



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B39200

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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, 2009 to December 31, 2009. 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, 2009 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, 2009 and 2008

FORT WAYNE PUBLIC TRANSPORTATION CORPORATION

Audit Report
with Accompanying Information
December 31, 2009 and 2008

INDEX

	PAGE
INDEPENDENT AUDITORS' REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 6
BASIC FINANCIAL STATEMENTS	
Statements of Net Assets	7
Statements of Revenues, Expenses and Changes in Net Assets	8
Statements of Cash Flows	9 - 10
Notes to Financial Statements	11 - 21
ACCOMPANYING INFORMATION	
Independent Auditors' Report on Accompanying Information	22
Schedules of Operating Expenses	23 - 24
Statement of Revenues, Expenses, and Changes in Net Assets - Budget and Actual	25 - 26
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	27
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	28
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	29 - 30
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	31 - 32
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	33



Certified Public Accountants • Business Consultants

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, 2009 and 2008. 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, 2009 and 2008, 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 March 22, 2010 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 25 - 26 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
BADEN, GAGE & SCHROEDER, LLC

Fort Wayne, Indiana
March 22, 2010

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, 2009. 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 \$11,142,299 at the close of the most recent fiscal year. This represents a decrease of \$412,154 (4%) over the previous year mainly attributable to the increase in the post retirement benefit liability. At the end of the year, the unrestricted net assets were \$2,971,218; this represents a decrease of \$630,881 over the previous year. This decrease was mainly attributable to the increase in operating expenses and a decrease in operating revenues from 2008 to 2009.

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 2009, 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

	2009	2008
Current and other assets	\$ 5,507,841	\$ 5,450,866
Capital assets	<u>8,171,081</u>	<u>7,952,354</u>
Total assets	<u>\$ 13,678,922</u>	<u>\$ 13,403,220</u>
Current liabilities	\$ 1,074,655	\$ 1,038,760
Other long-term liabilities	<u>1,461,968</u>	<u>810,007</u>
Total liabilities	2,536,623	1,848,767
Net assets:		
Invested in capital assets	8,171,081	7,952,354
Unrestricted	<u>2,971,218</u>	<u>3,602,099</u>
Total net assets	<u>11,142,299</u>	<u>11,554,453</u>
Total liabilities and net assets	<u>\$ 13,678,922</u>	<u>\$ 13,403,220</u>

Fort Wayne Public Transportation Corporation Changes in Net Assets

	2009	2008
Operating revenues	\$ 1,298,310	\$ 1,354,893
Operating expenses	<u>12,563,826</u>	<u>12,245,758</u>
Loss from operations	(11,265,516)	(10,890,865)
Net nonoperating revenues (expenses):		
Investment income	13,785	57,905
Local government assessments and taxes	5,375,583	4,835,260
Federal grants and reimbursements	2,405,728	2,239,530
State operating grants	1,889,931	2,000,446
Pass-through to subrecipient	(59,997)	(73,344)
Other	<u>92,371</u>	<u>171,185</u>
Net nonoperating revenues (expenses)	<u>9,717,401</u>	<u>9,230,982</u>
Net loss before capital contributions	(1,548,115)	(1,659,883)
Capital contributions	1,135,961	2,526,574
Net assets, beginning of year	<u>11,554,453</u>	<u>10,687,762</u>
Net assets, end of year	<u>\$ 11,142,299</u>	<u>\$ 11,554,453</u>

FORT WAYNE PUBLIC TRANSPORTATION CORPORATION

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

Significant Events: Operating revenues decreased \$56,583 or 4% over the prior year. Ridership decreased 13%; however, the related decrease in revenue was offset by an increase in bus pass sales for the year. Operating expenses increased \$318,068, primarily due to increases in salaries, wages and fringe benefits of \$588,054 and services (primarily professional, technical and legal) of \$98,497. These increases were offset by a decrease of \$355,750 related to materials and supplies (primarily fuel cost). Operating expenses are relative to the level of service provided.

Cash Flows: Net cash used in operating activities decreased by \$190,115 due primarily to decreased amounts paid to suppliers (primarily fuel costs). Net cash provided by non-capital financing activities increased by \$1,292,601. This was due primarily to increased local government assessments and taxes (mainly property and COIT taxes) and increases in state and federal funding. Net cash provided by capital and related financing activities increased by \$430,258 mainly due to receiving grants under the American Recovery and Reinvestment Act of 2009 (ARRA), which provided 100% funding of capital projects from federal grants. Net cash provided by investing activities decreased by \$49,138 related to a decrease in interest income from investments 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 2009 expenditure budget was adopted by the Board of Directors on October 9, 2008. There were certain fund transfers between line items which are done at the end of each year.

The actual operating revenue on a budgetary basis was less than the budgeted operating revenue in 2009 by \$262,842.

Operation, maintenance, and administrative expenses on a budgetary basis were \$692,043 under budget primarily due to actual fuel costs being less than budgeted.

Capital Asset Administration

Capital Assets: Citilink's investment in capital assets amounts to \$8,171,081 as of December 31, 2009, an increase of \$218,727 (3%), consisting of depreciation expense of \$1,136,094 offset by capital asset additions of \$1,354,820. Capital assets include land, buses, shop equipment, and administrative equipment, and additions in 2009 included:

- The purchase of five new Light Transit Vehicles for Access services
- The purchase of three new Eldorado Passport Vehicles for campusLink services
- Completion of phase two 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:

- Initiated campusLink circulator in partnership with IPFW and Ivy Tech using CMAQ funding.
- Initiated discounted monthly bus pass promotion for IPFW and Ivy Tech students, faculty and staff.
- Received \$4.1 million in ARRA stimulus funding for capital improvements projects.
- Purchased five (5) light transit buses manufactured in Elkhart, IN and three (3) campusLink buses.
- Recalled laid off drivers, hired five additional drivers and successfully negotiated union contract.
- Received 2008 Safety Award from the Indiana Transportation Association.
- Continued emphasis on providing safe, dependable and courteous service.

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, 2009 and 2008

	2009	2008
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 933,823	\$ 248,067
Receivables, net of allowance for uncollectibles:		
Federal grants	293,533	499,899
State assistance	478,152	495,830
Services	58,986	47,487
Inventories	224,072	297,227
Prepaid expenses	70,028	78,607
Total Current Assets	2,058,594	1,667,117
NONCURRENT ASSETS		
Restricted cash and cash equivalents	2,432,235	2,534,764
Contract receivable	1,017,012	1,248,985
Capital assets:		
Land	415,430	415,430
Buildings and equipment, net	7,627,079	7,404,615
Prepaid lease, net	128,572	132,309
Total Noncurrent Assets	11,620,328	11,736,103
TOTAL ASSETS	\$ 13,678,922	\$ 13,403,220
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 33,410	\$ 58,341
Other accrued expenses	737,745	705,319
Accrued self-insurance liability	299,500	271,100
Accrued separation liability, current portion	4,000	4,000
Total Current Liabilities	1,074,655	1,038,760
NONCURRENT LIABILITIES		
Pension contribution liability, long-term portion	348,359	229,806
Post retirement benefit liability	1,080,189	546,781
Accrued separation liability, long-term portion	33,420	33,420
Total Noncurrent Liabilities	1,461,968	810,007
Total Liabilities	2,536,623	1,848,767
NET ASSETS		
Invested in capital assets	8,171,081	7,952,354
Unrestricted	2,971,218	3,602,099
Total Net Assets	11,142,299	11,554,453
TOTAL LIABILITIES AND NET ASSETS	\$ 13,678,922	\$ 13,403,220

See Notes to Financial Statements.

FORT WAYNE PUBLIC TRANSPORTATION CORPORATION

Statements of Revenues, Expenses and Changes in Net Assets Years Ended December 31, 2009 and 2008

	2009	2008
OPERATING REVENUES		
Passenger fares	\$ 1,138,601	\$ 1,219,143
Fare subsidy	48,337	20,439
Para transit	110,726	114,402
Other	646	909
Total Operating Revenues	1,298,310	1,354,893
OPERATING EXPENSES		
Salaries and wages	4,329,220	4,119,486
Fringe benefits	3,813,405	3,435,085
Services	731,358	632,861
Materials and supplies	1,902,695	2,258,445
Utilities	126,358	128,304
Casualty and liability costs	365,348	396,200
Taxes	925	821
Miscellaneous	142,151	160,156
Lease and rentals	1,320	1,410
Vehicle tracking system	14,952	17,057
Depreciation	1,136,094	1,095,933
Total Operating Expenses	12,563,826	12,245,758
Operating Loss	(11,265,516)	(10,890,865)
NONOPERATING REVENUES (EXPENSES)		
Local government assessments and taxes	5,375,583	4,835,260
Federal grants and reimbursements	2,405,728	2,239,530
State operating grants	1,889,931	2,000,446
Pass-through to subrecipient	(59,997)	(73,344)
Interest income	13,785	57,905
Gain on sale of capital assets	-	65,515
Rent and miscellaneous	50,772	55,790
Interest from contract receivable	41,599	49,880
Total Nonoperating Revenues (Expenses)	9,717,401	9,230,982
Net loss before capital contributions	(1,548,115)	(1,659,883)
CAPITAL CONTRIBUTIONS	1,135,961	2,526,574
NET ASSETS, BEGINNING OF YEAR	11,554,453	10,687,762
NET ASSETS, END OF YEAR	\$ 11,142,299	\$ 11,554,453

See Notes to Financial Statements.

FORT WAYNE PUBLIC TRANSPORTATION CORPORATION

Statements of Cash Flows
Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from passengers	\$ 1,286,811	\$ 1,343,908
Payments to employees and benefit providers	(7,386,839)	(7,106,659)
Payments to suppliers	<u>(3,271,303)</u>	<u>(3,798,695)</u>
Net Cash Used In Operating Activities	(9,371,331)	(9,561,446)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipts of local government assessments and taxes	5,375,583	4,835,260
Receipts of federal and state government grants and reimbursements	4,519,703	3,780,772
Pass-through to subrecipient	<u>(59,997)</u>	<u>(73,344)</u>
Net Cash Provided By Noncapital Financing Activities	9,835,289	8,542,688
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions	1,135,961	2,646,368
Purchase of capital assets	(1,354,820)	(3,361,000)
Payments received on garage contract	273,571	273,571
Proceeds from sale of capital assets	<u>-</u>	<u>65,515</u>
Net Cash Provided By (Used In) Capital and Related Financing Activities	54,712	(375,546)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	13,785	57,905
Other	<u>50,772</u>	<u>55,790</u>
Net Cash Provided By Investing Activities	<u>64,557</u>	<u>113,695</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	583,227	(1,280,609)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,782,831</u>	<u>4,063,440</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,366,058</u>	<u>\$ 2,782,831</u>
Cash, including time deposits	\$ 933,823	\$ 248,067
Restricted Cash, including time deposits	<u>2,432,235</u>	<u>2,534,764</u>
Total cash and cash equivalents, end of year	<u>\$ 3,366,058</u>	<u>\$ 2,782,831</u>

(Continued)

FORT WAYNE PUBLIC TRANSPORTATION CORPORATION

Statements of Cash Flows (Continued)
Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (11,265,516)	\$ (10,890,865)
Adjustments to Reconcile Operating Loss to Net Cash Used In Operating Activities:		
Depreciation	1,136,094	1,095,933
Bad debt expense	-	215
(Increase) Decrease in Assets:		
Receivables	(11,499)	(11,200)
Inventories	73,155	(124,331)
Prepaid expenses	8,579	(3,498)
Increase (Decrease) in Liabilities:		
Accounts payable and other accrued expenses	<u>687,856</u>	<u>372,300</u>
Net Cash Used In Operating Activities	\$ <u>(9,371,331)</u>	\$ <u>(9,561,446)</u>

See Notes to Financial Statements.

FORT WAYNE PUBLIC TRANSPORTATION CORPORATION

Notes to Financial Statements
December 31, 2009 and 2008

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 statements 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, 2009 and 2008

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, 2009 and 2008 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, 2009 and 2008

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 2009 and 2008) 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, 2009 and 2008, advertising expenses totaled \$61,979 and \$70,743, respectively.

Property Taxes:

The following summarizes the property tax calendar for Citilink:

	<u>2009</u>	<u>2008</u>
Lien date	March 1, 2008	March 1, 2007
Levy date	January 1, 2009	January 1, 2008
Tax bills mailed	July 20, 2009	July 18, 2008
First installment due	August 20, 2009	August 18, 2008
Second installment due	November 10, 2009	November 13, 2008

Subsequent Events:

Management of Citilink has evaluated events and transactions for possible recognition or disclosure through March 22, 2010, the date the financial statements were available to be issued.

FORT WAYNE PUBLIC TRANSPORTATION CORPORATION

Notes to Financial Statements (Continued)
December 31, 2009 and 2008

Note 2. Cash and Cash Equivalents

Citilink's cash and cash equivalents at December 31, 2009 and 2008 consisted of the following:

	2009	2008
Cash on hand and in bank:		
Unrestricted	\$ 42,000	\$ 248,067
Certificates of Deposit or Money Market:		
Unrestricted	891,823	-
Restricted - self-insurance claims	1,260,105	1,392,395
Restricted - local match on capital grants	1,172,130	1,142,369
	\$ 3,366,058	\$ 2,782,831

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, 2009 and 2008 consisted of:

	2009	2008
Passenger shelters	\$ 1,160,676	\$ 1,114,600
Service vehicles	309,267	378,431
Buildings and improvements	3,444,167	3,153,325
Shop and garage equipment	1,150,281	1,151,636
Revenue vehicle movement control facilities	139,972	133,437
Revenue collection facilities and equipment	523,794	506,799
General administrative equipment	540,671	567,180
Passenger revenue vehicles	10,495,174	9,550,622
	17,764,002	16,556,030
Less: Accumulated depreciation	10,136,923	9,151,415
	\$ 7,627,079	\$ 7,404,615

Depreciation expense for the years ended December 31, 2009 and 2008 totaled \$1,136,094 and \$1,095,933, respectively.

At December 31, 2009, Citilink had an agreement to purchase seven Hybrid Low Floor Transit Coaches totaling \$3,821,559. The majority of this purchase will be funded 100% from federal capital grants. Citilink expects to receive these buses during 2010.

FORT WAYNE PUBLIC TRANSPORTATION CORPORATION

Notes to Financial Statements (Continued)

December 31, 2009 and 2008

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, 2009 and 2008 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 \$1,017,012 and \$1,248,985 as of December 31, 2009 and 2008, respectively. Imputed interest of \$41,599 and \$49,880 was recorded in other income for the years ending December 31, 2009 and 2008, respectively.

Note 6. Other Accrued Expenses

Other accrued expenses at December 31, 2009 and 2008 consisted of:

	2009	2008
Salaries and wages	\$ 164,527	\$ 136,728
Vacation pay	249,000	240,000
Sick pay benefits	293,000	303,000
Pension contribution	17,206	14,323
Payroll taxes	12,418	10,337
Miscellaneous	1,594	931
	\$ 737,745	\$ 705,319

FORT WAYNE PUBLIC TRANSPORTATION CORPORATION

Notes to Financial Statements (Continued)

December 31, 2009 and 2008

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. On April 1, 2009, Citilink purchased liability insurance for vehicle claims with a self-insured retention of \$50,000. During 2009 and 2008, provisions of \$179,848 and \$255,581, respectively, were made for vehicle, property and general liability claims, while annual provisions for loss of \$399,694 and \$42,792, 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, 2009 and 2008, the cash restricted for self-insured claims was \$1,260,105 and \$1,392,395 including accrued expenses of \$299,500 and \$271,100 and appropriated net assets of \$960,605 and \$1,121,295, 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, 2009 and 2008 is as follows:

	<u>Vehicle & Property</u>	<u>Workers Compensation</u>	<u>Total</u>
December 31, 2007 balance	\$ 181,100	\$ 58,700	\$ 239,800
Claims and expenses paid, net	(219,681)	(47,392)	(267,073)
Annual provisions for loss	<u>255,581</u>	<u>42,792</u>	<u>298,373</u>
December 31, 2008 balance	<u>\$ 217,000</u>	<u>\$ 54,100</u>	<u>\$ 271,100</u>
December 31, 2008 balance	\$ 217,000	\$ 54,100	\$ 271,100
Claims and expenses paid, net	(222,848)	(328,294)	(551,142)
Annual provisions for loss	<u>179,848</u>	<u>399,694</u>	<u>579,542</u>
December 31, 2009 balance	<u>\$ 174,000</u>	<u>\$ 125,500</u>	<u>\$ 299,500</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, 2009 and 2008 of \$37,420, is 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, 2009 and 2008 were \$3,568 and \$1,788, respectively.

FORT WAYNE PUBLIC TRANSPORTATION CORPORATION

Notes to Financial Statements (Continued)
December 31, 2009 and 2008

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, 2009 and 2008, total payroll for all employees amounted to \$4,989,985 and \$4,949,191 and total covered payroll amounted to \$4,386,713 and \$4,187,039, 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 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.

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.

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

Actuarial Liability:	
Retirees and beneficiaries receiving benefits	\$ 9,777,046
Present active participants	11,187,419
Other	<u>711,249</u>
Total actuarial liability	21,675,714
Actuarial value of assets	<u>18,422,665</u>
Unfunded actuarial liability	<u>\$ 3,253,049</u>

FORT WAYNE PUBLIC TRANSPORTATION CORPORATION

Notes to Financial Statements (Continued)
December 31, 2009 and 2008

Note 9. Pension Plan (Continued)

The actuarial assumptions used to determine the unfunded actuarial liability 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 disabled 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.

Contributions and expenses related to the plan for the years ended December 31, 2009 and 2008 were as follows:

	2009	2008
Citilink - 10.6% of gross covered payroll	\$ 465,001	\$ 440,722
Employee - .65% of gross covered payroll	<u>28,505</u>	<u>30,319</u>
	493,506	471,041
Additional expense based on actuarial calculation	<u>118,552</u>	<u>53,971</u>
	<u>\$ 612,058</u>	<u>\$ 525,012</u>

FORT WAYNE PUBLIC TRANSPORTATION CORPORATION

Notes to Financial Statements (Continued)
December 31, 2009 and 2008

Note 9. Pension Plan (Continued)

Historical Trend Information:

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarial value of assets	\$ 18,422,665	not available	not available	\$ 16,810,413
Unfunded actuarial liability (UAL)	3,253,049	not available	not available	1,342,238
Percentage funded	85.0 %	not available	not available	92.6 %
Annual covered payroll	\$ 4,386,713	\$ 4,187,039	\$ 4,225,858	\$ 3,644,368
UAL as % of covered payroll	74.2 %	not available	not available	36.8 %
Employer contributions	\$ 465,001	\$ 440,722	\$ 448,776	\$ 386,675
Employer contribution as a % of covered payroll:	10.6 %	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.

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 2009 and 2008 was \$850 and \$825, 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.

FORT WAYNE PUBLIC TRANSPORTATION CORPORATION

Notes to Financial Statements (Continued)

December 31, 2009 and 2008

Note 10. Other Post Employment Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation:

Citilink's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, 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>(155,488)</u>
Increase in net OPEB obligation	533,408
Net OPEB obligation - beginning of year	546,781
Net OPEB obligation - end of year	<u>\$ 1,080,189</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>\$ 6,956,117</u>

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.

FORT WAYNE PUBLIC TRANSPORTATION CORPORATION

Notes to Financial Statements (Continued)
December 31, 2009 and 2008

Note 10. Other Post Employment Benefits (Continued)

Actuarial Methods and Assumptions (Continued):

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% 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 .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 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 2009 and covers the period from January 1, 2010 through December 31, 2012.



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 23 and 24 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
March 22, 2010

FORT WAYNE PUBLIC TRANSPORTATION CORPORATION

Schedules of Operating Expenses
Years Ended December 31, 2009 and 2008

	2009	2008
SALARIES AND WAGES		
Operations supervisors	\$ 209,542	\$ 207,633
Drivers	3,129,177	2,945,094
Dispatchers and receptionists	174,025	164,842
Maintenance supervisors	90,463	88,919
Mechanics and service workers	542,512	558,866
General office	121,291	107,848
General management	62,210	46,284
Total Salaries and Wages	4,329,220	4,119,486
FRINGE BENEFITS		
Sick pay	125,203	179,779
Holiday pay	114,342	108,393
Vacation pay	316,252	314,383
Other paid absence	104,968	227,150
FICA taxes	370,937	383,512
Pension plan	583,553	494,693
Group, medical, disability and life insurance	1,757,043	1,644,339
Unemployment taxes	9,559	10,745
Workers' compensation	399,694	42,792
Uniform and work clothing allowance	28,286	27,511
Separation expense	3,568	1,788
Total Fringe Benefits	3,813,405	3,435,085
SERVICES		
Professional and technical	368,319	304,564
Temporary help	10,827	9,040
Maintenance contracts	41,886	47,221
Custodial services	20,588	24,057
Security services	1,944	2,971
Legal services	279,898	233,715
Data processing	7,896	11,293
Total Services	731,358	632,861
MATERIALS AND SUPPLIES		
Fuel and lubricants	1,180,180	1,537,583
Tires and tubes	62,953	52,666
Tickets, transfers and schedules	28,764	28,983
Parts - rebuilt	40,193	46,812
Parts - other vehicles	45,092	49,871
Parts and supplies - revenue equipment	328,790	368,190
Parts and supplies - shop equipment	34,717	44,566
Parts and supplies - service equipment	3,204	12,440
Coveralls	26,023	26,996
Service supplies	17,067	26,796
Accident repairs	-	1,880
Farebox repairs	11,770	13,195
Outside maintenance	97,492	33,099
Other materials and supplies	26,450	15,368
Total Materials and Supplies	1,902,695	2,258,445

(Continued)

FORT WAYNE PUBLIC TRANSPORTATION CORPORATION

Schedules of Operating Expenses (Continued)
Years Ended December 31, 2009 and 2008

	2009	2008
UTILITIES		
Heat, light and water	\$ 126,358	\$ 128,304
CASUALTY AND LIABILITY COSTS		
Provision for physical damage insurance	14,059	20,000
Provision for public liability and property damage insurance	165,789	235,581
Premiums for other corporate insurance	185,500	140,619
Total Casualty and Liability Costs	365,348	396,200
TAXES		
Fuel and lubricant taxes	925	821
MISCELLANEOUS EXPENSES		
Dues and subscriptions	42,662	36,251
Travel and meetings	9,811	5,994
Bad debts expense	-	215
Advertising - media	61,979	70,743
Communications expense	11,749	13,844
Other expenses	15,950	33,109
Total Miscellaneous Expenses	142,151	160,156
LEASES AND RENTALS		
Office equipment	1,320	1,410
VEHICLE TRACKING SYSTEM	14,952	17,057
DEPRECIATION		
Passenger shelters	31,308	33,960
Passenger revenue vehicles	752,114	754,725
Service vehicles	29,391	11,093
Buildings and improvements	119,181	109,924
Shop and garage equipment	79,218	22,069
Revenue vehicle movement control facilities	18,313	22,791
Revenue collection facilities and equipment	51,892	50,479
General administrative equipment	50,939	87,154
Amortization of building lease	3,738	3,738
Total Depreciation and Amortization	1,136,094	1,095,933
TOTAL OPERATING EXPENSES	\$ 12,563,826	\$ 12,245,758

See Independent Auditors' Report on
Accompanying Information on Page 22.

FORT WAYNE PUBLIC TRANSPORTATION CORPORATION

Statement of Revenues, Expenses and Changes in Net Assets - Budget and Actual
Year Ended December 31, 2009

	<u>Original Budgeted Amounts</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Budget to GAAP Differences Over (Under)</u>	<u>Actual Amounts GAAP Basis</u>
OPERATING REVENUES				
Passenger fares	\$ 1,387,170	\$ 1,149,723	\$ 11,122 (a)	\$ 1,138,601
Fare subsidy	-	-	(48,337)(b)	48,337
Para transit	130,000	104,759	(5,967)(a)	110,726
Other	<u>800</u>	<u>646</u>	-	<u>646</u>
Total Operating Revenues	1,517,970	1,255,128	(43,182)	1,298,310
OPERATING EXPENSES				
Salaries and wages	5,058,613	4,963,777	634,557 (a)	4,329,220
Fringe benefits	2,273,852	2,444,051	(1,369,354)(a)	3,813,405
Services	504,597	745,406	14,048 (a)	731,358
Materials and supplies	2,909,715	1,846,618	(56,077)(a)	1,902,695
Utilities	105,600	126,441	83	126,358
Casualty and liability costs	364,162	409,836	44,488 (a)	365,348
Taxes	765	925	-	925
Miscellaneous	172,377	161,586	19,435 (a)	142,151
Lease and rentals	2,322	1,320	-	1,320
Vehicle tracking system	-	-	(14,952)(b)	14,952
Depreciation	-	-	(1,136,094)(b)	<u>1,136,094</u>
Total Operating Expenses	<u>11,392,003</u>	<u>10,699,960</u>	<u>(1,863,866)</u>	<u>12,563,826</u>
Operating Loss	<u>(9,874,033)</u>	<u>(9,444,832)</u>	<u>1,820,684</u>	<u>(11,265,516)</u>

(Continued)

FORT WAYNE PUBLIC TRANSPORTATION CORPORATION

Statement of Revenues, Expenses and Changes in Net Assets - Budget and Actual (Continued)
Year Ended December 31, 2009

	<u>Original Budgeted Amounts</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Budget to GAAP Differences Over (Under)</u>	<u>Actual Amounts GAAP Basis</u>
NONOPERATING REVENUES (EXPENSES)				
Local government assessments and taxes	\$ 6,112,488	\$ 5,350,019	\$ (25,564)(a)	\$ 5,375,583
Federal grants and reimbursements	1,934,182	2,623,641	217,913 (a)	2,405,728
State operating grants	1,866,977	1,896,062	6,131 (a)	1,889,931
Pass-through to subrecipient	-	-	59,997 (a)	(59,997)
Interest income	24,000	13,785	-	13,785
Rent and miscellaneous	33,554	88,955	38,183 (a)	50,772
Interest from contract receivable	-	-	(41,599)(b)	41,599
	<u>9,971,201</u>	<u>9,972,462</u>	<u>255,061</u>	<u>9,717,401</u>
Total Nonoperating Revenues (Expenses)				
Net loss before capital contributions	<u>\$ 97,168</u>	<u>\$ 527,630</u>	<u>\$ 2,075,745</u>	<u>\$ (1,548,115)</u>

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.

See Independent Auditors' Report on Pages 1 - 2.

FORT WAYNE PUBLIC TRANSPORTATION CORPORATION

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2009

<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	\$ 14,513
Capital and Operating Assistance Formula Grants	20.507	N/A	2,879,692
American Recovery and Reinvestment Act	20.507	N/A	<u>496,320</u>
Subtotal 20.507			3,376,012
Operating Assistance Job Access and Reverse Commute project	20.516	N/A	83,686
New Freedom program	20.521	N/A	<u>67,478</u>
			<u>\$ 3,541,689</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, 2009

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 \$874,715 during the year ended December 31, 2009.

Note 4. Subrecipient

Fort Wayne Public Transportation Corporation provided federal awards of \$59,997 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, 2009, and have issued our report thereon dated March 22, 2010. 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 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 significant deficiency, or combination of significant deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fort Wayne Public Transportation Corporation'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*.

This report is intended solely for the information and use of management, the finance committee, the board of directors, others within the entity, 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
March 22, 2010

**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, 2009. 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, 2009.

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

A deficiency in an entity's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis.

A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the finance committee, management, the board of directors, others within the entity, 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

Fort Wayne, Indiana
March 22, 2010

FORT WAYNE PUBLIC TRANSPORTATION CORPORATION

Schedule of Findings and Questioned Costs
Year Ended December 31, 2009

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? YES NO
Significant deficiency(ies) identified? YES None Reported
Noncompliance material to financial statements noted? YES NO

Federal Awards

Internal control over major programs:

Material weakness(es) identified? YES NO
Significant deficiency(ies) identified? 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