

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, 2019

Fort Wayne Public Transportation Corporation
(A Component Unit of the Consolidated City of Fort Wayne – Allen County)
December 31, 2019

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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 the 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, 2019, 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 the Fort Wayne Public Transportation Corporation as of December 31, 2019, 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 Citilink's basic financial statements. The schedule of revenues, expenses and changes in net position, budget and actual, and the schedule of expenditures of federal awards as 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, are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards 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. Such information has been subjected to the auditing procedures applied in the audits 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The schedule of revenues, expenses and changes in net position, budget and actual has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated August 10, 2020, 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 solely 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 effectiveness of Citilink's 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
August 10, 2020

Fort Wayne Public Transportation Corporation
(A Component Unit of the Consolidated City of Fort Wayne – Allen County)
Management’s Discussion and Analysis
December 31, 2019

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, 2019. 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 \$3,283,935 or 96.24 percent over 2019. Operating revenue decreased by \$65,747 or 4.37 percent over 2019 and operating expenses increased \$863,504 or 5.05 percent over 2019. The reasons for the decrease in net position in the current year are two-fold. First, there was the continued effects of GASB 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* which resulted in additional expense of \$3,067,759. This as well as current year depreciation that exceeded the amount of capital purchases funded by federal capital grants which resulted in a decrease in the net position of \$3,283,935.

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- Citilink reported operating losses in 2019 of \$16,531,639 as compared to the 2018 amount of \$15,62,388. This is a 5.96 percent increase. Citilink receives nonoperating revenue in the form of property taxes and governmental grants to support operations. This is consistent with Citilink’s operating history as it was formed and is operated primarily to provide public transportation to the residents of Fort Wayne and New Haven and is subsidized to that end.

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

	2019	2018
Current and other assets	\$ 5,999,292	\$ 6,270,078
Capital assets	15,143,626	15,804,676
Total assets	<u>21,142,918</u>	<u>22,074,754</u>
Deferred outflows of resources	<u>3,966,215</u>	<u>3,278,009</u>
Total assets and deferred outflows of resources	<u><u>\$ 25,109,133</u></u>	<u><u>\$ 25,352,763</u></u>
Current liabilities	\$ 1,878,911	\$ 1,549,455
Other long-term liabilities	7,002,928	7,026,599
Net pension liability	13,500,050	10,051,679
Total liabilities	<u>22,381,889</u>	<u>18,627,733</u>
Deferred inflows of resources	<u>2,598,838</u>	<u>3,312,689</u>
Net position		
Net investment in capital assets	15,143,626	15,804,676
Unrestricted	<u>(15,015,220)</u>	<u>(12,392,335)</u>
Total net position	<u>128,406</u>	<u>3,412,341</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 25,109,133</u></u>	<u><u>\$ 25,352,763</u></u>

Changes in Net Position

In 2019, Citilink’s net position decreased by \$3,283,935 or 96.24 percent, compared to a decrease of \$4,910,588 or 59.00 percent in 2018, as shown in Table 2. The reasons for the decrease in net position in the current year are two-fold. First, there was the continued effects of GASB 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27 and GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* which resulted in additional expense of \$2,523,224. This as well as current year depreciation that exceeded the amount of capital purchases funded by federal capital grants which resulted in a decrease in the net position of \$3,283,935.

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

	<u>2019</u>	<u>2018</u>
Operating revenues	\$ 1,438,035	\$ 1,503,782
Operating expenses	17,969,674	17,106,170
Loss from operations	<u>(16,531,639)</u>	<u>(15,602,388)</u>
Nonoperating revenues (expenses)		
Investment income	3,869	2,773
Local government assessments and taxes	6,995,100	6,587,310
Federal grants and reimbursements	2,763,139	2,612,405
State operating grants	2,093,009	2,107,335
Fare subsidy	392,469	438,939
Pass-through to subrecipient	(96,000)	(87,000)
Gain on sale of capital assets	34,063	2,925
Other	86,040	189,856
Total nonoperating revenues	<u>12,271,689</u>	<u>11,854,543</u>
Deficiency of revenues over expenses before capital contributions	(4,259,950)	(3,747,845)
Capital contributions	1,012,078	1,669,967
Capital contributions passed through to subrecipient	<u>(36,063)</u>	<u>(314,995)</u>
Decrease in net position	<u>(3,283,935)</u>	<u>(2,392,873)</u>
Net position, beginning of year	<u>3,412,341</u>	<u>5,805,214</u>
Net position, end of year	<u>\$ 128,406</u>	<u>\$ 3,412,341</u>

Revenues

Operating revenues which consists primarily of passenger fares, including bus pass sales, decreased \$65,747 or 4.37 percent over 2019 primarily due to a decrease in passenger fares. Nonoperating revenue consists primarily of property taxes levied by Citilink, federal and state (PMTF) grants and investment income. These increased \$417,146 or 3.52 percent over 2019 primarily due to an increase in local government assessments and taxes.

Expenses

Operating expenses increased by \$863,504 or 5.05 percent in 2019 compared to a decrease of \$432,633 or 2.59 percent in 2018. 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 2019 compared to 2018 was primarily due to an increase in wages and diesel fuel which was offset by a decrease in pension expense. We also experienced an increase in parts costs in maintaining our bus fleet.

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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.

Table 3: Cash Flows

	2019	2018
Cash flows from operating activities	\$ (12,442,379)	\$ (11,148,808)
Cash flows from noncapital financing activities	13,337,942	9,578,871
Cash flows from capital and related financing activities	(172,385)	(238,395)
Cash flows from investing activities	89,909	192,629
Net increase (decrease) in cash and cash equivalents	813,087	(1,615,703)
Cash and cash equivalents, beginning of year	2,995,880	4,611,583
Cash and cash equivalents, end of year	<u>\$ 3,808,967</u>	<u>\$ 2,995,880</u>

Cash Flows

Net cash used in operating activities increased by \$1,293,571 over the prior year due to increase in wages, diesel fuel and parts. Net cash provided by noncapital financing activities increased by \$3,759,071. This was primarily due to an increase in the amount of federal and state operating grants actually received in 2019. Net cash used in capital and related financing activities decreased by \$66,010 primarily due to a decrease in the purchase of capital assets in 2019 compared to 2018. Net cash provided by investing activities decreased by \$102,720 primarily related to a decrease in miscellaneous income.

Capital Assets

Citilink’s investment in capital assets amounts to \$15,143,626 as of December 31, 2019, a decrease of \$661,050 (4.18 percent), consisting of capital asset additions of \$1,268,624 offset by depreciation expense of \$1,929,674. Capital assets include land, buses, shop equipment, administrative equipment and additions in 2019 include:

- The purchase of two fixed route clean diesel buses
- The purchase of computer equipment

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Economic Factors

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of Citilink, including reduction the overall investment position of the pension plan. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time. Other than the uncertainty of general economic indicators on Citilink, its funding sources and its customers mentioned above, 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, 2019

	2019
Assets and Deferred Outflows of Resources	
Current Assets	
Cash and cash equivalents	\$ 2,542,780
Receivables, net of allowance of \$2,000	
Federal grants	487,033
State assistance	1,046,505
Services	128,374
Inventories	408,359
Prepaid expenses	103,176
Total current assets	4,716,227
Noncurrent Assets	
Cash and cash equivalents	1,266,187
Contract receivable, accident claims	16,878
Capital assets	
Land, nondepreciable assets	539,655
Buildings, vehicles and equipment, net	14,603,971
Total noncurrent assets	16,426,691
Deferred Outflows of Resources	
Pension plan	3,171,235
Other postemployment benefits	794,980
Total deferred outflows of resources	3,966,215
 Total assets and deferred outflows of resources	 \$ 25,109,133
Liabilities and Deferred Inflows of Resources	
Current Liabilities	
Accounts payable	\$ 443,482
Other accrued expenses	523,432
Total other postemployment benefit liability	607,997
Accrued self-insurance liability	304,000
Total current liabilities	1,878,911
Noncurrent Liabilities	
Total other postemployment benefit liability	6,603,577
Accrued sick pay and benefits	399,351
Net pension liability	13,500,050
Total noncurrent liabilities	20,502,978
Total liabilities	22,381,889
Deferred Inflows of Resources	
Pension plan	2,001,379
Other postemployment benefits	597,459
Total deferred inflows of resources	2,598,838
 Total liabilities and deferred inflows of resources	 \$ 24,980,727
Net Position	
Investment in capital assets	\$ 15,143,626
Unrestricted - (deficit)	(15,015,220)
Total net position	128,406
 Total liabilities, deferred inflows of resources and net position	 \$ 25,109,133

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, 2019

	2019
Operating Revenues	
Passenger fares	\$ 1,105,926
Para transit	180,718
Advertising service	148,901
Other	2,490
Total operating revenues	1,438,035
Operating Expenses	
Salaries and wages	5,975,719
Fringe benefits	6,851,665
Services	730,942
Materials and supplies	1,746,684
Utilities	121,873
Casualty and liability costs	393,927
Taxes	6,908
Miscellaneous	174,388
Lease and rentals	676
Vehicle tracking system	37,218
Depreciation	1,929,674
Total operating expenses	17,969,674
Operating loss	(16,531,639)
Nonoperating Revenues (Expenses)	
Local Government assessments and taxes	6,995,100
Federal operating grants	2,763,139
State operating grants	2,093,009
Fare subsidy	392,469
Pass-through to subrecipient	(96,000)
Interest income	3,869
Gain on sale of capital assets	34,063
Rent and miscellaneous	86,040
Total nonoperating revenues	12,271,689
Loss before capital contributions	(4,259,950)
Capital Contributions	
Federal grants	1,012,078
Passed-through to subrecipients	(36,063)
Total capital contributions	976,015
Decrease in Net Position	(3,283,935)
Net Position, Beginning of Year	3,412,341
Net Position, End of Year	\$ 128,406

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, 2019

	2019
Cash Flows From Operating Activities	
Receipts from passengers	\$ 1,411,305
Payments to employees and benefit providers	(10,897,612)
Payments to suppliers	(2,956,072)
Net cash used in operating activities	(12,442,379)
Cash Flows From Noncapital Financing Activities	
Receipts of local government assessments and taxes	6,995,100
Receipts of federal and state operating grants	6,046,373
Receipts of fare subsidies	392,469
Grant to other organization	(96,000)
Net cash provided by noncapital financing activities	13,337,942
Cash Flows From Capital and Related Financing Activities	
Capital contributions	1,012,078
Purchase of capital assets	(1,179,150)
Grant to other organization	(36,063)
Proceeds from sale of capital assets	34,063
Net cash used in capital and related financing activities	(172,385)
Cash Flows From Investing Activities	
Interest income	3,869
Other	86,040
Net cash provided by investing activities	89,909
Net Increase in Cash and Cash Equivalents	813,087
Cash and Cash Equivalents, Beginning of Year	2,995,880
Cash and Cash Equivalents, End of Year	\$ 3,808,967
Cash , including time deposits	\$ 2,542,780
Restricted Cash , including time deposits	1,266,187
Total cash and cash equivalents, end of year	\$ 3,808,967
Capital assets in accounts payable	\$ 89,474
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating loss	\$ (16,531,639)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	1,929,674
Changes in assets and liabilities	
Receivables	(26,730)
Inventories	(65,576)
Prepaid expenses	(10,733)
Deferred outflows - pension	(837,111)
Deferred outflows - OPEB	148,905
Accounts payable and other accrued expenses	332,853
Net pension liability	3,448,371
Total OPEB liability	(116,542)
Deferred inflows - pension	(713,851)
Net cash used in operating activities	\$ (12,442,379)

Fort Wayne Public Transportation Corporation
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Notes to Financial Statements
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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 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.

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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, 2019, 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

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Capital Asset Impairment

Citilink evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation is increased by the amount of the impairment loss.

No asset impairment was recognized during the year ended December 31, 2019.

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 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.

Risk Management

Citilink is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than employee health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Citilink is self-insured for a portion of its exposure to risk of loss from employee health claims. Annual estimated provisions are accrued for the self-insured portion employee health claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

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.

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Non-Trusted Single Employer Other Postemployment Benefit Plan

Citilink has a single-employer other postemployment benefit (OPEB) plan, Fort Wayne Public Transportation Benefits Other Than Pensions, (the OPEB Plan). For purposes of measuring the total OPEB liability and deferred outflows of resources related to OPEB and OPEB expense information has been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

In 2019, Citilink recognized the effect of a change in accounting principle for a change in the measurement date of its other postemployment benefit liability to be the same as its fiscal year-end. This presentation is preferable as the measurement date for the plan now aligns with the fiscal year end, which provides correct information as of the date of the financial statements.

There was not a significant effect of the change in accounting principle.

Deferred Outflows of Resources

Citilink reports the consumption of net position that is applicable to a future period as deferred outflows of resources in a separate section of its statement of net position.

Deferred Inflows of Resources

Citilink reports an acquisition of net position that is applicable to a future period as deferred inflows of resources in a separate section of its statement of net position.

Net Position Classification

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

Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, and, if applicable, 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. Citilink has no debt for offset against its 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.

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Revenues and Expenses and Net Position Recognition

Operating revenues are 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 revenues and expenses not meeting this definition are reported as nonoperating revenues 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, but after all other eligibility requirements have been met, are reported as deferred inflows of resources.

Property Taxes

The following summarizes the property tax calendar for Citilink:

	<u>2019</u>
Lien date	March 2018
Levy date	March 2018
Tax bills mailed	April 2019
First installment due	May 2019
Second installment due	November 2019

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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 statement of net position as follows:

Carrying value	
Deposits	<u>\$ 3,808,967</u>
Cash and cash equivalents	
Current, unrestricted, including amounts designated for local match	\$ 2,542,780
Noncurrent, unrestricted, including amounts designated for self-insured claims	<u>1,266,187</u>
	<u>\$ 3,808,967</u>

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Note 3: Capital Assets

Capital assets activity for the year ended December 31, 2019, was:

	2019			
	Beginning Balance	Additions	Transfers and Retirements	Ending Balance
Capital assets				
Land	\$ 232,117	\$ -	\$ -	\$ 232,117
Building and improvements	4,925,515	-	-	4,925,515
Passenger shelters	6,614,416	-	-	6,614,416
Motor coaches	19,083,235	938,890	181,172	20,203,297
Service vehicles and other equipment	2,839,005	1,620	(28,894)	2,811,731
Capital lease, facilities	149,500	-	-	149,500
Capital projects in process	272,272	307,538	(272,272)	307,538
Office furniture and equipment	876,627	20,576	-	897,203
Total capital assets	<u>34,992,687</u>	<u>1,268,624</u>	<u>(119,994)</u>	<u>36,141,317</u>
Less accumulated depreciation				
Building and improvements	3,363,813	146,282	-	3,510,095
Passenger shelters	1,324,135	174,995	-	1,499,130
Motor coaches	11,363,568	1,468,393	(91,100)	12,740,861
Service vehicles and other equipment	2,246,358	123,065	(28,894)	2,340,529
Capital lease, facilities	54,566	3,738	-	58,304
Office furniture and equipment	835,571	13,201	-	848,772
Total accumulated depreciation	<u>19,188,011</u>	<u>1,929,674</u>	<u>(119,994)</u>	<u>20,997,691</u>
Net capital assets	<u>\$ 15,804,676</u>	<u>\$ (661,050)</u>	<u>\$ -</u>	<u>\$ 15,143,626</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 10-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 10-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, 2019, consisted of:

	2019
Salaries and wages	\$ 173,460
Vacation pay	296,000
Payroll taxes	16,174
Accrued sick pay	34,649
Miscellaneous	3,149
	\$ 523,432

	2019				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Noncurrent liabilities					
Accrued sick pay and benefits	\$ 306,480	\$ 142,325	\$ (49,454)	\$ 399,351	\$ 34,649

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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 \$14,253,780 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, 2019, is as follows:

	Vehicle	Workers Compensation	Total
Balance, January 1, 2019	\$ 137,000	\$ 40,000	\$ 177,000
Claims and expenses paid, net	(197,478)	(44,416)	(241,894)
Annual provisions for loss	194,478	174,416	368,894
Balance, December 31, 2019	\$ 134,000	\$ 170,000	\$ 304,000

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.

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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.

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:

	2019
Inactive employees or beneficiaries currently receiving benefits	95
Inactive employees entitled to, but not yet receiving benefits	35
Active employees	114
	244

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Disability and Survivor Benefits

The Plan also provides disability and survivor benefits. An employee who has at least 10 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, 2019, employees contributed \$31,639 and Citilink contributed \$519,967 to the Plan.

Net Pension Liability and Actuarial Assumptions

The net pension liability as of December 31, 2019, was measured as of December 31, 2018, 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

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- 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-2019. For disabled members, the RP-2000 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.

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 5.15 percent for the year ended December 31, 2019, which is a decrease from 5.38 percent used for the year ended December 31, 2019. The discount rate of 5.15 percent reflects the long-term expected rate of return of 7.50 percent and a municipal bond rate of 3.64 percent which was obtained from:

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

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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, 2040.

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 5.15 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 (4.15%)	Current Discount Rate (5.15%)	1% Increase (6.15%)
Citilink's net pension liability	\$ 18,157,457	\$ 13,500,050	\$ 9,645,250

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

	2019		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, beginning of year	\$ 35,040,414	\$ 24,988,735	\$ 10,051,679
Changes for the year			
Service cost	768,706	-	768,706
Interest	1,881,274	-	1,881,274
Differences between expected and actual experience	(380,775)	-	(380,775)
Contributions - employer	-	519,967	(519,967)
Contributions - employee	-	31,639	(31,639)
Net investment income	-	(839,119)	839,119
Benefit payments, including refunds of employee contributions	(1,552,976)	(1,552,976)	-
Administrative expense	-	(18,543)	18,543
Changes in assumptions	820,610	-	820,610
Other changes	-	(52,500)	52,500
Net changes	<u>1,536,839</u>	<u>(1,911,532)</u>	<u>3,448,371</u>
Balance, end of year	<u>\$ 36,577,253</u>	<u>\$ 23,077,203</u>	<u>\$ 13,500,050</u>

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

For the year ended December 31, 2019, Citilink recognized pension expense of \$3,067,759. At December 31, 2019, Citilink reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 41,894	\$ 684,744
Changes of assumptions	745,763	1,316,635
Net difference between projected and actual earning on pension plan investments	1,790,126	-
Citilink's contributions made subsequent to the measurement date of the net pension liability	593,452	-
Total	\$ 3,171,235	\$ 2,001,379

At December 31, 2019, Citilink reported \$593,452 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2019, related to pensions will be recognized in pension expense as follows:

2020	\$ (266,988)
2021	(180,966)
2022	456,353
2023	568,005
	\$ 576,404

Pension Plan Fiduciary Net Position

As of December 31, 2019, the Plan's fiduciary net position was comprised of the following:

	2019
Cash and cash equivalents	\$ 119,668
Investments, at fair value	
Mutual funds	20,394,265
Common/collective trust funds	2,563,270
Total investments at fair value	22,957,535
Total Plan fiduciary net pension	\$ 23,077,203

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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.

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	32.0%
Mid-cap U.S. equities	6.0%
Small cap U.S. equities	6.0%
International equities	9.0%
Total Equities	53.0%
Core fixed income	28.0%
Bank loans	8.0%
Total Fixed Income	36.0%
Real estate	11.0%
Total Real Estate	11.0%

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).

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

	2018
Vanguard Total Bond Market Index Fund	27.9%
Vanguard Institutional Index Fund	27.0%
AFL – CIO Building Investment Trust	11.1%
PL Floating Rate Income	7.7%
Vanguard Mid Cap Index Fund	5.8%
Vanguard Small Cap Value Index Fund	5.7%
Neuberger Berman US Equity Index Fund	5.2%

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, 2019, 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, 2019				
Investments by Fair Value Level				
Mutual funds	\$ 20,394,265	\$ 20,394,265	\$ -	\$ -
Total investments by fair value level	20,394,265	20,394,265	-	-
Investments Measured at the Net Asset Value (NAV) (A)				
Common/collective trust fund	2,563,270			
Total investments measured at fair value	\$ 22,957,535			

(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.

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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, 2018.

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.

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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided

The Plan provides the following medical, prescription, dental, and life benefits to eligible retirees and their dependents:

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.

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Employees Covered by Benefit Terms

The employees covered by the benefit terms at December 31, 2019, are:

	2019
Active employees with medical coverage	106
Active employees without medical coverage	8
Inactive employees with medical coverage	13
Inactive employees without medical coverage	46
	173

Total OPEB Liability

Citilink’s total OPEB liability of \$7,211,574 was measured as of December 31, 2019, and was determined by an actuarial valuation as of January 1, 2020.

The total OPEB liability in the January 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	4.0%, average, per year
Health care cost trend rates	7.5% for 2019, decreasing 0.25% per year to an rate of 6.75% for 2022 and ultimately decreasing to 4.04% in the year 2076
Discount rate	3.10% based on the S&P Municipal Bond 20-Year High Grade Index as of December 31, 2019

Mortality rates were based on the RP-2014 Total Dataset Mortality Table, adjusted to 2006, as appropriate with adjustments for mortality improvements based on Scale MP-2019.

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Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Balance, beginning of year	\$ <u>7,328,116</u>
Service cost	380,816
Interest	221,829
Experience gains	(716,951)
Changes of assumptions	550,910
Benefit payments	<u>(553,146)</u>
Net changes	<u>(116,542)</u>
Balance, end of year	\$ <u>7,211,574</u>

The discount rate changed from 3.03 percent at the beginning of the measurement period to 3.10 percent the end of the measurement period.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and Health Care Cost Trend Rates

The total OPEB liability of Citilink has been calculated using a discount rate of 3.10 percent. The following presents the total OPEB liability using a discount rate 1 percent higher and 1 percent lower than the current discount rate:

	1% Decrease 2.10%	Current Discount Rate 3.10%	1% Increase 4.10%
Citilink's total OPEB liability	\$ 7,958,722	\$ 7,211,574	\$ 6,560,756

The total OPEB liability of Citilink has been calculated using health care cost trend rates of 7.5 percent decreasing to 6.75 percent over three years and then following the Getzen model thereafter. The following presents the total OPEB liability using health care cost trend rates 1 percent higher and 1 percent lower than the current health care cost trend rates:

	1% Decrease (6.5% Decreasing to 5.75%)	Current (7.5% Decreasing to 6.75%)	1% Increase (8.5% Decreasing to 7.75%)
Total OPEB liability	\$ 6,639,893	\$ 7,211,574	\$ 7,893,754

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OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2019, Citilink recognized OPEB expense of \$646,538. At December 31, 2019, Citilink reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Experience loss	\$ —	\$ 597,459
Changes of assumptions	<u>794,980</u>	<u>—</u>
Total	<u>\$ 794,980</u>	<u>\$ 597,459</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2019, related to OPEB will be recognized in OPEB expense as follows:

2020	\$ 29,160
2021	29,160
2022	29,160
2023	29,160
2024	29,163
Thereafter	51,718

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 December 2019 and covers the period from January 1, 2019 through December 31, 2021.

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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, 2019, 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: Subsequent Events

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of Citilink, including reduction the overall investment position of the pension plan. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), as part of the government's response to the spread of the SARS-CoV-2 virus and the incidence of COVID-19. Under the CARES Act, Citilink was appropriated approximately \$9,100,000 in relief funds, which can be used to support expenses, lost revenue attributable to COVID-19, and capital needs.

Note 12: Future Change in Accounting Principle

GASB Statement No. 84, Fiduciary Activities

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

Fort Wayne Public Transportation Corporation
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GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less.

GASB 84 is effective for the Citilink's fiscal year ending December 31, 2020. Citilink is in the process of evaluating the effect the standard will have on the financial statements.

GASB Statement No. 87, Leases

In June 2017, GASB published Statement No. 87, Leases. This Statement was the result of a multi-year project to reexamine the accounting and financial reporting for leases. The new Statement establishes a single model for lease accounting based on the principle that leases represent the financing of the right to use an underlying asset. Specifically, GASB 87 includes the following accounting guidance for lessees and lessors:

Lessee Accounting: A lessee will recognize a liability measured at the present value of payments expected to be made for the lease term, and an intangible asset measured at the amount of the initial lease liability, plus any payments made to the lessor at or before the beginning of the lease and certain indirect costs. A lessee will reduce the liability as payments are made and recognize an outflow of resources for interest on the liability. The asset will be amortized by the lessee over the shorter of the lease term or the useful life of the asset.

Lessor Accounting: A lessor will recognize a receivable measured at the present value of the lease payments expected for the lease term and a deferred inflow of resources measured at the value of the lease receivable plus any payments received at or prior to the beginning of the lease that relate to future periods. The lessor will reduce the receivable as payments are received and recognize an inflow of resources from the deferred inflow of resources in a systematic and rational manner over the term of the lease. A lessor will not derecognize the asset underlying the lease. There is an exception for regulated leases for which certain criteria are met, such as airport-aeronautical agreements.

The lease term used to measure the asset or liability is based on the period in which the lessee has the noncancelable right to use the underlying asset. The lease term also contemplates any lease extension or termination option that is reasonably certain of being exercised.

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Notes to Financial Statements
December 31, 2019

GASB 87 does not apply to leases for intangible assets, biological assets (i.e. timber and living plants and animals), service concession agreements or leases in which the underlying asset is financed with conduit debt that is reported by the lessor. Additionally, leases with a maximum possible term of 12 months or less are excluded.

GASB 87 is effective for periods beginning after June 15, 2021. Early application is encouraged. It is anticipated that leases would be recognized using the facts and circumstances in effect at the beginning of the period of implementation. Citilink is in the process of evaluating the effect the standard will have on the financial statements.

GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period

The Governmental Accounting Standards Board recently issued its Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. The Statement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. GASB No. 89 is effective for periods beginning after December 15, 2020. The impact of applying the Statement has not been determined.

Required Supplementary Information

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

	2019	2018	2017	2016	2015
Total Pension Liability					
Service cost	\$ 768,706	\$ 732,390	\$ 888,561	\$ 909,616	\$ 420,016
Interest	1,881,274	1,844,368	1,782,204	1,807,407	1,715,900
Differences between expected and actual experience	(380,775)	155,996	(1,110,216)	(434,710)	660,676
Changes of assumptions	820,610	232,956	(3,709,243)	308,182	11,107,744
Benefit payments, including refunds of employee contributions	(1,552,976)	(1,453,126)	(1,400,044)	(1,327,475)	(1,198,786)
Net Change in Total Pension Liability	1,536,839	1,512,584	(3,548,738)	1,263,020	12,705,550
Total Pension Liability - Beginning	35,040,414	33,527,830	37,076,568	35,813,548	23,107,998
Total Pension Liability - Ending (a)	<u>\$ 36,577,253</u>	<u>\$ 35,040,414</u>	<u>\$ 33,527,830</u>	<u>\$ 37,076,568</u>	<u>\$ 35,813,548</u>
Plan Fiduciary Net Position					
Contributions - employer	\$ 519,967	\$ 515,762	\$ 475,644	\$ 490,473	\$ 494,353
Contributions - employee	31,639	31,191	29,141	29,239	30,245
Net investment income	(839,119)	2,742,225	1,923,231	326,346	1,892,320
Benefit payments, including refunds of employee contributions	(1,552,976)	(1,453,126)	(1,400,044)	(1,327,475)	(1,198,786)
Administrative expense	(18,543)	(26,058)	(20,144)	(21,828)	(17,179)
Other	(52,500)	(31,500)	(52,500)	(31,167)	(40,000)
Net Change in Plan Fiduciary Net Position	(1,911,532)	1,778,494	955,328	(534,412)	1,160,953
Plan Fiduciary Net Position - Beginning	24,988,735	23,210,241	22,254,913	22,789,325	21,628,372
Plan Fiduciary Net Position - Ending (b)	<u>\$ 23,077,203</u>	<u>\$ 24,988,735</u>	<u>\$ 23,210,241</u>	<u>\$ 22,254,913</u>	<u>\$ 22,789,325</u>
Net Pension Liability - Ending (a) – (b)	<u>\$ 13,500,050</u>	<u>\$ 10,051,679</u>	<u>\$ 10,317,589</u>	<u>\$ 14,821,655</u>	<u>\$ 13,024,223</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.09%	71.31%	69.23%	60.02%	63.63%
Covered-Employee Payroll	\$ 4,812,177	\$ 4,627,093	\$ 4,615,686	\$ 4,321,333	\$ 4,141,883
Net Pension Liability as a Percentage of Covered-Employee Payroll	280.54%	217.24%	223.53%	342.99%	314.45%

Notes to Schedule

Change of assumptions: the discount rate was changed from 5.38 percent to 5.15 percent effective January 1, 2019.

This schedule is prepared using the measurement date of December 31, 2018.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 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 Pension Contributions

	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 679,457	\$ 667,218	\$ 807,741	\$ 807,741	\$ 578,442
Contributions in relation to the actuarially determined contribution	<u>629,388</u>	<u>546,953</u>	<u>515,762</u>	<u>475,644</u>	<u>517,568</u>
Contribution deficiency	<u>\$ 50,069</u>	<u>\$ 120,265</u>	<u>\$ 291,979</u>	<u>\$ 332,097</u>	<u>\$ 60,874</u>
Covered-employee payroll	\$ 4,627,093	\$ 4,615,686	\$ 4,321,333	\$ 4,141,883	\$ 4,372,676
Contributions as a percentage of covered-employee payroll	13.60%	11.85%	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: 5.15 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-2019, 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 10 years. However, until a full 10-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 Changes in Citilink’s Total OPEB Liability and Related Ratios
Year Ended December 31, 2019

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service cost	\$ 380,816	\$ 314,864
Interest	221,829	246,066
Differences between expected and actual experience	(716,951)	-
Changes of assumptions	550,910	449,556
Benefit payments, including refunds of employee contributions	<u>(553,146)</u>	<u>(510,336)</u>
Net Change in Total OPEB Liability	(116,542)	500,150
Total OPEB Liability - Beginning	<u>7,328,116</u>	<u>6,827,966</u>
Total OPEB Liability - Ending	<u>\$ 7,211,574</u>	<u>\$ 7,328,116</u>
Covered-Employee Payroll	\$7,164,364	\$5,038,925
Total OPEB Liability as a Percentage of Covered-Employee Payroll	100.66%	145.43%

Notes to Schedule

The discount rate changed from 3.03 percent at the beginning of the measurement period to 3.10 percent at the end of the measurement period.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The schedule is presented as of the measurement date, which is the same as the year presented above.

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, 2019

	Original Budgeted Amounts	Actual Amounts Budgetary Basis	Budget to GAAP Differences Over (Under)	Actual Amounts GAAP Basis
Operating Revenue				
Passenger fares	\$ 1,433,600	\$ 1,099,164	\$ (6,762)	\$ 1,105,926
Fare subsidy	389,520	350,345	(42,124)	392,469
Para transit	183,960	180,717	(1)	180,718
Advertising service	160,000	164,516	15,615	148,901
Other	600	2,490	-	2,490
Total operating revenue	<u>2,167,680</u>	<u>1,797,232</u>	<u>(33,272)</u>	<u>1,830,504</u>
Operating Expenses				
Salaries and wages	5,632,508	5,844,859	(130,860)	5,975,719
Fringe benefits	5,383,335	4,799,735	(2,051,930)	6,851,665
Services	894,675	743,961	13,019	730,942
Materials and supplies	1,925,660	1,799,327	52,643	1,746,684
Utilities	156,000	121,877	4	121,873
Casualty and liability costs	363,027	401,802	7,875	393,927
Taxes	3,672	6,899	(9)	6,908
Miscellaneous	226,182	170,850	(3,538)	174,388
Lease and rentals	2,160	676	-	676
Vehicle tracking system	13,200	37,218	-	37,218
Depreciation	-	-	(1,929,674)	1,929,674
Total operating revenue (expenses)	<u>14,600,419</u>	<u>13,927,204</u>	<u>(4,042,470)</u>	<u>17,969,674</u>
Operating loss	<u>(12,432,739)</u>	<u>(12,129,972)</u>	<u>4,009,198</u>	<u>(16,139,170)</u>
Nonoperating Revenue (Expenses)				
Local government assessments and taxes	7,633,328	7,001,803	6,703	6,995,100
Federal grants and reimbursements	3,610,092	4,464,845	1,701,706	2,763,139
State operating grants	2,107,334	1,573,336	(519,673)	2,093,009
Pass-through to subrecipient	(100,000)	(131,313)	(35,313)	(96,000)
Gain on sale of capital assets	-	34,063	-	34,063
Interest income	5,000	3,869	-	3,869
Rent and miscellaneous	122,000	82,563	(3,477)	86,040
Capital expenditures	(95,500)	(86,106)	(86,106)	-
Total nonoperating revenue (expenses)	<u>13,282,254</u>	<u>12,943,060</u>	<u>1,063,840</u>	<u>11,879,220</u>
Net gain (loss) before capital contributions	<u>\$ 849,515</u>	<u>\$ 813,088</u>	<u>\$ 5,073,038</u>	<u>\$ (4,259,950)</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, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Transportation			
Federal Transit Cluster			
Federal Transit Formula Grants	20.507	\$ —	\$ 2,674,111
Bus and Bus Facilities Formula Program	20.526	—	938,724
Total Federal Transit Cluster		<u>—</u>	<u>3,612,835</u>
Transit Services Programs Cluster			
Enhanced Mobility of Seniors and Individuals With Disabilities	20.513	<u>132,063</u>	<u>162,382</u>
		132,063	<u>431,015</u>
		<u>\$ 132,063</u>	<u>\$ 3,775,217</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, 2019. 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, as applicable, either the cost principles in OMB A-87 or the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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, 2019.

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

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 Consolidated City of Fort Wayne — Allen County, which comprise the statement of net position as of December 31, 2019, 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 August 10, 2020.

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 the entity'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 from 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 the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Fort Wayne, Indiana
August 10, 2020

Report on Compliance for The 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 the 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 Citilink's major federal program for the year ended December 31, 2019. 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 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 programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 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 the major federal program. However, our audit does not provide a legal determination of Citilink's compliance.

Opinion on the Major Federal Program

In our opinion, Fort Wayne Public Transportation Corporation 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, 2019.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an 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 a 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
August 10, 2020

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, 2019

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 program 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 the major award program 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	20.507 & 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, 2019

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, 2019

Reference Number	Summary of Finding	Status
No matters are reportable.		