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August 16, 2018

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

We have reviewed the report prepared by Fort Wayne Public Transportation Corporation and opined upon by BKD LLP, Independent Public Accountants, for the period January 1, 2017 to December 31, 2017. Per the Independent Auditor's Report, the financial statements included in the report present fairly the financial condition of Fort Wayne Public Transportation Corporation, as of December 31, 2017, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, BKD LLP prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

The audit report is filed with this letter in our office as a matter of public record.

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

Paul D. Joyce, CPA
State Examiner

Fort Wayne Public Transportation Corporation
(A Component Unit of the Consolidated
City of Fort Wayne – Allen County)
Independent Auditor's Reports and Financial Statements
December 31, 2017



Fort Wayne Public Transportation Corporation
(A Component Unit of the Consolidated City of Fort Wayne – Allen County)
December 31, 2017

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Fort Wayne Public Transportation Corporation (Citilink), a component unit of the Consolidated City of Fort Wayne-Allen County, as of and for the year ended December 31, 2017, and the related notes to financial statements, which collectively comprise Citilink's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fort Wayne Public Transportation Corporation as of December 31, 2017, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Fort Wayne Public Transportation Corporation's basic financial statements. The accompanying supplementary information consisting of the schedule of revenues, expenses and changes in net position, budget and actual, and the schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2018, on our consideration of Citilink'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* in considering Citilink's internal control over financial reporting and compliance.

BKD, LLP

Fort Wayne, Indiana
June 19, 2018

Fort Wayne Public Transportation Corporation
(A Component Unit of the Consolidated City of Fort Wayne – Allen County)
Management’s Discussion and Analysis
December 31, 2017

As financial management of the Fort Wayne Public Transportation Corporation (a component unit of the Consolidated City of Fort Wayne – Allen County) (d/b/a Citilink), we offer readers of these financial statements this narrative overview and analysis of the financial activities of Citilink for the fiscal year ended December 31, 2017. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Overview of the Financial Statements

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

The statement of net position presents information on all of Citilink’s assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Citilink is improving or deteriorating.

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

Measurement Focus and Basis of Accounting

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

Financial Highlights

- Citilink’s net position decreased by \$2,872,688 or 25.66 percent over 2017. Operating revenue increased by \$37,385 or 2.03 percent over 2017 and operating expenses decreased \$1,544,569 or 8.48 percent over 2017. The primary reason for the decrease in net position was the continued effect of GASB 68, *Accounting and Financial Reporting for Pensions* as well as current year depreciation that exceeded the amount of capital purchases funded by federal capital grants. The primary reason for the significant decrease in operating expenses was due an decrease in pension expense in 2017 of \$1,088,629.
- Citilink reported operating losses in 2017 of \$14,796,591 as compared to the 2016 amount of \$16,378,545. This is a 9.66 percent decrease which was again, primarily related to the previously mentioned pension expense decrease. Citilink receives nonoperating revenue in the form of property taxes and governmental grants to support operations. This is consistent with Citilink’s operating history as it was formed and is operated primarily to provide public transportation to the residents of Fort Wayne and New Haven and is subsidized to that end.

Fort Wayne Public Transportation Corporation
(A Component Unit of the Consolidated City of Fort Wayne – Allen County)
Management’s Discussion and Analysis
December 31, 2017

Table 1: Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 6,177,650	\$ 6,055,436
Capital assets	<u>16,086,152</u>	<u>16,835,112</u>
Total assets	22,263,802	22,890,548
Deferred outflows of resources	<u>5,209,450</u>	<u>8,235,953</u>
Total assets and deferred outflows of resources	<u>\$ 27,473,252</u>	<u>\$ 31,126,501</u>
Current liabilities	\$ 776,186	\$ 824,027
Other long-term liabilities	4,058,098	3,960,228
Net pension liability	<u>10,317,589</u>	<u>14,821,655</u>
Total liabilities	<u>15,151,873</u>	<u>19,605,910</u>
Deferred inflows of resources	<u>3,998,450</u>	<u>324,974</u>
Net position		
Net investment in capital assets	16,086,152	16,835,112
Unrestricted	<u>(7,763,223)</u>	<u>(5,639,495)</u>
Total net position	<u>8,322,929</u>	<u>11,195,617</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 27,473,252</u>	<u>\$ 31,126,501</u>

Changes in Net Position

In 2017, Citilink’s net position decreased by \$2,872,688 or 25.66 percent, compared to a decrease of \$4,959,412 or 30.70 percent in 2016, as shown in Table 2. The primary reason for the decrease in net position was the continued effect of GASB 68, *Accounting and Financial Reporting for Pensions* as well as current year depreciation that exceeded the amount of capital purchases funded by federal capital grants.

Fort Wayne Public Transportation Corporation
(A Component Unit of the Consolidated City of Fort Wayne – Allen County)
Management’s Discussion and Analysis
December 31, 2017

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

	<u>2017</u>	<u>2016</u>
Operating revenue	\$ 1,876,946	\$ 1,839,561
Operating expenses	<u>16,673,537</u>	<u>18,218,106</u>
Loss from operations	<u>(14,796,591)</u>	<u>(16,378,545)</u>
Nonoperating revenue (expenses)		
Investment income	2,666	2,410
Local government assessments and taxes	6,284,910	6,208,563
Federal grants and reimbursements	2,611,309	2,589,969
State operating grants	2,048,372	2,051,720
Pass-through to subrecipient	(87,000)	(102,250)
Other	<u>143,431</u>	<u>115,749</u>
Total nonoperating revenue	<u>11,003,688</u>	<u>10,866,161</u>
Deficiency of revenue over expenses before capital contributions	<u>(3,792,903)</u>	<u>(5,512,384)</u>
Capital contributions	1,156,221	813,195
Capital contributions passed through to subrecipient	<u>(236,006)</u>	<u>(260,223)</u>
Decrease in net position	<u>(2,872,688)</u>	<u>(4,959,412)</u>
Net position, beginning of year	<u>11,195,617</u>	<u>16,155,029</u>
Net position, end of year	<u>\$ 8,322,929</u>	<u>\$ 11,195,617</u>

Revenues

Operating revenues which consists primarily of passenger fares, including bus pass sales, increased \$37,385 or 2.03 percent over 2017 primarily due to an increase in fare subsidy and para transit which more than offset the decrease in passenger fares. Nonoperating revenue consists primarily of property taxes levied by Citilink, federal and state (PMTF) grants and investment income. These increased \$137,527 or 1.26 percent over 2017 primarily due to an increase in local government assessments and taxes.

Expenses

Operating expenses decreased by \$1,544,569 or 8.48 percent in 2017 compared to an increase of \$663,626 or 3.78 percent in 2016. The major categories of expense for Citilink are salaries and wages, benefits, diesel fuel and depreciation on capital assets. The decrease in operating expenses for 2017 compared to 2016 was primarily due to the previously mentioned decrease in pension expense in 2017 of \$1,088,629, as well as a decrease in legal fees and diesel fuel.

Operating Losses

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

Fort Wayne Public Transportation Corporation
(A Component Unit of the Consolidated City of Fort Wayne – Allen County)
Management’s Discussion and Analysis
December 31, 2017

Table 3: Cash Flows

	2017	2016
Cash flows from operating activities	\$ (10,676,716)	\$ (10,845,463)
Cash flows from noncapital financing activities	11,081,980	10,276,130
Cash flows from capital and related financing activities	(167,476)	(354,449)
Cash flows from investing activities	<u>146,097</u>	<u>112,628</u>
Net increase (decrease) in cash and cash equivalents	383,885	(811,154)
Cash and cash equivalents, beginning of year	<u>4,227,698</u>	<u>5,038,852</u>
Cash and cash equivalents, end of year	<u>\$ 4,611,583</u>	<u>\$ 4,227,698</u>

Cash Flows

Net cash used in operating activities decreased by \$168,747 over the prior year due to a decrease in legal fees as well as a decrease in diesel fuel. Net cash provided by noncapital financing activities increased by \$805,850. This was primarily due to an increase in the amount of federal and state operating grants received in 2017. Net cash used in capital and related financing activities decreased by \$186,973 mainly due to outstanding capital grants receivable for 2016 that were actually received in 2017. Net cash provided by investing activities increased by \$33,469 primarily related to an increase in miscellaneous income.

Capital Assets

Citilink’s investment in capital assets amounts to \$16,086,152 as of December 31, 2017, a decrease of \$748,960 (4.45 percent), consisting of capital asset additions of \$1,094,510 offset by depreciation expense of \$1,836,651 and disposals of \$6,820. Capital assets include land, buses, shop equipment, administrative equipment and additions in 2017 include:

- The purchase of one fixed route hybrid bus
- The purchase of two flew route buses
- The purchase of one para transit bus
- The purchase of three street supervisor vehicles

Economic Factors

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

Requests for Information

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

Fort Wayne Public Transportation Corporation
(A Component Unit of the Consolidated City of Fort Wayne – Allen County)
Statement of Net Position
December 31, 2017

	2017
Assets and Deferred Outflows of Resources	
Current Assets	
Cash and cash equivalents	\$ 3,393,575
Receivables, net of allowance of \$2,000	
Federal grants	570,491
State assistance	512,093
Services	75,591
Inventories	298,020
Prepaid expenses	96,307
Total current assets	4,946,077
Noncurrent Assets	
Cash and cash equivalents	1,218,008
Contract receivable, accident claims	13,565
Capital assets	
Land, nondepreciable assets	232,117
Buildings, vehicles and equipment, net	15,854,035
Total noncurrent assets	17,317,725
Deferred Outflows of Resources - Pension Plan	5,209,450
Total assets and deferred outflows of resources	\$ 27,473,252
Liabilities and Deferred Inflows of Resources	
Current Liabilities	
Accounts payable	\$ 124,527
Other accrued expenses	484,599
Accrued self-insurance liability	167,060
Total current liabilities	776,186
Noncurrent Liabilities	
Postemployment benefit obligation	3,799,915
Accrued sick pay and benefits	258,183
Net pension liability	10,317,589
Total noncurrent liabilities	14,375,687
Total liabilities	15,151,873
Deferred Inflows of Resources - Pension Plan	3,998,450
Total liabilities and deferred inflows of resources	\$ 19,150,323
Net Position	
Investment in capital assets	\$ 16,086,152
Unrestricted	(7,763,223)
Total net position	8,322,929
Total liabilities, deferred inflows of resources and net position	\$ 27,473,252

Fort Wayne Public Transportation Corporation
(A Component Unit of the Consolidated City of Fort Wayne – Allen County)
Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2017

	2017
Operating Revenue	
Passenger fares	\$ 1,132,954
Fare subsidy	388,179
Para transit	186,736
Advertising service	166,321
Other	2,756
Total operating revenue	1,876,946
Operating Expenses	
Salaries and wages	5,173,485
Fringe benefits	6,755,108
Services	868,321
Materials and supplies	1,424,254
Utilities	101,754
Casualty and liability costs	349,419
Taxes	1,018
Miscellaneous	150,823
Lease and rentals	676
Vehicle tracking system	12,028
Depreciation	1,836,651
Total operating expenses	16,673,537
Operating loss	(14,796,591)
Nonoperating Revenue (Expenses)	
Local government assessments and taxes	6,284,910
Federal operating grants	2,611,309
State operating grants	2,048,372
Pass-through to subrecipient	(87,000)
Interest income	2,666
Rent and miscellaneous	143,431
Total nonoperating revenues	11,003,688
Net loss before capital contributions	(3,792,903)
Capital Contributions	
Federal grants	1,156,221
Passed-through to subrecipients	(236,006)
Total capital contributions	920,215
Decrease in Net Position	(2,872,688)
Net Position, Beginning of Year	11,195,617
Net Position, End of Year	\$ 8,322,929

Fort Wayne Public Transportation Corporation
(A Component Unit of the Consolidated City of Fort Wayne – Allen County)
Statement of Cash Flows
Year Ended December 31, 2017

	2017
Cash Flows From Operating Activities	
Receipts from passengers	\$ 1,906,910
Payments to employees and benefit providers	(9,679,732)
Payments to suppliers	(2,903,894)
Net cash used in operating activities	(10,676,716)
Cash Flows From Noncapital Financing Activities	
Receipts of local government assessments and taxes	6,284,910
Receipts of federal and state operating grants	4,884,070
Grant to other organization	(87,000)
Net cash provided by noncapital financing activities	11,081,980
Cash Flows From Capital and Related Financing Activities	
Capital contributions	1,156,221
Purchase of capital assets	(1,087,691)
Grant to other organization	(236,006)
Net cash used in capital and related financing activities	(167,476)
Cash Flows From Investing Activities	
Interest income	2,666
Other	143,431
Net cash provided by investing activities	146,097
Net Increase in Cash and Cash Equivalents	383,885
Cash and Cash Equivalents, Beginning of Year	4,227,698
Cash and Cash Equivalents, End of Year	\$ 4,611,583
Cash , including time deposits	3,393,575
Restricted Cash , including time deposits	1,218,008
Total cash and cash equivalents, end of year	\$ 4,611,583
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating loss	(14,796,591)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	1,836,651
Changes in assets and liabilities	
Receivables	29,964
Inventories	12,954
Prepaid expenses	(5,636)
Deferred outflows	3,026,503
Accounts payable and other accrued expenses	50,029
Net pension liability	(4,504,066)
Deferred inflows	3,673,476
Net cash used in operating activities	\$ (10,676,716)

Fort Wayne Public Transportation Corporation
(A Component Unit of the Consolidated City of Fort Wayne – Allen County)
Notes to Financial Statements
December 31, 2017

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

Significant Accounting Policies

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

Reporting Organization

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

Management of Citilink has determined that it is a component unit of the Consolidated City of Fort Wayne – Allen County in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 61. Citilink has based this determination on the fact that the Consolidated City of Fort Wayne – Allen County is considered to be financially accountable for Citilink and its operations.

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

Basis of Accounting

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

Fort Wayne Public Transportation Corporation
(A Component Unit of the Consolidated City of Fort Wayne – Allen County)
Notes to Financial Statements
December 31, 2017

Use of Estimates

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

Cash and Cash Equivalents

For the purpose of the statement of cash flows, Citilink considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. At December 31, 2017, cash equivalents consisted of money market accounts with brokers.

Accounts Receivable

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

Inventories (Materials and Supplies)

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

Capital Assets

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

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

Fort Wayne Public Transportation Corporation
(A Component Unit of the Consolidated City of Fort Wayne – Allen County)
Notes to Financial Statements
December 31, 2017

Compensated Absences

Full-time union personnel and most administrative staff receive compensation for vacations, holiday 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 (75 percent in 2016) of unused sick pay upon retirement. The maximum accumulated sick pay hours for retirement benefit is 1,600. Unused sick pay benefits are accrued under the termination-payment method, which estimates sick pay liability on past history, adjusted for pay rate changes, administrative policies and other relevant factors, including the probability that employees will become eligible to receive these benefits in the future.

Defined Benefit Pension Plan

Citilink has a single-employer defined benefit pension plan, Fort Wayne Public Transportation Corporation Employees' Retirement Plan, (Plan). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position Classification

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

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets.

Restricted – This category presents external restrictions imposed by creditors (such as through debt covenants), contributors or law or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

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

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

Fort Wayne Public Transportation Corporation
(A Component Unit of the Consolidated City of Fort Wayne – Allen County)
Notes to Financial Statements
December 31, 2017

Revenue and Expenses and Net Position Recognition

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

Revenue Recognition

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

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

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

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

Property Taxes

The following summarizes the property tax calendar for Citilink:

	<u>2017</u>
Lien date	March 2016
Levy date	March 2016
Tax bills mailed	April 2017
First installment due	May 2017
	November
Second installment due	2017

Fort Wayne Public Transportation Corporation
(A Component Unit of the Consolidated City of Fort Wayne – Allen County)
Notes to Financial Statements
December 31, 2017

Note 2: Deposits

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

All of Citilink's cash accounts are subject to the \$250,000 limit on Federal Deposit Insurance Corporation (FDIC) insurance per covered institution.

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

Summary of Carrying Values

The carrying values of cash and deposits are included in the statement of net position as follows:

Carrying value	
Deposits	<u>\$ 4,611,583</u>
Cash and cash equivalents	
Current, unrestricted, including amounts designated for local match	\$ 3,393,575
Noncurrent, unrestricted, including amounts designated for self-insured claims	<u>1,218,008</u>
	<u>\$ 4,611,583</u>

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Note 3: Capital Assets

Capital assets activity for the year ended December 31, 2017, was:

	2017			
	Beginning Balance	Additions	Transfers and Retirements	Ending Balance
Capital assets				
Land	\$ 232,117	\$ -	\$ -	\$ 232,117
Building and improvements	4,905,194	18,047	-	4,923,241
Passenger shelters	6,605,416	9,000	-	6,614,416
Motor coaches	17,115,466	917,890	-	18,033,356
Service vehicles and other equipment	2,759,760	115,447	(5,519)	2,869,688
Capital lease, facilities	149,500	-	-	149,500
Capital projects in process	6,820	-	(6,820)	-
Office furniture and equipment	835,220	34,127	(6,630)	862,717
Total capital assets	<u>32,609,493</u>	<u>1,094,511</u>	<u>(18,969)</u>	<u>33,685,035</u>
Less accumulated depreciation				
Building and improvements	\$ 3,054,135	\$ 161,195	\$ -	\$ 3,215,330
Passenger shelters	975,494	173,645	-	1,149,139
Motor coaches	8,907,464	1,327,211	-	10,234,675
Service vehicles and other equipment	1,990,021	148,431	(5,519)	2,132,933
Capital lease, facilities	47,091	3,738	-	50,829
Office furniture and equipment	800,176	22,431	(6,630)	815,977
Total accumulated depreciation	<u>15,774,381</u>	<u>1,836,651</u>	<u>(12,149)</u>	<u>17,598,883</u>
Net capital assets	<u>\$ 16,835,112</u>	<u>\$ (742,140)</u>	<u>\$ (6,820)</u>	<u>\$ 16,086,152</u>

Capital Leases

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

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

The assets under these capital leases are being depreciated over 40 years on a straight-line basis.

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Note 4: Other Accrued Expenses

Other accrued expenses at December 31, 2017, consisted of:

	2017
Salaries and wages	\$ 111,140
Vacation pay	267,000
Payroll taxes	8,502
Accrued sick pay	71,817
Miscellaneous	26,140
	\$ 484,599

	2017				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Non-current liabilities					
Accrued sick pay and benefits	\$ 213,261	\$ 84,508	\$ (39,586)	\$ 258,183	\$ 71,817

Note 5: Risk Management

Citilink is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption, errors and omissions; employee injuries and illnesses; natural disasters and employee health and accident benefits. Citilink is self-insured for worker’s compensation, general liability and vehicle risks up to \$400,000 per individual, \$5,000,000 per occurrence. Property and public transportation liability risks are covered by policies which provide from \$1,000,000 up to \$13,948,080 per occurrence. Employee health insurance claims have an unlimited lifetime maximum coverage. Settlements have not exceeded coverage for the last three years. The accrual of estimated expense is based on Citilink’s past history of losses and current outstanding claims. Citilink funds its self-insured program on an “incurred loss” basis. Citilink has designated cash as a reserve for the self-insured obligations. A summary of changes in the accrued insurance liability accounts for the year ended December 31, 2017, is as follows:

	Vehicle	Workers Compensation	Total
Balance, January 1, 2017	\$ 130,000	\$ 90,000	\$ 220,000
Claims and expenses paid, net	(185,307)	(75,929)	(261,236)
Annual provisions for loss	182,307	25,989	208,296
Balance, December 31, 2017	\$ 127,000	\$ 40,060	\$ 167,060

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Note 6: Deferred Compensation Plan

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

Note 7: Employee Pension Plan

Plan Description

Citilink contributes to the Fort Wayne Public Transportation Corporation Employees' Retirement Plan (Plan), which is a single-employer defined benefit pension plan administered by a third party. The Plan covers substantially all full-time employees and is administered by a Retirement Committee consisting of four trustees. The Plan does not issue a stand-alone report. The Plan was established by the Board of Directors and the Amalgamated Transit Union and the Plan trustees reserve the right to amend, suspend or terminate the Plan at any time.

Retirement Benefits

All full-time employees who complete 90 days of continuous employment and earn 1,000 hours of service in a plan year are eligible to participate in the Plan on January 1 of the year in which the 1,000 hours were earned. Under the provisions of the Plan, pension benefits from employer's contributions are fully vested after five years of service. An employee may retire at age 65 or after attaining age 55, provided the sum of the employee's age and years of continuous service total 85 (the "85 Rule").

The retiree receives annual pension benefits equal to \$225 times the number of years of continuous service prior to May 1, 1970, plus 3.2 percent of earnings after May 1, 1970, and prior to July 1, 2003; plus 3.0 percent of earnings after July 1, 2003, and prior to July 1, 2006; plus 2.7 percent of earnings after July 1, 2006, and prior to June 1, 2009, plus 2.0 percent of earnings after June 1, 2009, subject to a cost of living adjustment.

An employee who has reached at least age 55 and has at least five years of credited service is eligible for early retirement with a reduced pension. An employee retiring early receives a percentage of the normal annual pension benefit. The percentage of the pension benefit at retirement remains the same for the employee's lifetime. The pension benefit is reduced by 0.25 percent for each month that the employee is less than age 65 at the date of retirement.

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The terms of the Plan provide for annual cost-of-living adjustments (COLA) to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustments are based on the Consumer Price Index for urban and clerical workers published by the Bureau of Labor Statistics, United States Department of Labor, and are limited to a maximum increase of 5 percent per year:

	2017
Inactive employees or beneficiaries currently receiving benefits	82
Inactive employees entitled to, but not yet receiving benefits	36
Active employees	110
	228

Disability and Survivor Benefits

The Plan also provides disability and survivor benefits. An employee who has at least ten years of continuous service and becomes totally and permanently disabled from service with the employer is eligible for a disability pension benefit. The disability benefit is calculated the same as that for a normal retirement without reduction for early retirement. Any disability benefit is reduced by the sum of (1) any amounts paid under and pursuant to the Workmen's Compensation or Occupational Disease laws of the State of Indiana; (2) any amounts paid under and pursuant to any sickness, accident or disability benefit policy or policies where such insurance benefits are provided under a plan of group insurance made available to employees by the employer; and (3) any amounts paid as sick leave compensation. If an employee who is receiving or is eligible to receive a disability pension benefit dies before attaining age 65, a monthly survivor benefit equal to 50 percent of the disability pension benefit may be paid to a surviving spouse to whom the employee had been married for at least one year.

Upon the death in service of an employee with five or more years of credited service as of January 1, 1970, a survivor benefit may be paid to the surviving spouse to whom the employee had been married for one or more years. This payment is equal to 50 percent of the benefit which would have been payable to a beneficiary if the employee had lived to the benefit commencement date.

Contributions Required and Contributions Made

The contribution requirements for Citilink and its employees are set forth in the collective bargaining agreement. The established rates are based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Under the provisions of Citilink's agreement with bargaining unit employees and personnel policies, all employees must contribute .65 percent of their gross covered earnings to the Plan. Citilink contributes 10.6 percent of employee's gross covered earnings to the pension plan. For the year ended December 31, 2017, employees contributed \$31,191 and Citilink contributed \$515,762 to the Plan.

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Net Pension Liability and Actuarial Assumptions

The net pension liability as of December 31, 2017, was measured as of December 31, 2016, rolled forward to the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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

- An investment return of 7.50 percent per year, net after expenses
- Inflation of 2.50 percent per year
- The entry age normal actuarial cost method was used
- Wage increases of 4.0 percent per year
- Cost of living adjustment of 2.5 percent per year
- Withdrawal rates: Varied from .018 at age 25 to .000 at age 60 and over
- Disability rate: Varied from .0014 at age 25 to .0278 at age 60 and over
- Retirement rates: Varied from .0075 at age 55 to .075 at age 64 for reduced/subsidized early retirement and from .2625 at age 55 to 1.00 at age 65 for fully subsidized retirement
- Marital status was assumed to be 80 percent of participants and that the age of the spouse was three years younger than that of the participant
- The net position available for benefits was determined by smoothing unexpected gains and losses over a four-year period

Rates of mortality before retirement and after normal, early and disability retirement were based on the RP 2014 Mortality Table for males and females, as appropriate with adjustments for mortality improvements based on MP-2016. For disabled members, the RP2000 Mortality Table for male and female disabled retirees was used.

The actuarial assumptions used in the valuation were based on reasonable expectations for the Plan participants and the benefits provided under the Plan.

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The long-term expected rate of return on pension plan investments was based primarily on historical returns on Plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information. The target allocation and best estimates of arithmetic rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Mutual funds - equity	90%	7.5%
AFL – CIO Building Investment Trust	10%	7.5%
	100%	

Discount Rate

The discount rate used to measure the total pension liability was 5.51 percent for the year ended December 31, 2017, which is an increase from 4.79 percent used for the year ended December 31, 2016. The discount rate of 5.51 percent reflects the long-term expected rate of return of 7.50 percent and a municipal bond rate of 3.71 percent which was obtained from:

<http://us.spindices.com/indices/fixed-income/sp-municipal-bond-20-year-high-grade-rate-index>

The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at the contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees through December 31, 2041.

Sensitivity of Citilink’s Net Pension Liability to Changes in the Discount Rate

Citilink’s net pension liability has been calculated using a discount rate of 5.51 percent. The following presents Citilink’s net pension liability calculated using a discount rate 1 percent higher and 1 percent lower than the current rate:

	1% Decrease (4.51%)	Current Discount Rate (5.51%)	1% Increase (6.51%)
Citilink’s net pension liability	\$ 14,642,752	\$ 10,317,589	\$ 6,745,914

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Changes in the total pension liability, plan fiduciary net position and the net pension liability are:

	2017		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, beginning of year	\$ 37,076,568	\$ 22,254,913	\$ 14,821,655
Changes for the year			
Service cost	888,561	-	888,561
Interest	1,782,204	-	1,782,204
Differences between expected and actual experience	(1,110,216)	-	(1,110,216)
Contributions - employer	-	475,644	(475,644)
Contributions - employee	-	29,141	(29,141)
Net investment income	-	1,923,231	(1,923,231)
Benefit payments, including refunds of employee contributions	(1,400,044)	(1,400,044)	-
Administrative expense	-	(20,144)	20,144
Changes in assumptions	(3,709,243)	-	(3,709,243)
Other changes	-	(52,500)	52,500
Net changes	<u>(3,548,738)</u>	<u>955,328</u>	<u>(4,504,066)</u>
Balance, end of year	<u>\$ 33,527,830</u>	<u>\$ 23,210,241</u>	<u>\$ 10,317,589</u>

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

For the year ended December 31, 2017, Citilink recognized pension expense of \$2,711,675. At December 31, 2017, Citilink reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 226,021	\$ 1,086,743
Changes of assumptions	3,952,607	2,911,707
Net difference between projected and actual earning on pension plan investments	515,060	-
Citilink's contributions made subsequent to the measurement date of the net pension liability	<u>515,762</u>	<u>-</u>
Total	<u>\$ 5,209,450</u>	<u>\$ 3,998,450</u>

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At December 31, 2017, Citilink reported \$515,762 as deferred outflows of resources related to pensions resulting from Citilink contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2016, related to pensions will be recognized in pension expense as follows:

2018		\$ 1,680,323
2019		546,005
2020		(808,556)
2021		<u>(722,534)</u>
		<u>\$ 695,238</u>

Pension Plan Fiduciary Net Position

As of December 31, 2016, the Plan’s fiduciary net position was comprised of the following:

	<u>2016</u>
Cash and cash equivalents	\$ 263,284
Investments, at fair value	
Mutual funds	19,987,254
Common/collective trust funds	<u>2,959,703</u>
Total investments at fair value	<u>22,946,957</u>
Total Plan fiduciary net pension	<u><u>\$ 23,210,241</u></u>

Investment Policy – Investment policy decisions are established and maintained by the Trustees of the Fort Wayne Public Transportation Corporation Employees’ Retirement Plan.

The primary goal of a pension fund is to help pay the cost of the pension plan while providing adequate security to meet the benefits promised under the plan. As a consequence, two important dimensions of a pension plan’s investment program are expected return and expected risk.

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The plan trustees diversify plan investments among asset classes, recognizing that there is a relationship between the level of risk assumed in an investment program and the level of return that should be expected. Appropriate diversification better enables to balance risk and return. The fund's diversification guidelines are set forth below:

Asset Class/Style	Target Asset Mix
Large Cap U.S. Equities	31.0%
Mid Cap U.S. Equities	7.0%
Small Cap U.S. Equities	7.0%
International Equities	10.0%
Total Equities	55.0%
Core Fixed Income	27.0%
Bank Loans	8.0%
Total Fixed Income	35.0%
Real Estate	10.0%
Total Real Estate	10.0%

The trustees maintain a portfolio structure that may combine active and passive management in order to balance the objectives of enhanced return and cost control.

Passive equity and fixed income portfolios invest in a substantially similar manner as that of the underlying benchmark.

The retirement plan primarily invests through mutual or commingled funds. These funds are governed by the guidelines and restrictions contained in their prospectuses or participation agreements.

It is expected that any actively managed portfolio's return net of fees should exceed the return of the respective benchmark index over reasonable measurement periods (three to five years). It is expected that any passively managed portfolio's return net of fees should approximate the return of the respective benchmark index over reasonable measurement periods (three to five years).

The following table reflects the Plan's investments in single issuers that represent more than 5 percent of total investments:

	2016
AFL – CIO Building Investment Trust	12.9%
Vanguard Institutional Index Fund	30.8%
Vanguard Mid Cap Index Fund	7.6%
Vanguard Small Cap Value Index Fund	7.8%
Ridgeworth Seix Floating High Rate Income Fund	10.0%
Vanguard Total Bond Market Index Fund	26.0%

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Following is a description of the valuation methodologies and inputs used for pension plan assets measured at fair value on a recurring basis, as well as the general classification of pension plan assets pursuant to the valuation hierarchy.

The fair value of the pension plan assets at December 31, 2016, was as follows:

	Fair Value Measurements Using			
	Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2016				
Investments by Fair Value Level				
Mutual funds	\$ 19,987,254	\$ 19,987,254	\$ -	\$ -
Total investments by fair value level	<u>19,987,254</u>	<u>19,987,254</u>	<u>-</u>	<u>-</u>
Investments Measured at the Net Asset Value (NAV) (A)				
Common/collective trust fund	<u>2,959,703</u>			
Total investments measured at fair value	<u>\$ 22,946,957</u>			

(A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts disclosed for total plan investments at fair value.

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Plan did not hold any Level 3 securities at December 31, 2016.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) are presented as above. There were no unfunded commitments or redemption restrictions for these funds.

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Note 8: Other Postemployment Benefit Plan

Plan Description

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

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

Health Insurance – Under Citilink's union agreement, full-time employees qualifying for full retirement benefits (age plus service equaling 85) who retire have the option of continuing their group insurance coverage until age 65, at the rate of \$1.00 to \$100 per year. Full-time employees qualifying for retirement who retire on or after January 1, 2010, have the option of continuing their group insurance coverage until age 65, at the rate of \$350 per year. Effective January 1, 2014 and 2013, the rate increased to \$957 and \$600 per year and Citilink pays the remaining balance of the health care coverage.

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

Funding Policy

The contribution requirements of plan members are established by Citilink's management. The Plan is currently funded on a pay-as-you-go basis. Citilink funds on a cash basis as benefits are paid. For the year ended 2017, Citilink contributed \$510,336 to the postemployment retirement plan. No assets have been segregated and restricted to provide postretirement benefits within the definition of Plan assets under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*.

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Annual OPEB Cost and Net OPEB Obligation

Citilink’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Citilink’s annual OPEB cost for the year, the amount actually contributed to the Plan and changes in the Citilink’s net OPEB obligation to the Plan:

	2017
Annual required contribution (ARC)	\$ 551,177
Interest on net OPEB obligation	168,614
Adjustment to annual required contribution	(156,507)
Annual OPEB cost	563,284
Contributions made	510,336
Increase in net OPEB obligation	52,948
Net OPEB obligation, beginning of year	3,746,967
Net OPEB obligation, end of year	\$ 3,799,915

Citilink’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for 2017, 2016 and 2015 are as follows:

	2017	2016	2015
Annual OPEB cost	\$ 563,284	\$ 552,378	\$ 577,550
Net employer contributions	510,336	357,834	329,292
Percentage contributed	90.60%	64.78%	57.02%
End of year net OPEB obligation	\$ 3,799,915	\$ 3,746,967	\$ 3,552,423

Funded Status and Funding Progress

As of December 31, 2017, the most recent valuation date, the Actuarial Accrued Liability (AAL) was \$6,372,468. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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Actuarial Methods and Assumptions

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

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

- Discount rate assumption of 4.5 percent
- Salary scale assumption of 4 percent
- Annual medical costs are assumed to increase 8 percent in 2017. Future annual increases are assumed to grade uniformly to a 5 percent level trend rate over a ten year period. Dental claims and administrative expenses are assumed to increase at 5 percent per year
- Actual spouse coverage was used in the valuation. Currently, about 50 percent of actives cover a spouse and spouses of current retirees receive the same benefits as actives until reaching Medicare eligibility age, regardless of whether the retiree has reached Medicare age
- 75 percent of future eligible retirees and dependents are assumed to elect medical coverage upon retirement
- The valuation results provided reflect a best estimate of the potential impact of the Patient Protection and Affordable Care Act (PPACA). Consideration has been made for provisions of the law that are effective as of the valuation date as well as those provisions that will take effect in the future. In particular, the anticipated future excise tax has been valued and added to the liability reflected in the valuation report. The estimated present value of all future excise tax payments is \$0
- Mortality rates: RP-2104 Total Dataset Mortality Table, adjusted to 2006, with generational mortality improvement projected after year 2006 using Scale MP-2017
- Withdrawal rates: Varied from .021925 at age 20 to .000 at age 60 and over
- Disability rates: Varied from .0012 at age 20 to .0278 at age 60 and over
- Retirement rates: Varied from .010 at age 55 to 1.00 at age 65 for reduced/subsidized early retirement and from .35 at age 55 to 1.00 at age 65 for fully subsidized retirement

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Note 9: 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 January 2016 and covers the period from January 1, 2016 through December 31, 2018.

Note 10: Commitments and Contingencies

Federal Funds

Citilink participates in various federally assisted grant programs that are subject to review and audit by the grantor agencies. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. At December 31, 2017, in the opinion of management of Citilink, any disallowances resulting from a federal audit would not be material.

Litigation

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

Note 11: Future Change in Accounting Principle

The Governmental Accounting Standards Board has issued its Statement No. 75 (GASB No. 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB No. 75 requires governments providing postemployment benefits to recognize their long-term obligation for postemployment benefits as a liability for the first time and to more comprehensively and comparably measure the annual costs of postemployment benefits. Citilink expects to first apply GASB No. 75 during the year ending December 31, 2018, using a retrospective recognition method. An actuarial valuation has been performed and the estimated net liability associated with GASB No. 75 is approximately \$7,330,000 for the year ending December 31, 2018.

Required Supplementary Information

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(A Component Unit of the Consolidated City of Fort Wayne – Allen County)
Schedule of Changes in Citilink’s Net Pension Liability and Related Ratios

	2017	2016	2015
Total Pension Liability			
Service cost	\$ 888,561	\$ 909,616	\$ 420,016
Interest	1,782,204	1,807,407	1,715,900
Differences between expected and actual experience	(1,110,216)	(434,710)	660,676
Changes of assumptions	(3,709,243)	308,182	11,107,744
Benefit payments, including refunds of employee contributions	<u>(1,400,044)</u>	<u>(1,327,475)</u>	<u>(1,198,786)</u>
Net Change in Total Pension Liability	(3,548,738)	1,263,020	12,705,550
Total Pension Liability - Beginning	<u>37,076,568</u>	<u>35,813,548</u>	<u>23,107,998</u>
Total Pension Liability - Ending (a)	<u><u>\$ 33,527,830</u></u>	<u><u>\$ 37,076,568</u></u>	<u><u>\$ 35,813,548</u></u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 475,644	\$ 490,473	\$ 494,353
Contributions - employee	29,141	29,239	30,245
Net investment income	1,923,231	326,346	1,892,320
Benefit payments, including refunds of employee contributions	(1,400,044)	(1,327,475)	(1,198,786)
Administrative expense	(20,144)	(21,828)	(17,179)
Other	<u>(52,500)</u>	<u>(31,167)</u>	<u>(40,000)</u>
Net Change in Plan Fiduciary Net Position	955,328	(534,412)	1,160,953
Plan Fiduciary Net Position - Beginning	<u>22,254,913</u>	<u>22,789,325</u>	<u>21,628,372</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 23,210,241</u></u>	<u><u>\$ 22,254,913</u></u>	<u><u>\$ 22,789,325</u></u>
Net Pension Liability - Ending (a) – (b)	<u><u>\$ 10,317,589</u></u>	<u><u>\$ 14,821,655</u></u>	<u><u>\$ 13,024,223</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.23%	60.02%	63.63%
Covered-Employee Payroll	\$4,321,333	\$4,141,883	\$4,372,676
Net Pension Liability as a Percentage of Covered-Employee Payroll	238.76%	357.85%	297.85%

Notes to Schedule

Change of assumptions: the discount rate was changed from 4.79 percent to 5.51 percent effective January 1, 2017.

This schedule is prepared using the measurement date of December 31, 2016.

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten year trend is compiled, governments should present information for those years for which information is available.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 807,741	\$ 807,741	\$ 578,442
Contributions in relation to the actuarially determined contribution	<u>515,762</u>	<u>475,644</u>	<u>517,568</u>
Contribution deficiency	<u>\$ 291,979</u>	<u>\$ 332,097</u>	<u>\$ 60,874</u>
Covered-employee payroll	\$ 4,321,333	\$ 4,141,883	\$ 4,372,676
Contributions as a percentage of covered-employee payroll	11.94%	11.48%	11.84%

Notes to Schedule

Valuation date: Actuarially determined contribution rates are calculated as of January 1, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

- Valuation method: Entry age normal
- Asset valuation method: Market value as reported by Wells Fargo Bank
- Inflation: 2.50 percent per annum
- Salary increases: 4.00 percent per annum (1.00 percent merit plus 3.00 percent general increase)
- Cost of living adjustment: 2.50 percent per annum
- Investment rate of return: 5.51 percent per annum
- Retirement age: 65, with five years of continuous employment
- Mortality: RP 2014 Mortality Table for males and females, as appropriate with adjustments for mortality improvements based on MP-2016, for disabled members – RP2000

This schedule is prepared using Citilink’s most recent fiscal year-end.

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, governments should present information for those years for which information is available.

Fort Wayne Public Transportation Corporation
(A Component Unit of the Consolidated City of Fort Wayne – Allen County)
Schedule of OPEB Funding Progress
Years Ending December 31, 2017, 2016 and 2015

Fort Wayne Public Transportation Corporation Retiree Health Insurance Plan is a single-employer defined benefit plan administered by the Fort Wayne Public Transportation Corporation. Please refer to Note 8 for more detailed information:

	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015
Actuarial valuation date	December 31, 2017	December 31, 2014	December 31, 2014
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Actuarial accrued liability	\$ 6,372,468	\$ 6,237,536	\$ 6,002,546
Actuarial value of assets	-	-	-
Total unfunded actuarial liability	<u>\$ 6,372,468</u>	<u>\$ 6,237,536</u>	<u>\$ 6,002,546</u>
Funded ratio	0%	0%	0%
Covered payroll	N/A	N/A	N/A
Participant summary			
Active employees	115	105	105
Retirees	69	57	57
	<u>184</u>	<u>162</u>	<u>162</u>
Actuarial assumptions			
UAAL amortization method	Level % of pay	Level % of pay	Level % of pay
UAAL amortization period, closed/open	30 years, closed	30 years, closed	30 years, closed
Investment return (discount rate)	4.50%	4.50%	4.50%

Supplementary Information

Fort Wayne Public Transportation Corporation
(A Component Unit of the Consolidated City of Fort Wayne – Allen County)
Schedule of Revenue, Expenses and Changes in Net Position, Budget and Actual
Year Ended December 31, 2017

	Original Budgeted Amounts	Actual Amounts Budgetary Basis	Budget to GAAP Differences Over (Under)	Actual Amounts GAAP Basis
Operating Revenue				
Passenger fares	\$ 1,433,600	\$ 1,133,001	\$ 47	\$ 1,132,954
Fare subsidy	414,858	427,529	39,350	388,179
Para transit	151,200	186,736	-	186,736
Advertising service	160,000	156,734	(9,587)	166,321
Other	600	2,756	-	2,756
Total operating revenue	<u>2,160,258</u>	<u>1,906,756</u>	<u>29,810</u>	<u>1,876,946</u>
Operating Expenses				
Salaries and wages	5,117,633	5,081,715	(91,770)	5,173,485
Fringe benefits	5,185,181	4,549,739	(2,205,369)	6,755,108
Services	806,182	897,725	29,404	868,321
Materials and supplies	1,777,480	1,403,845	(20,409)	1,424,254
Utilities	156,000	101,731	(23)	101,754
Casualty and liability costs	359,592	355,965	6,546	349,419
Taxes	3,672	1,286	268	1,018
Miscellaneous	196,585	154,830	4,007	150,823
Lease and rentals	2,160	676	-	676
Vehicle tracking system	13,200	11,377	(651)	12,028
Depreciation	-	-	(1,836,651)	1,836,651
Total operating revenue (expenses)	<u>13,617,685</u>	<u>12,558,889</u>	<u>(4,114,648)</u>	<u>16,673,537</u>
Operating loss	(11,457,427)	(10,652,133)	4,144,458	(14,796,591)
Nonoperating Revenue (Expenses)				
Local government assessments and taxes	6,950,342	6,284,909	(1)	6,284,910
Federal grants and reimbursements	3,658,888	2,963,200	351,891	2,611,309
State operating grants	2,051,720	2,049,209	837	2,048,372
Pass-through to subrecipient	(204,500)	(324,054)	(237,054)	(87,000)
Interest income	5,000	2,666	-	2,666
Rent and miscellaneous	167,296	143,586	155	143,431
Capital expenditures	(283,375)	(83,498)	(83,498)	-
Total nonoperating revenue (expenses)	<u>12,345,371</u>	<u>11,036,018</u>	<u>32,330</u>	<u>11,003,688</u>
Net gain (loss) before capital contributions	<u>\$ 887,944</u>	<u>\$ 383,885</u>	<u>\$ 4,176,788</u>	<u>\$ (3,792,903)</u>

Fort Wayne Public Transportation Corporation
(A Component Unit of the Consolidated City of Fort Wayne – Allen County)
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Transportation				
Federal Transit Cluster				
Federal Transit Formula				
Grants	20.507	—	\$ —	\$ 3,262,118
Bus and Bus Facilities				
Formula Program	20.526	—	—	<u>83,835</u>
Total Federal Transit Cluster		—	—	<u>3,345,953</u>
Transit Services Programs				
Cluster				
Enhanced Mobility of Seniors and Individuals				
With Disabilities	20.513	35-2109955	254,200	281,115
Enhanced Mobility of Seniors and Individuals				
With Disabilities	20.513	35-1826036	27,206	30,011
Enhanced Mobility of Seniors and Individuals				
With Disabilities	20.513	35-0998711	41,600	45,892
Job Access and Reverse Commute Project				
	20.516	—	—	<u>65,370</u>
			<u>323,006</u>	<u>422,388</u>
			<u>\$ 323,006</u>	<u>\$ 3,768,341</u>

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the Fort Wayne Public Transportation Corporation (Citilink) under programs of the federal government for the year ended December 31, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Citilink, it is not intended to and does not present the financial position, changes in net position or cash flows of Citilink.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Citilink has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.
3. The Fort Wayne Public Transportation Corporation had no federal loans it was administering as of December 31, 2017.

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Fort Wayne Public Transportation Corporation (Citilink), a component unit of the Consolidated City of Fort Wayne – Allen County, which comprise the statement of net position as of December 31, 2017, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 19, 2018.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of Citilink's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Citilink's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Citilink's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Fort Wayne, Indiana
June 19, 2018

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the compliance of Fort Wayne Public Transportation Corporation (Citilink) with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on its major federal programs for the year ended December 31, 2017. Citilink's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Citilink's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Citilink's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Citilink's compliance.

Opinion on Each Major Federal Program

In our opinion, Citilink complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2017.

Report on Internal Control Over Compliance

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

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

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

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

BKD, LLP

Fort Wayne, Indiana
June 19, 2018

Fort Wayne Public Transportation Corporation
(A Component Unit of the Consolidated City of Fort Wayne – Allen County)
Schedule of Findings and Questioned Costs
Year Ended December 31, 2017

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:
 Unmodified Qualified Adverse Disclaimed

2. The independent auditor's report on internal control over financial reporting disclosed:

Significant deficiency(ies)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Material weakness(es)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

3. Noncompliance considered material to the financial statements was disclosed by the audit?
 Yes No

Federal Awards

4. The independent auditor's report on internal control over compliance for major federal awards programs disclosed:

Significant deficiency(ies)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Material weakness(es)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

5. The opinion expressed in the independent auditor's report on compliance for major award program(s) was:
 Unmodified Qualified Adverse Disclaimed

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)?
 Yes No

7. Citolink's major program was:

Cluster/Program	CFDA Numbers
Federal Transit Cluster	20.507 & 20.526

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.

9. Citolink qualified as a low-risk auditee?
 Yes No

Fort Wayne Public Transportation Corporation
(A Component Unit of the Consolidated City of Fort Wayne – Allen County)
Schedule of Findings and Questioned Costs
Year Ended December 31, 2017

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
	No matters are reportable.

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
	No matters are reportable.

Fort Wayne Public Transportation Corporation
(A Component Unit of the Consolidated City of Fort Wayne – Allen County)
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2017

Reference Number	Summary of Finding	Status
	No matters are reportable.	