

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, 2015

Fort Wayne Public Transportation Corporation
 (A Component Unit of the Consolidated City of Fort Wayne – Allen County)
 December 31, 2015

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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 basic financial statements of Fort Wayne Public Transportation Corporation (Citilink), a component unit of the Consolidated City of Fort Wayne-Allen County, as of and for the year ended December 31, 2015, and the related notes to the 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, 2015, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2015, Citilink adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements 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 April 15, 2016, 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
April 15, 2016

Fort Wayne Public Transportation Corporation
(A Component Unit of the Consolidated City of Fort Wayne – Allen County)
Management’s Discussion and Analysis
December 31, 2015

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, 2015. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Overview of the Financial Statements

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

The 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 revenue, 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 revenue, 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 \$3,059,552 or 14.70% over 2015. Operating revenue decreased by \$25,375 or 1.33% over 2015 and operating expenses increased by \$2,427,504 or 16.05% over 2015. The primary reason for the significant increase in operating expenses as well as the significant decrease in net position was due to the implementation of GASB 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, which resulted in an increase in pension expense in 2015 of \$3,091,216.
- Citilink reported operating losses in 2015 of \$15,676,997 as compared to the 2014 amount of \$13,224,118. This is a 18.55% increase which was again, primarily related to the previously mentioned GASB 68 implementation. 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, 2015

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

	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 6,113,464	\$ 7,203,369
Capital assets	<u>18,161,247</u>	<u>17,836,816</u>
Total assets	24,274,711	25,040,185
Deferred outflows of resources	<u>9,705,194</u>	<u>—</u>
 Total assets and deferred outflows of resources	 <u>\$ 33,979,905</u>	 <u>\$ 25,040,185</u>
 Current liabilities	 \$ 661,442	 \$ 1,281,604
Other long-term liabilities	3,899,319	4,805,865
Net pension liability	<u>13,024,223</u>	<u>—</u>
Total liabilities	<u>17,584,984</u>	<u>6,087,469</u>
Deferred inflows of resources	<u>239,892</u>	<u>—</u>
Net position		
Net investment in capital assets	18,161,247	17,559,343
Unrestricted	<u>(2,006,218)</u>	<u>1,393,373</u>
Total net position	<u>16,155,029</u>	<u>18,952,716</u>
 Total liabilities, deferred inflows of resources and net position	 <u>\$ 33,979,905</u>	 <u>\$ 25,040,185</u>

Changes in Net Position

In 2015, Citilink’s net position decreased by \$3,059,552 or 14.70%, compared to a decrease of \$1,859,645 or 8.94% in 2014, as shown in Table 2. The largest portion of the decrease was due to the implementation of GASB 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*.

As data is not available to restate the 2014 financial statements for the effects of the implementation of GASB 68, no effects of the adoption of this accounting standard are reflected in the 2014 financial statement amounts in the management’s discussion and analysis.

Fort Wayne Public Transportation Corporation
(A Component Unit of the Consolidated City of Fort Wayne – Allen County)
Management’s Discussion and Analysis
December 31, 2015

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

	<u>2015</u>	<u>2014</u>
Operating revenue	\$ 1,877,483	\$ 1,902,858
Operating expenses	<u>17,554,480</u>	<u>15,126,976</u>
Loss from operations	<u>(15,676,997)</u>	<u>(13,224,118)</u>
Nonoperating revenue (expenses)		
Investment income	2,694	3,350
Local government assessments and taxes	5,811,113	5,738,647
Federal grants and reimbursements	2,695,889	2,803,375
State operating grants	2,048,628	2,023,209
Pass-through to subrecipient	(102,250)	(76,736)
Other	<u>264,883</u>	<u>142,306</u>
Total nonoperating revenue	<u>10,720,957</u>	<u>10,634,151</u>
Deficiency of revenue over expenses before capital contributions	(4,956,040)	(2,589,967)
Capital contributions	<u>1,896,488</u>	<u>730,322</u>
Decrease in net position	(3,059,552)	(1,859,645)
Net position, beginning of year, as previously reported	<u>18,952,716</u>	<u>20,812,361</u>
Cumulative effect of change in accounting principle	<u>261,865</u>	<u>—</u>
Net position, beginning of year, as restated	<u>19,214,581</u>	<u>—</u>
Net position, end of year	<u>\$ 16,155,029</u>	<u>\$ 18,952,716</u>

Revenue

Operating revenue which consists primarily of passenger fares, including bus pass sales, decreased \$25,375 or 1.33% over 2015 primarily due to a decrease in the amount of fare subsidy that was received from local educational institutions served by the CampusLink service. Nonoperating revenue consists primarily of property taxes levied by Citilink, Federal and State (PMTF) grants and investment income. This increased \$86,806 or 0.82% over 2015 primarily due to an increase in the amount of federal operation grants in the amount of \$107,486 which more than offset the increases in local and state dollars.

Expenses

Operating expenses increased by \$2,427,504 or 16.05% in 2015 compared to an increase of \$1,221,159 or 8.78% in 2014. The major categories of expense for Citilink are salaries and wages, benefits, diesel fuel and depreciation on capital assets. The increase in operating expenses for 2015 compared to 2014 was primarily due to an increase in medical benefits as well as the implementation of GASB 68.

Operating Losses

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

Fort Wayne Public Transportation Corporation
(A Component Unit of the Consolidated City of Fort Wayne – Allen County)
Management’s Discussion and Analysis
December 31, 2015

Table 3: Cash Flows

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities	\$ (11,141,021)	\$ (10,642,974)
Cash flows from noncapital financing activities	10,723,885	10,219,932
Cash flows from capital and related financing activities	(555,136)	31,143
Cash flows from investing activities	<u>156,390</u>	<u>140,596</u>
Net decrease in cash and cash equivalents	(815,882)	(251,303)
Cash and cash equivalents, beginning of year	<u>5,854,734</u>	<u>6,106,037</u>
Cash and cash equivalents, end of year	<u>\$ 5,038,852</u>	<u>\$ 5,854,734</u>

Cash Flows

Net cash used in operating activities increased by \$498,047 over the prior year due to an increase in benefit costs as well as an increase in casualty and liability costs. Net cash provided by noncapital financing activities increased by \$503,953. This was primarily due to an increase in the amount of federal operating grants and an increase in local and state dollars. Net cash used in capital and related financing activities increased by \$586,279 mainly due to an increase in the amount of capital expenditures in 2015. Net cash provided by investing activities decreased by \$15,794 primarily related to an increase in miscellaneous income.

Capital Assets

Citilink’s investment in capital assets amounts to \$18,161,247 as of December 31, 2015, an increase of \$324,431 (1.82%), consisting of capital asset additions of \$2,585,439 offset by depreciation expense of \$1,959,056 and disposals of \$301,952. Capital assets include land, buses, shop equipment, administrative equipment and additions in 2015 include:

- The purchase of four fixed route hybrid buses
- The purchase and installation of three new bus shelters

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, 2015

	2015
Assets and Deferred Outflows of Resources	
Current Assets	
Cash and cash equivalents	\$ 4,038,492
Receivables, net of allowance of \$2,000	
Federal grants	62,720
State assistance	512,158
Services	88,286
Contract receivable, accident claims	150
Inventories	312,036
Prepaid expenses	<u>83,932</u>
Total current assets	<u>5,097,774</u>
Noncurrent Assets	
Cash and cash equivalents	1,000,360
Contract receivable, accident claims	15,330
Capital assets	
Land and construction in progress, nondepreciable assets	245,757
Buildings, vehicles and equipment, net	<u>17,915,490</u>
Total noncurrent assets	<u>19,176,937</u>
Deferred Outflows of Resources	<u>9,705,194</u>
Total assets and deferred outflows of resources	<u>\$ 33,979,905</u>
Liabilities and Deferred Inflows of Resources	
Current Liabilities	
Accounts payable	\$ 149,077
Other accrued expenses	352,365
Accrued self-insurance liability	<u>160,000</u>
Total current liabilities	<u>661,442</u>
Noncurrent Liabilities	
Postemployment benefit obligation	3,552,423
Accrued sick pay and benefits	315,745
Accrued separation liability	31,151
Net pension liability	<u>13,024,223</u>
Total noncurrent liabilities	<u>16,923,542</u>
Total liabilities	<u>17,584,984</u>
Deferred Inflows of Resources	<u>239,892</u>
Net Position	
Net investment in capital assets	18,161,247
Unrestricted	<u>(2,006,218)</u>
Total net position	<u>16,155,029</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 33,979,905</u>

Fort Wayne Public Transportation Corporation
(A Component Unit of the Consolidated City of Fort Wayne – Allen County)
Statement of Revenue, Expenses and Changes in Net Position
December 31, 2015

	2015
Operating Revenues	
Passenger fares	\$ 1,268,322
Fare subsidy	301,400
Para transit	146,204
Advertising service	159,476
Other	<u>2,081</u>
Total operating revenues	<u>1,877,483</u>
 Operating Expenses	
Salaries and wages	4,800,208
Fringe benefits	7,223,386
Services	889,497
Materials and supplies	1,824,365
Utilities	136,872
Casualty and liability costs	534,676
Taxes	1,189
Miscellaneous	167,920
Lease and rentals	1,059
Vehicle tracking system	16,252
Depreciation	<u>1,959,056</u>
Total operating expenses	<u>17,554,480</u>
Operating loss	<u>(15,676,997)</u>
 Nonoperating Revenue (Expenses)	
Local government assessments and taxes	5,811,113
Federal operating grants	2,695,889
State operating grants	2,048,628
Pass-through to subrecipient	(102,250)
Interest income	2,694
Gain on sale of capital assets	111,187
Rent and miscellaneous	<u>153,696</u>
Total nonoperating revenues	<u>10,720,957</u>
Net loss before capital contributions	<u>(4,956,040)</u>
 Capital Contributions, Federal Grants	<u>1,896,488</u>
 Decrease in Net Position	<u>(3,059,552)</u>
 Net Position, Beginning of Year, as Previously Reported	18,952,716
 Cumulative Effect of Change in Accounting Principle	<u>261,865</u>
 Net Position, Beginning of Year, as Restated	<u>19,214,581</u>
 Net Position, End of Year	<u>\$ 16,155,029</u>

Fort Wayne Public Transportation Corporation
(A Component Unit of the Consolidated City of Fort Wayne – Allen County)
Statement of Cash Flows
December 31, 2015

	2015
Cash Flows From Operating Activities	
Receipts from passengers	\$ 1,891,803
Payments to employees and benefit providers	(9,201,689)
Payments to suppliers	<u>(3,831,135)</u>
Net cash used in operating activities	<u>(11,141,021)</u>
Cash Flows From Noncapital Financing Activities	
Receipts of local government assessments and taxes	5,811,113
Receipts of federal and state operating grants	5,015,022
Grant to other organization	<u>(102,250)</u>
Net cash provided by noncapital financing activities	<u>10,723,885</u>
Cash Flows From Capital and Related Financing Activities	
Capital grants received	1,896,488
Purchase of capital assets	(2,858,575)
Sale of land	359,102
Payments received on contract receivable	(1,851)
Proceeds from sale of capital assets	<u>49,700</u>
Net cash used in capital and related financing activities	<u>(555,136)</u>
Cash Flows From Investing Activities	
Interest income	2,694
Other	<u>153,696</u>
Net cash provided by investing activities	<u>156,390</u>
Net Decrease in Cash and Cash Equivalents	(815,882)
Cash and Cash Equivalents, Beginning of Year	<u>5,854,734</u>
Cash and Cash Equivalents, End of Year	<u>\$ 5,038,852</u>
Supplemental Cash Flows Information	
2014 capital asset purchases, paid in 2015	<u>\$ 277,473</u>

Fort Wayne Public Transportation Corporation
(A Component Unit of the Consolidated City of Fort Wayne – Allen County)
Statement of Cash Flows
December 31, 2015

	2015
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating loss	\$ (15,676,997)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	1,959,056
Bad debt expense	17
Changes in assets and liabilities	
Receivables	14,303
Inventories	(12,945)
Prepaid expenses	3,994
Deferred outflows of resources	2,063,226
Accounts payable and other accrued expenses	(2,096)
Net pension liability	570,394
Deferred inflows of resources	(59,973)
Net cash used in operating activities	\$ <u>(11,141,021)</u>

Fort Wayne Public Transportation Corporation
(A Component Unit of the Consolidated City of Fort Wayne – Allen County)
Notes to Financial Statements
December 31, 2015

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, 2015

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 revenue, 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, 2015, 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, 2015

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 (70% in 2015) 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, 2015

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>2015</u>
Lien date	March 2014
Levy date	March 2014
Tax bills mailed	April 2015
First installment due	May 2015
	November
Second installment due	2015

Change in Accounting Principle

During the year ended December 31, 2015, Citilink adopted Governmental Accounting Standards Board (GASB) No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The cumulative effect of applying the provisions of this statement resulted in Citilink’s net position as of January 1, 2015, being increased by \$261,865.

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Note 2: Deposits

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

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 statements of net position as follows:

	2015
Carrying value	
Deposits	\$ 5,038,852
	2015
Cash and cash equivalents	
Current, unrestricted, including amounts designated for local match	\$ 4,038,492
Noncurrent, unrestricted, including amounts designated for self-insured claims	1,000,360
	\$ 5,038,852

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Note 3: Capital Assets

Capital assets activity for the years ended December 31, 2015, was:

	2015			
	Beginning Balance	Additions	Adjustments and Retirements	Ending Balance
Land, building and improvements	\$ 5,388,768	\$ 5,338	\$ (260,481)	\$ 5,133,625
Passenger shelters	6,667,566	27,000	(98,150)	6,596,416
Motor coaches	15,246,380	2,530,088	(1,311,561)	16,464,907
Service vehicles and other equipment	2,750,869	572	—	2,751,441
Capital lease, facilities	149,500	—	—	149,500
Capital projects in process	4,340	13,640	(4,340)	13,640
Office furniture and equipment	<u>826,420</u>	<u>8,801</u>	<u>—</u>	<u>835,221</u>
Total capital assets	31,033,843	2,585,439	(1,674,532)	31,944,750
Less accumulated depreciation	<u>13,197,027</u>	<u>1,959,056</u>	<u>(1,372,580)</u>	<u>13,783,503</u>
Net capital assets	<u>\$ 17,836,816</u>	<u>\$ 626,383</u>	<u>\$ (301,952)</u>	<u>\$ 18,161,247</u>

Capital Leases

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

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

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, 2015, consisted of:

	2015
Salaries and wages	\$ 76,932
Vacation pay	247,000
Payroll taxes	5,885
Accrued separation liability	2,229
Miscellaneous	20,319
	\$ 352,365

	Beginning Balance	2015 Additions	2015 Deductions	Ending Balance	Current Portion
Non-current liabilities					
Accrued sick pay and benefits	\$ 308,745	\$ 91,254	\$ 84,254	\$ 315,745	\$ —
Accrued separation liability	35,484	—	2,104	33,380	2,229

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 \$13,118,980 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, 2015, is as follows:

	Vehicle	Workers Compensation	Total
Balance, December 31, 2014	\$ 400,000	\$ 40,000	\$ 440,000
Claims and expenses paid, net	(686,546)	(28,282)	(714,828)
Annual provisions for loss	366,546	68,282	434,828
Balance, December 31, 2015	\$ 80,000	\$ 80,000	\$ 160,000

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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. For the year ended December 31, 2015, total payroll for all employees amounted to \$4,800,208 and total covered payroll amounted to \$4,372,676. Covered payroll is based on the basic hourly rate figured on a 40-hour work week. The Plan does not issue a stand-alone report. 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.

Funding Policy

The contribution requirements for Citilink and its employees are set forth in the collective bargaining agreement. Under the provisions of Citilink's agreement with bargaining unit employees and personnel policies, all employees must contribute .65% of their gross covered earnings to the Plan. Citilink contributes 10.6% of employee's gross covered earnings to the pension plan.

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% 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.

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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% for each month that the employee is less than age 65 at the date of retirement.

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% per year:

	2015
Inactive employees or beneficiaries currently receiving benefits	78
Inactive employees entitled to, but not yet receiving benefits	28
Active employees	106
	212

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% 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% of the benefit which would have been payable to a beneficiary if the employee had lived to the benefit commencement date.

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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% of their gross covered earnings to the Plan. Citilink contributes 10.6% of employee's gross covered earnings to the pension plan. For the year ended December 31, 2015, employees contributed \$29,239 and Citilink contributed \$517,568 to the Plan.

Net Pension Liability and Actuarial Assumptions

The net pension liability as of December 31, 2015, was measured as of December 31, 2014, 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 December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- An investment return of 7.50% per year, net after expenses
- Inflation of 2.50% per year
- The entry age normal actuarial cost method was used
- Wage increases of 4.0% per year
- Cost of living adjustment of 2.5% per year
- 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% 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-2014. For disabled members, the RP2000 Mortality Table for male and female disabled retirees was used.

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The actuarial assumptions used in the December 31, 2014, valuation were based on reasonable expectations for the Plan participants and the benefits provided under the Plan.

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 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 5.02% for the year ended December 31, 2015, which is a decrease from 7.50% used in the December 31, 2013, valuation. The discount rate of 5.02% reflects the long-term expected rate of return of 7.50% and a municipal bond rate of 3.25% which was obtained from:

http://www.bondsonline.com/CorporateBondYieldIndex.pjp?fa=yieldcurve&fileDate=1%2F1%2F2015§or1=M_AA§or2=§or3=§or4=

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, 2039.

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

	Total Pension Liability (a)	2015 Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, beginning of year	\$ <u>23,107,998</u>	\$ <u>21,628,372</u>	\$ <u>1,479,626</u>
Changes for the year:			
Service cost	420,016	—	420,016
Interest	1,715,900	—	1,715,900
Differences between expected and actual experience	660,676	—	660,676
Contributions - employer	—	494,353	(494,353)
Contributions - employee	—	30,245	(30,245)
Net investment income	—	1,892,320	(1,892,320)
Benefit payments, including refunds of employee contributions	(1,198,786)	(1,198,786)	—
Administrative expense	—	(17,179)	17,179
Changes in assumptions	11,107,744	—	11,107,744
Other changes	<u>—</u>	<u>(40,000)</u>	<u>40,000</u>
Net changes	<u>12,705,550</u>	<u>1,160,953</u>	<u>11,544,597</u>
Balance, end of year	<u>\$ 35,813,548</u>	<u>\$ 22,789,325</u>	<u>\$ 13,024,223</u>

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

For the year ended December 31, 2015, Citilink recognized pension expense of \$3,091,216. At December 31, 2015, Citilink reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 515,791	\$ —
Changes of assumptions	8,671,835	—
Net difference between projected and actual earning on pension plan investments	—	239,892
Citilink's contributions made subsequent to the measurement date of the net pension liability	<u>517,568</u>	<u>—</u>
Total	<u>\$ 9,705,194</u>	<u>\$ 239,892</u>

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At December 31, 2015, Citilink reported \$517,568 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2015, related to pensions will be recognized in pension expense as follows:

2016		\$	2,520,821
2017			2,520,821
2018			2,520,821
2019			<u>1,385,271</u>
		\$	<u>8,947,734</u>

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 5.02%. The following presents Citilink’s net pension liability calculated using a discount rate 1% higher and 1% lower than the current rate:

	1% Decrease (4.02%)	Current Discount Rate (5.02%)	1% Increase (6.02%)
Citilink’s net pension liability	\$ 18,012,842	\$ 13,024,223	\$ 8,944,839

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.

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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 years ended 2015, Citilink contributed \$329,292 to the postemployment retirement plan. No assets have been segregated and restricted to provide postretirement benefits within the definition of plan assets under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*.

Annual OPEB Cost and Net OPEB Obligation

Citilink’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 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:

	2015
Annual required contribution (ARC)	\$ 559,250
Interest on net OPEB obligation	148,687
Adjustment to annual required contribution	(130,387)
Annual OPEB cost	577,550
Contributions made	329,292
Increase in net OPEB obligation	248,258
Net OPEB obligation, beginning of year	3,304,165
Net OPEB obligation, end of year	\$ 3,552,423

Citilink’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for 2015, 2014 and 2013 are as follows:

	2015	2014	2013
Annual OPEB cost	\$ 577,550	\$ 547,772	\$ 697,959
Net employer contributions	329,292	303,058	231,672
Percentage contributed	57.02%	55.33%	33.19%
End of year net OPEB obligation	\$ 3,552,423	\$ 3,304,165	\$ 3,059,451

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Funded Status and Funding Progress

As of December 31, 2015, the most recent valuation date, the Actuarial Accrued Liability (AAL) was \$6,002,546. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

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

- Discount rate assumption of 4.5%
- Salary scale assumption of 4%
- Annual medical costs are assumed to increase 9% in 2015. Future annual increases are assumed to grade uniformly to a 5% level trend rate over an eight year period. Dental claims and administrative expenses are assumed to increase at 5% per year
- Actual spouse coverage was used in the valuation. Currently, about 50% 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% of future eligible retirees and dependents are assumed to elect medical coverage upon retirement

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- 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: 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
- 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 .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 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 2013 and covers the period from January 1, 2013 through December 31, 2015.

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, 2015, 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.

Required Supplementary Information

Fort Wayne Public Transportation Corporation
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Schedule of Changes in Citilink’s Net Pension Liability and Related Ratios

	2015
Total Pension Liability	
Service cost	\$ 420,016
Interest	1,715,900
Changes of benefit terms	—
Differences between expected and actual experience	660,676
Changes of assumptions	11,107,744
Benefit payments, including refunds of employee contributions	<u>(1,198,786)</u>
Net Change in Total Pension Liability	12,705,550
Total Pension Liability - Beginning	<u>23,107,998</u>
Total Pension Liability - Ending (a)	<u>\$ 35,813,548</u>
Plan Fiduciary Net Position	
Contributions - employer	\$ 494,353
Contributions - employee	30,245
Net investment income	1,892,320
Benefit payments, including refunds of employee contributions	(1,198,786)
Administrative expense	(17,179)
Other	<u>(40,000)</u>
Net Change in Plan Fiduciary Net Position	1,160,953
Plan Fiduciary Net Position - Beginning	<u>21,628,372</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 22,789,325</u>
Net Pension Liability - Ending (a) – (b)	<u>\$ 13,024,223</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.63%
Covered-Employee Payroll	\$ 4,372,676
Net Pension Liability as a Percentage of Covered-Employee Payroll	297.85%

Notes to Schedule

Change of assumptions: the discount rate was changed from 7.5% to 5.02% effective January 1, 2015. The RP2014 mortality tables were also adopted causing a change in assumption.

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Schedule of Changes in Citilink’s Net Pension Liability and Related Ratios

This schedule is prepared using the measurement date of December 31, 2014.

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
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Schedule of Citilink Contributions

	2015
Actuarially determined contribution	\$ 578,442
Contributions in relation to the actuarially determined contribution	517,568
Contribution deficiency	\$ 60,874
Covered-employee payroll	\$ 4,372,676
Contributions as a percentage of covered-employee payroll	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% per annum
- Salary increases: 4.00% per annum (1.00% merit plus 3.00% general increase)
- Cost of living adjustment: 2.50% per annum
- Investment rate of return: 5.02% 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-2014, 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
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Schedule of OPEB Funding Progress
Years Ending December 31, 2015, 2014 and 2013

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.

	Years Ended December 31, 2015*	Years Ended December 31, 2014	Years Ended December 31, 2013
Actuarial valuation date	December 31, 2014	December 31, 2014	December 31, 2011
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Actuarial accrued liability	\$ 6,002,546	\$ 5,765,521	\$ 6,646,103
Actuarial value of assets	<u>—</u>	<u>—</u>	<u>—</u>
Total unfunded actuarial liability	<u>\$ 6,002,546</u>	<u>\$ 5,765,521</u>	<u>\$ 6,646,103</u>
Funded ratio	0%	0%	0%
Covered payroll	N/A	N/A	N/A
Participant summary			
Active employees	\$ 105	\$ 105	\$ 116
Retirees	<u>57</u>	<u>57</u>	<u>47</u>
	<u>\$ 162</u>	<u>\$ 162</u>	<u>\$ 163</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%

* The most recent actuarial valuation was performed for the year ended December 31, 2014.

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, 2015

	Original Budgeted Amounts	Actual Amounts Budgetary Basis	Budget to GAAP Differences Over (Under)	Actual Amounts GAAP Basis
Operating Revenue				
Passenger fares	\$ 1,433,600	\$ 1,269,248	\$ 926	\$ 1,268,322
Fare subsidy	330,860	314,282	12,882	301,400
Para transit	133,560	146,204	—	146,204
Advertising service	115,000	159,921	445	159,476
Other	600	2,081	—	2,081
Total operating revenue	<u>2,013,620</u>	<u>1,891,736</u>	<u>14,253</u>	<u>1,877,483</u>
Operating Expenses				
Salaries and wages	4,901,289	4,817,768	17,560	4,800,208
Fringe benefits	4,367,808	4,360,362	(2,863,024)	7,223,386
Services	923,170	898,825	9,328	889,497
Materials and supplies	1,880,445	1,778,620	(45,745)	1,824,365
Utilities	156,000	141,563	4,691	136,872
Casualty and liability costs	878,628	855,226	320,550	534,676
Taxes	3,672	1,436	247	1,189
Miscellaneous	186,585	167,523	(397)	167,920
Lease and rentals	2,160	907	(152)	1,059
Vehicle tracking system	23,200	23,041	6,789	16,252
Depreciation	—	—	(1,959,056)	1,959,056
Total operating expenses	<u>13,322,957</u>	<u>13,045,271</u>	<u>(4,509,209)</u>	<u>17,554,480</u>
Operating loss	<u>(11,309,337)</u>	<u>(11,153,535)</u>	<u>4,523,462</u>	<u>(15,676,997)</u>
Nonoperating Revenue (Expenses)				
Local government assessments and taxes	6,614,688	5,811,113	—	5,811,113
Federal operating grants	3,540,046	2,780,405	84,516	2,695,889
State operating grants	2,023,208	2,042,273	(6,355)	2,048,628
Pass-through to subrecipient	(104,500)	(96,597)	5,653	(102,250)
Gain on sale of capital assets	—	408,802	297,615	111,187
Interest income	5,000	2,694	—	2,694
Rent and miscellaneous	167,296	151,914	(1,782)	153,696
Capital expenditures	<u>(621,250)</u>	<u>(762,951)</u>	<u>(762,951)</u>	<u>—</u>
Total nonoperating revenue (expenses)	<u>11,624,488</u>	<u>10,337,653</u>	<u>(383,304)</u>	<u>10,720,957</u>
Net gain (loss) before capital contributions	<u>\$ 315,151</u>	<u>\$ (815,882)</u>	<u>\$ 4,140,158</u>	<u>\$ (4,956,040)</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.

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, 2015

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 Capital				
Investment Grant	20.500	—	—	\$ 233,230
Capital and Operating Assistance Formula Grants				
Bus and Bus Facilities Formula Grant	20.507	—	—	3,532,082
	20.526	—	—	<u>537,384</u>
				<u>4,302,696</u>
Transit Service Programs Cluster				
Capital Assistance Program for Elderly Persons and Persons with Disabilities				
Job Access and Reverse Commute Project	20.513	35-210995	170,857	189,840
	20.516	—	—	<u>174,101</u>
				<u>363,941</u>
				<u>\$ 4,666,637</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, 2015. 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 assets, 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 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 they were administering as of December 31, 2015.

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Fort Wayne Public Transportation Corporation (Citilink), a component unit of the Consolidated City of Fort Wayne – Allen County, which comprise the statement of net position as of December 31, 2015, 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 April 15, 2016.

Internal Control Over Financial Reporting

Management of Citilink is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit of the financial statements, we considered Citilink's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Citilink's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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
April 15, 2016

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, 2015. The 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 the 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 the major federal program. However, our audit does not provide a legal determination of the 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, 2015.

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 its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the 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
April 15, 2016

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, 2015

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)? Yes None Reported
 Material weakness(es)? Yes 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)? Yes None Reported
 Material weakness(es)? Yes 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. Citilink's major program was:

Cluster/Program	CFDA Numbers
Federal Transit Cluster	20.500, 20.507, 20.526

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

9. Citilink 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, 2015

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, 2015

Reference Number	Summary of Finding	Status
No matters are reportable.		