	1,733,028
	\$ 2,782,831	\$ 4,063,440

All funds in excess of FDIC insurance coverage are fully insured by the PDIF of Indiana.

### Note 3. Buildings and Equipment

Buildings and equipment at December 31, 2008 and 2007 consisted of:

	2008	2007
Passenger shelters	\$ 1,114,600	\$ 955,641
Service vehicles	378,431	239,177
Buildings and improvements	3,153,325	2,956,230
Shop and garage equipment	1,151,636	313,369
Revenue vehicle movement control facilities	133,437	123,453
Revenue collection facilities and equipment	506,799	506,799
General administrative equipment	567,180	550,115
Passenger revenue vehicles	9,550,622	8,722,044
	16,556,030	14,366,828
<b>Less:</b> Accumulated depreciation	9,151,415	9,231,023
	\$ 7,404,615	\$ 5,135,805

Depreciation expense for the years ended December 31, 2008 and 2007 totaled \$1,095,933 and \$1,077,236, respectively.

# FORT WAYNE PUBLIC TRANSPORTATION CORPORATION

Notes to Financial Statements (Continued)  
December 31, 2008 and 2007

**Note 4. Prepaid Lease**

During 2004, Citilink entered into a lease agreement with the Fort Wayne Urban League (FWUL), a local nonprofit organization. FWUL constructed a new facility as part of the Hanna-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 2 consecutive 10 year periods. Citilink was also obligated to design and construct the circular drive and the center "park/public art" space for a total cost not to exceed \$150,000.

During 2005, Citilink also entered into an agreement with FWUL to lease part of the FWUL's new facility at the Hanna-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 2 consecutive 10 year periods.

These prepaid leases are being amortized over 40 years on a straight-line basis. Amortization expense relating to these leases for the years ended December 31, 2008 and 2007 was \$3,738 and \$3,738, respectively.

**Note 5. 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 (the 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 \$1,248,985 and \$1,472,676 as of December 31, 2008 and 2007, respectively. Imputed interest of \$49,880 and \$56,693 was recorded in other income for the years ending December 31, 2008 and 2007, respectively.

**Note 6. Other Accrued Expenses**

Other accrued expenses at December 31, 2008 and 2007 consisted of:

	2008	2007
Salaries and wages	\$ 136,728	\$ 303,984
Vacation pay	240,000	214,524
Sick pay benefits	303,000	258,000
Pension contribution	14,323	68,039
Payroll taxes	10,337	6,274
Miscellaneous	931	960
	\$ 705,319	\$ 851,781

## FORT WAYNE PUBLIC TRANSPORTATION CORPORATION

Notes to Financial Statements (Continued)  
December 31, 2008 and 2007

### Note 7. Self-Insurance Liability

Citilink is self-insured for vehicle and workers compensation claims. Citilink's self-insurance plan provides for annual provisions for loss as necessary. During 2008 and 2007, provisions of \$255,579 and \$234,761, respectively, were made for vehicle, property and general liability claims, while annual provisions for loss of \$42,792 and \$68,048, respectively, were made for workers compensation claims. The accrual of estimated expense is based on Citilink's past history of losses and current outstanding claims. At December 31, 2008 and 2007, the cash restricted for self-insured claims was \$1,392,395 and \$1,349,091 including accrued expenses of \$271,100 and \$239,800 and appropriated net assets of \$1,121,295 and \$1,109,291, respectively. Because of uncertainties inherent in the estimation process, management's estimate of liabilities may change in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

Citilink is involved in various litigation and claims relating to personal injury, property damage and workers compensation which are being defended and handled in the normal course of business. Estimates of loss have been provided in the accrued self-insurance liability.

A summary of changes in the accrued insurance liability accounts for the years ended December 31, 2008 and 2007 is as follows:

	<u>Vehicle &amp; Property</u>	<u>Workers Compensation</u>	<u>Total</u>
December 31, 2006 balance	\$ 123,496	\$ 55,200	\$ 178,696
Claims and expenses paid, net	(177,157)	(64,548)	(241,705)
Annual provisions for loss	<u>234,761</u>	<u>68,048</u>	<u>302,809</u>
December 31, 2007 balance	<u>\$ 181,100</u>	<u>\$ 58,700</u>	<u>\$ 239,800</u>
December 31, 2007 balance	\$ 181,100	\$ 58,700	\$ 239,800
Claims and expenses paid, net	(219,679)	(47,392)	(267,071)
Annual provisions for loss	<u>255,579</u>	<u>42,792</u>	<u>298,371</u>
December 31, 2008 balance	<u>\$ 217,000</u>	<u>\$ 54,100</u>	<u>\$ 271,100</u>

### Note 8. Accrued Separation Liability

During 1998, Citilink accepted the resignation of its general manager. In conjunction with this separation, Citilink negotiated a settlement agreement for payments over various periods, including annual payments for life. The accrued liability at December 31, 2008 and 2007 of \$37,420 and \$39,200, respectively, are the discounted present value (6% annually) of the future payments based on life expectancy. The amounts charged to expense for the years ended December 31, 2008 and 2007 were \$1,788 and \$3,568, respectively.

# FORT WAYNE PUBLIC TRANSPORTATION CORPORATION

Notes to Financial Statements (Continued)  
December 31, 2008 and 2007

## Note 9. Pension Plan

### Plan Description:

Citilink contributes to the Fort Wayne Public Transportation Corporation Employees' Retirement Plan. 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, 2008 and 2007, total payroll for all employees amounted to \$4,949,191 and \$4,856,693 and total covered payroll amounted to \$4,187,039 and \$4,225,858, respectively. Covered payroll is based on the basic hourly rate figured on a 40 hour work week.

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 the 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 "Rule of 85"). 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 on and after July 1, 2006, 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.

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 employees gross covered earnings to the pension plan.

### Funding Status:

The amount shown below as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the plan on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employees. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the plan.

# FORT WAYNE PUBLIC TRANSPORTATION CORPORATION

Notes to Financial Statements (Continued)  
December 31, 2008 and 2007

## Note 9. Pension Plan (Continued)

The unfunded pension benefit obligation as of January 1, 2009, the most current actuarial study performed, is as follows:

Pension benefit obligations:	
Retirees and beneficiaries receiving benefits	\$ 9,777,046
Present active participants	11,497,768
Other	<u>711,249</u>
Total present value of future benefits	21,986,063
Net assets available for benefits	<u>18,422,665</u>
Unfunded present value of future benefits	<u>\$ 3,563,398</u>

The actuarial assumptions used to determine the pension benefit obligations are summarized below:

1. An investment return of 7.5% per year, net after expenses.
2. Wage increases of 4% per year.
3. Cost of living adjustment of 2.5% per year.
4. 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 disable retirees was used.
5. Termination, disability and retirement rates used were based on the recent experience of the plan.
6. 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.
7. The net assets available for benefits was determined by smoothing unexpected gains and losses over a four-year period.

### Actuarially Determined Contributions and Contributions Made:

Citilink's accrued pension expense is based on the estimated actuarially determined contribution equal to normal cost, amortization of an unfunded frozen actuarial liability to be amortized over thirty years, and interest costs. Contributions to the plan are not actuarially determined, but are based on the agreement between Citilink and the Amalgamated Transit Union, Local 682, which includes employees of Citilink.

**FORT WAYNE PUBLIC TRANSPORTATION CORPORATION**

Notes to Financial Statements (Continued)  
December 31, 2008 and 2007

**Note 9. Pension Plan (Continued)**

Contributions and expenses related to the plan for the years ended December 31, 2008 and 2007 were as follows:

	<u>2008</u>	<u>2007</u>
Citilink - 10.6% of gross covered payroll	\$ 440,722	\$ 448,776
Employee - .65% of gross covered payroll	<u>30,319</u>	<u>26,633</u>
	471,041	475,409
Additional expense based on actuarial calculation	<u>53,971</u>	<u>62,175</u>
	<u>\$ 525,012</u>	<u>\$ 537,584</u>

Historical Trend Information:

The following schedule gives an analysis of the dollar amounts of net assets available for benefits, pension benefit obligation and unfunded pension benefit obligation as of January 1:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Net assets available for benefits	not available	not available	\$ 16,810,413
Unfunded pension benefit obligation	not available	not available	\$ 1,342,238
Percentage funded	not available	not available	92.6%
Annual covered payroll	\$ 4,187,039	\$ 4,225,858	\$ 3,644,368
Obligation as % of covered payroll	not available	not available	36.8%
Employer contributions	\$ 440,722	\$ 448,776	\$ 386,675
Employer contribution as a % of covered payroll:	10.6 %	10.6 %	10.6 %

**Note 10. Other Post Employment Benefits**

**Plan Description:** The Plan consists of Citilink providing medical, dental and life insurance benefits to retirees. Employees who retire prior to age 65 and also meet the Rule of 85 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.

**Life Insurance:** Citilink provides life insurance benefits varying from \$10,000 to \$25,000 to all retirees as defined by the union agreement.

**Health Insurance:** Under Citilink's union agreement, health care benefits are provided up to age 65 for retirees who meet the "Rule of 85". Retirees pay \$1 per year towards the cost of the health insurance, except that the retirees who retire on or after January 1, 2004 pay \$100 per year, and retirees who retire on or after January 1, 2005 pay \$200 per year, and the Company pays the balance of the health care coverage.

**FORT WAYNE PUBLIC TRANSPORTATION CORPORATION**

Notes to Financial Statements (Continued)  
December 31, 2008 and 2007

**Note 10. Other Post Employment Benefits (Continued)**

Medicare Supplemental Benefits: Under Citilink's union agreement, retirees and spouses eligible for Medicare are provided an annual Medicare Supplemental Benefit payment. The amount paid to eligible retirees in 2008 and 2007 was \$825 and \$800, respectively.

Funding Policy:

The Plan is currently funded on a pay-as-you-go basis. There is no requirement for Citilink to fund these benefits; therefore, Citilink discloses the cumulative deficiency on its financial statements.

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 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 thirty years. The following table shows the components of Citilink's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in Citilink's net OPEB obligation:

Total normal cost	\$ 417,864
Annual amount to amortize the unfunded liability over 30 years as a level percent of payroll	<u>271,032</u>
Annual required contribution	688,896
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	688,896
Contributions made	<u>(142,115)</u>
Increase in net OPEB obligation	546,781
Net OPEB obligation - beginning of year	<u>-</u>
Net OPEB obligation - end of year	<u><u>\$ 546,781</u></u>

Funded Status:

The unfunded actuarial liability as of January 1, 2009, the most recent actuarial study performed, is as follows:

Actuarial liability for active members	\$ 5,221,075
Actuarial liability for members receiving benefits	<u>1,735,042</u>
Total actuarial liability	6,956,117
Actuarial value of assets	<u>-</u>
Unfunded actuarial liability	<u><u>\$ 6,956,117</u></u>

# FORT WAYNE PUBLIC TRANSPORTATION CORPORATION

Notes to Financial Statements (Continued)  
December 31, 2008 and 2007

## Note 10. Other Post Employment Benefits (Continued)

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

The entry age normal actuarial cost method was used for the valuation. Under this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. The actuarial assumptions used to determine the unfunded actuarial liability are summarized below:

1. Interest rate assumption of 4.5%.
2. Medical trend rate assumption used to increase per member medical costs in future years starts at 10% in 2009 and gradually declines to 5.0% by the year 2019.
3. Per retiree total costs were developed using the Aging Curve for Health Care Costs (Table 4), applied to five-year age groups. Assumed that 46% of retirees would have "employee only" coverage and that 54% of retirees would have "employee plus 1 dependent" coverage.
4. Participation rate assumption used was 75%.
5. 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.
6. Termination Rates: Varied from .018 at age 25 to .000 at age 60 and over
7. Disability Rates: Varied from .0014 at age 25 to .0278 at age 60 and over
8. Retirement Rates: Varied from .010 at age 55 to .1 at age 64 for reduced/subsidized early retirement and from .35 at age 55 to 1.0 at age 65 for fully subsidized retirement.

# FORT WAYNE PUBLIC TRANSPORTATION CORPORATION

Notes to Financial Statements (Continued)  
December 31, 2008 and 2007

## Note 11. 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 2007 and covers the period from January 1, 2006 through December 31, 2009. Consequently, Citilink operated under the old contract during 2006 and most of 2007. The most significant change to the contract provided a wage rate increases from 2006 through 2009. Accordingly, retroactive salary and wages relating to 2006 and 2007 were paid or accrued as of December 31, 2007.



Certified Public Accountants • Business Consultants

**Independent Auditors' Report on Accompanying Information**

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

Our audits were conducted for the purpose of forming opinions on the basic financial statements of Fort Wayne Public Transportation Corporation taken as a whole. The schedules of operating expenses on pages 24 and 25 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Baden, Gage & Schroeder, LLC*

BADEN, GAGE & SCHROEDER, LLC

Fort Wayne, Indiana  
May 12, 2009

## FORT WAYNE PUBLIC TRANSPORTATION CORPORATION

### Schedules of Operating Expenses Years Ended December 31, 2008 and 2007

	2008	2007
<b>SALARIES AND WAGES</b>		
Operations supervisors	\$ 207,633	\$ 209,279
Drivers	2,945,094	3,096,803
Dispatchers and receptionists	164,842	152,810
Maintenance supervisors	88,919	87,447
Mechanics and service workers	558,866	542,773
General office	107,848	102,860
General management	46,284	59,950
Total Salaries and Wages	4,119,486	4,251,922
<b>FRINGE BENEFITS</b>		
Sick pay	179,779	147,040
Holiday pay	108,393	99,396
Vacation pay	314,383	261,660
Other paid absence	227,150	96,675
FICA taxes	383,512	346,259
Pension plan	494,693	510,951
Group, medical, disability and life insurance	1,644,339	1,050,669
Unemployment taxes	10,745	11,129
Workers' compensation	42,792	68,048
Uniform and work clothing allowance	27,511	30,389
Separation expense	1,788	3,568
Total Fringe Benefits	3,435,085	2,625,784
<b>SERVICES</b>		
Professional and technical	304,564	327,259
Temporary help	9,040	3,685
Maintenance contracts	47,221	42,260
Custodial services	24,057	25,498
Security services	2,971	2,676
Legal services	233,715	229,838
Data processing	11,293	13,545
Total Services	632,861	644,761
<b>MATERIALS AND SUPPLIES</b>		
Fuel and lubricants	1,537,583	1,071,628
Tires and tubes	52,666	42,552
Tickets, transfers and schedules	28,983	20,247
Parts - rebuilt	46,812	41,190
Parts - other vehicles	49,871	39,947
Parts and supplies - revenue equipment	368,190	342,878
Parts and supplies - shop equipment	44,566	40,072
Parts and supplies - service equipment	12,440	8,126
Coveralls	26,996	27,008
Service supplies	26,796	18,122
Accident repairs	1,880	-
Farebox repairs	13,195	8,509
Outside maintenance	33,099	130,536
Other materials and supplies	15,368	18,276
Total Materials and Supplies	2,258,445	1,809,091

(Continued)

**FORT WAYNE PUBLIC TRANSPORTATION CORPORATION**

Schedules of Operating Expenses (Continued)  
Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>UTILITIES</b>		
Heat, light and water	\$ 128,304	\$ 109,168
<b>CASUALTY AND LIABILITY COSTS</b>		
Provision for physical damage insurance	20,000	18,325
Provision for public liability and property damage insurance	235,581	216,437
Premiums for other corporate insurance	<u>140,619</u>	<u>154,378</u>
Total Casualty and Liability Costs	396,200	389,140
<b>TAXES</b>		
Fuel and lubricant taxes	821	954
<b>MISCELLANEOUS EXPENSES</b>		
Dues and subscriptions	36,251	32,236
Travel and meetings	5,994	16,966
Bad debts expense	215	-
Advertising - media	70,743	88,257
Communications expense	13,844	15,778
Other expenses	<u>33,109</u>	<u>18,438</u>
Total Miscellaneous Expenses	160,156	171,675
<b>LEASES AND RENTALS</b>		
Office equipment	1,410	6,701
<b>VEHICLE TRACKING SYSTEM</b>	17,057	17,444
<b>DEPRECIATION</b>		
Passenger shelters	33,960	34,249
Passenger revenue vehicles	754,725	796,721
Service vehicles	11,093	1,540
Buildings and improvements	109,924	70,379
Shop and garage equipment	22,069	12,711
Revenue vehicle movement control facilities	22,791	21,906
Revenue collection facilities and equipment	50,479	51,904
General administrative equipment	87,154	84,088
Amortization of building lease	<u>3,738</u>	<u>3,738</u>
Total Depreciation and Amortization	<u>1,095,933</u>	<u>1,077,236</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>\$ 12,245,758</u>	<u>\$ 11,103,876</u>

See Independent Auditors' Report on  
Accompanying Information on Page 23.

**FORT WAYNE PUBLIC TRANSPORTATION CORPORATION**

Statement of Revenues, Expenses and Changes in Net Assets - Budget and Actual  
Year Ended December 31, 2008

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Budget to GAAP Differences Over (Under)</u>	<u>Actual Amounts GAAP Basis</u>
<b>OPERATING REVENUES</b>					
Passenger fares	\$ 1,026,213	\$ 1,026,213	\$ 1,207,108	\$ (12,035)(a)	\$ 1,219,143
Fare subsidy	-	-	-	(20,439)(b)	20,439
Para transit	102,007	102,007	114,198	(204)	114,402
Other	<u>5,328</u>	<u>5,328</u>	<u>909</u>	-	<u>909</u>
Total Operating Revenues	1,133,548	1,133,548	1,322,215	(32,678)	1,354,893
<b>OPERATING EXPENSES</b>					
Salaries and wages	4,855,869	5,011,148	5,048,589	929,103 (a)	4,119,486
Fringe benefits	2,238,087	2,238,385	2,083,588	(1,351,497)(a)	3,435,085
Services	529,962	610,577	648,886	16,025 (a)	632,861
Materials and supplies	2,008,332	2,243,509	2,321,390	62,945 (a)	2,258,445
Utilities	162,000	162,000	128,146	(158)	128,304
Casualty and liability costs	366,084	396,084	387,719	(8,481)(a)	396,200
Taxes	765	765	2,981	2,160	821
Miscellaneous	175,998	175,998	127,101	(33,055)(a)	160,156
Lease and rentals	2,682	2,682	1,830	420 (a)	1,410
Vehicle tracking system	-	-	-	(17,057)(b)	17,057
Depreciation	-	-	-	(1,095,933)(b)	1,095,933
Total Operating Expenses	<u>10,339,779</u>	<u>10,841,148</u>	<u>10,750,230</u>	<u>(1,495,528)</u>	<u>12,245,758</u>
Operating Loss	<u>(9,206,231)</u>	<u>(9,707,600)</u>	<u>(9,428,015)</u>	<u>1,462,850</u>	<u>(10,890,865)</u>

(Continued)

**FORT WAYNE PUBLIC TRANSPORTATION CORPORATION**

Statement of Revenues, Expenses and Changes in Net Assets - Budget and Actual (Continued)  
Year Ended December 31, 2008

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Budget to GAAP Differences Over (Under)</u>	<u>Actual Amounts GAAP Basis</u>
<b>NONOPERATING REVENUES</b>					
Local government assessments and taxes	\$ 4,940,365	\$ 4,940,365	\$ 4,821,508	\$ (13,752)(a)	\$ 4,835,260
Federal grants and reimbursements	2,382,597	2,382,597	1,766,682	(472,848)(a)	2,239,530
State operating grants	1,726,215	1,726,215	1,919,043	(81,403)(a)	2,000,446
Pass-through to subrecipient	-	-	-	73,344 (a)	(73,344)
Interest income	125,000	125,000	57,905	-	57,905
Gain on sale of capital assets	-	-	-	(65,515)(b)	65,515
Rent and miscellaneous	32,054	32,054	159,371	103,581 (a)	55,790
Other income	-	-	-	(49,880)(b)	49,880
<b>Total Nonoperating Revenues</b>	<u>9,206,231</u>	<u>9,206,231</u>	<u>8,724,509</u>	<u>(506,473)</u>	<u>9,230,982</u>
<b>Net loss before capital contributions</b>	<u>\$ -</u>	<u>\$ (501,369)</u>	<u>\$ (703,506)</u>	<u>\$ 956,377</u>	<u>\$ (1,659,883)</u>

**Explanation of differences:**

(a) Citilink budgets on the cash basis of accounting. These differences are due to accruals and receivables 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.

**See Independent Auditors' Report on Pages 1 - 2.**

**FORT WAYNE PUBLIC TRANSPORTATION CORPORATION**

Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2008

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Federal Award Expended</u>
<i>U.S. Department of Transportation:</i>			
Federal Transit Capital Investment Grant	20.500	N/A	\$ 126,612
Capital and Operating Assistance Formula Grants	20.507	N/A	4,395,590
Operating Assistance Job Access and Reverse Commute project	20.516	N/A	163,224
New Freedom program	20.521	N/A	<u>80,678</u>
			<u>\$ 4,766,104</u>

**See Notes to Schedule of Expenditures of Federal Awards.**

## FORT WAYNE PUBLIC TRANSPORTATION CORPORATION

### Notes to Schedule of Expenditures of Federal Awards Year Ended December 31, 2008

**Note 1. Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of Fort Wayne Public Transportation Corporation's Federal awards program and presents transactions to be included in the financial statements of Fort Wayne Public Transportation Corporation presented on the accrual basis of accounting, as contemplated by accounting principles generally accepted in the United States of America.

**Note 2. Risk-Based Audit Approach**

The dollar threshold used to distinguish between Type A and Type B programs is \$300,000. Fort Wayne Public Transportation Corporation does qualify as a low-risk auditee.

**Note 3. U.S. Department of Transportation Grant**

In accordance with the terms of the grant, Fort Wayne Public Transportation Corporation has expended matching contributions totaling \$1,313,944 during the year ended December 31, 2008.

**Note 4. Subrecipient**

Fort Wayne Public Transportation Corporation provided federal awards of \$73,344 to Community Transportation Network, Inc. related to the New Freedom program.

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

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

We have audited the financial statements of the Fort Wayne Public Transportation Corporation, as of and for the year ended December 31, 2008, and have issued our report thereon dated May 12, 2009. 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 Fort Wayne Public Transportation Corporation'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 Fort Wayne Public Transportation Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Fort Wayne Public Transportation Corporation's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Fort Wayne Public Transportation Corporation's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Fort Wayne Public Transportation Corporation's financial statements that is more than inconsequential will not be prevented or detected by Fort Wayne Public Transportation Corporation's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Fort Wayne Public Transportation Corporation's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Independent Auditors' Report on Compliance with Requirements**  
**Applicable to Each Major Program and 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 with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. Fort Wayne Public Transportation Corporation's major federal programs are 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 each of its major federal programs is the responsibility of Fort Wayne Public Transportation Corporation's management. Our responsibility is to express an opinion on Fort Wayne Public Transportation Corporation's compliance 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 Fort Wayne Public Transportation Corporation'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 of Fort Wayne Public Transportation Corporation's compliance with those requirements.

In our opinion, Fort Wayne Public Transportation Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

**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 Fort Wayne Public Transportation Corporation's internal control over compliance with 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, 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 Fort Wayne Public Transportation Corporation's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 finance committee, management, the board of directors and federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Baden, Gage & Schroeder, LLC*  
BADEN, GAGE & SCHROEDER, LLC

Fort Wayne, Indiana  
May 12, 2009

**FORT WAYNE PUBLIC TRANSPORTATION CORPORATION**

Schedule of Findings and Questioned Costs  
Year Ended December 31, 2008

**Section I-Summary of Auditors' Results**

**Financial Statements**

**Type of auditors' report issued:** Unqualified

**Internal control over financial reporting:**

Material weaknesses identified?  YES  NO  
Control deficiencies identified that are not considered to  
be material weaknesses?  YES  None Reported  
Noncompliance material to financial statements noted?  YES  NO

**Federal Awards**

**Internal control over major programs:**

Material weakness(es) identified?  YES  NO  
Control deficiency(ies) identified not considered to be  
material weaknesses?  YES  None Reported

**Type of auditors' report issued on compliance for  
major programs:** Unqualified

**Any audit findings disclosed that are required to be  
reported in accordance with section 510(a) of  
Circular A-133?**  YES  NO

**Identification of major programs:**

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.507	Capital and Operating Assistance Formula Grants

Dollar threshold used to distinguish between  
type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee?  YES  NO