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November 19, 2009

Board of Directors  
Muncie Public Transportation Corporation  
1300 East Seymour Street  
Muncie, Indiana 47302

We have reviewed the audit reports prepared by Estep Burkey Simmons, LLC, Independent Public Accountants, for the period January 1, 2007 to December 31, 2007. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Muncie Public Transportation Corporation, as of December 31, 2007 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

TAA:dsk

**FINANCIAL STATEMENTS AND AUDITORS' REPORT**  
**MUNCIE PUBLIC TRANSPORTATION CORPORATION**

**December 31, 2007**

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**Report of Independent Certified Public Accountants**

**Board of Directors  
Muncie Public Transportation Corporation  
Muncie, Indiana**

We have audited the accompanying statement of net assets of the Muncie Public Transportation Corporation as of and for the year ended December 31, 2007, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Muncie Public Transportation Corporation management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Muncie Public Transportation Corporation as of December 31, 2007, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2008, on our consideration of the Muncie Public Transportation Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis, budgetary comparison information and the Required Pension Supplementary Information on pages 5 through 10 and page 22 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

*Estep Burkey Simmans, LLC*

Muncie, Indiana

April 28, 2008

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## Muncie Public Transportation Corporation

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2007

This section of the annual report of the Muncie Public Transportation Corporation presents a discussion and analysis of Muncie Public Transportation Corporation's financial performance during the year ended December 31, 2007. Please read it in conjunction with the introductory section of the report and Muncie Public Transportation Corporation's financial statements, which immediately follow this section.

**Financial Highlights for 2007**

- Net assets totaled \$8,797,440 at December 31, 2007.
- Net assets increased \$605,663 in 2007, which compares to a decrease of \$1,105,883 in 2006.
- Total net capital assets were \$7,861,438 at December 31, 2007, an increase of 5% from the balance sheet at December 31, 2006 of \$7,473,214.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Muncie Public Transportation Corporation's basic financial statements. The Muncie Public Transportation Corporation's basic financial statements consist of the statement of net assets, statement of revenues, expenses and changes in net assets, statement of cash flows and notes to the financial statements. The financial statements are prepared on the accrual basis of accounting meaning that all expenses are recorded when incurred and all revenues are recognized when earned in accordance with accounting principles generally accepted in the United States of America.

**Statement of Net Assets**

The statement of net assets reports all financial and capital resources for the Muncie Public Transportation Corporation. The statement is presented in the format where assets equal liabilities plus net assets, formerly known as equity. Assets and liabilities are presented in order of liquidity and are classified as current (convertible into cash within one year) and noncurrent. The focus of the balance sheet is to show a picture of the liquidity and health of the organization as of the end of the year.

The statement of net assets (the unrestricted net assets) is designed to present the net available liquid (noncapital) assets, net of liabilities, for the entire Muncie Public Transportation Corporation. Net assets are reported in three categories:

- *Net Assets Invested in Capital Assets* - This component of net assets consists of all capital assets, reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, if any.
- *Restricted Net Assets* - This component of net assets consists of restricted assets where constraints are placed upon the assets by creditors (such as debt covenants), grantors, contributors, laws and regulations, etc.
- *Unrestricted Net Assets* - This component consists of net assets that do not meet the definition of net assets invested in capital assets or restricted net assets.

**Muncie Public Transportation Corporation**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**December 31, 2007**

**Statement of Revenues, Expenses and Changes in Net Assets**

The statement of revenues, expenses and changes in net assets is similar to an income statement in the corporate world. This statement includes operating revenues, such as bus passenger fares and local tax revenue; operating expenses, such as costs of operating the mass transit system, administrative expenses and depreciation on capital assets; and non-operating revenue and expenses, such as grant revenue, investment income and interest expense.

The focus of the statement of revenues, expenses and changes in net assets is the change in net assets. This is similar to net income or loss and portrays the results of operations of the organization for the entire operating period.

**Statement of Cash Flows**

The statement of cash flows discloses net cash provided by or used in operating activities, investing activities, noncapital financing activities and from capital and related financing activities. This statement also portrays the health of the Muncie Public Transportation Corporation in that current cash flows are sufficient to pay current liabilities.

**Notes to Financial Statements**

The notes to financial statements are an integral part of the basic financial statements and describe the significant account policies, related party transactions, deposits and investments, capital assets, capital lease obligations, long-term liabilities, retirement plans and commitments and contingencies. The reader is encouraged to review the notes in conjunction with the management discussion and analysis and the financial statements.

**Financial Analysis of the Muncie Public Transportation Corporation**

***Statement of Net Assets***

The following table reflects a condensed summary of assets, liabilities and net assets of the Muncie Public Transportation Corporation as of December 31, 2007 and 2006:

Muncie Public Transportation Corporation  
MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2007

*Statement of Net Assets - continued*

Table 1

Summary of Assets, Liabilities and Net Assets

	December 31,	
	2007	2006
<b>Assets:</b>		
Current assets	\$ 951,650	\$ 782,418
Restricted assets	482,406	462,141
Capital assets, net	7,861,438	7,473,214
<b>Total assets</b>	<b>\$ 9,295,464</b>	<b>\$ 8,717,773</b>
<b>Liabilities:</b>		
Current liabilities	\$ 486,113	\$ 508,736
Long-term liabilities	11,911	17,260
<b>Total liabilities</b>	<b>498,024</b>	<b>525,996</b>
<b>Net assets:</b>		
Invested in capital assets	7,861,438	7,473,214
Restricted by MPTC for future capital improvements	482,406	462,141
Unrestricted	453,596	256,422
<b>Total net assets</b>	<b>8,797,440</b>	<b>8,191,777</b>
<b>Total liabilities and net assets</b>	<b>\$ 9,295,464</b>	<b>\$ 8,717,773</b>

Current assets increased by 22% to \$951,650. The change in current assets is primarily due to an increase in the cash balance. The large increase in the cash balance was due to increases in operating revenues.

Restricted assets increased by 4% from the T.I.R.F. investment income.

Capital assets (net) increased by 5% to \$7,861,438 due to a combination of new assets purchased and depreciation. Current liabilities decreased 5% due to a decrease in accounts payable.

Muncie Public Transportation Corporation  
MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2007

*Statement of Net Assets - continued*

Net assets invested in capital assets consist of capital assets, net of accumulated depreciation and amortization after disposal of assets that have outlasted useful life. This category includes asset acquisitions during the year that were funded by capital grants, disposals that have outlasted useful life, offset by depreciation expense of \$1,302,604.

Net asset balances restricted for future capital improvements include T.I.R.F. funds which must be used for the purchase of capital assets.

Unrestricted net assets, which represent assets available for operations, increased by \$197,174 from the prior year.

*Statement of Revenues, Expenses and Changes in Net Assets*

The following table reflects a condensed summary of the revenues, expenses and changes in net assets for the years ended December 31, 2007 and 2006:

Table 2

Condensed Summary of Revenues, Expenses and Changes in Net Assets

	Years ended December 31,	
	2007	2006
Operating revenues	\$ 4,228,789	\$ 3,579,611
Operating expenses:		
Operating expenses	6,130,498	6,152,275
Depreciation	1,302,604	1,223,263
Total operating expenses	7,433,102	7,375,538
Operating loss	(3,204,313)	(3,795,927)
Nonoperating revenues/expenses, net	2,514,399	2,677,863
Capital contributions	1,295,577	12,181
Change in net assets	605,663	(1,105,883)
Net assets - beginning of year	8,191,777	9,297,660
Net assets - end of year	\$ 8,797,440	\$ 8,191,777

Muncie Public Transportation Corporation  
MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2007

*Statement of Revenues, Expenses and changes in Net Assets - continued*

Operating revenues increased by \$649,178 or 18%. The increase is primarily due to increased local tax revenue. For the year ending December 31, 2007, fixed route ridership was essentially unchanged from 2006.

Total operating expenses increased \$57,564. The expense increases are driven by higher benefit and transit expenses.

Labor, services, and material and supplies, including fuel expenses, decreased \$62,132 from 2006. Utilities, casualty and liability insurance, and miscellaneous expenses increased \$40,355 or approximately 7% from 2006.

Table 3 follows, which provides a comparison of amounts for these items:

Table 3

Operating Expenses

Years ended December 31,

	<u>2007</u>	<u>2006</u>
Labor	\$ 2,809,696	\$ 2,857,494
Fringe benefits	1,341,054	1,329,820
Contractual services	414,347	389,717
Materials and supplies	974,055	1,024,253
Utilities	109,950	102,329
Casualty and liability costs	331,344	312,172
Miscellaneous	150,052	136,490
Operating expense before provisions	<u>6,130,498</u>	<u>6,152,275</u>
Provision for depreciation	1,302,604	1,223,263
Total operating expenses	<u>\$ 7,433,102</u>	<u>\$ 7,375,538</u>

**Muncie Public Transportation Corporation**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2007

**Capital Asset and Debt Administration**

***Capital Assets***

The Muncie Public Transportation Corporation invested \$20,854,873 (not adjusted for inflation) in capital assets, including buildings, vehicles and other equipment as of December 31, 2007. Net of accumulated depreciation, the Muncie Public Transportation Corporation's capital assets at December 31, 2007 totaled \$7,861,438. This amount represents a net increase (including additions and disposals, net of depreciation) of \$388,224 or 5% from 2006. The year-over-year increase in capital assets resulted primarily from capital acquisitions.

***Debt Administration***

Long-term debt consists of a capital lease obligation payable. At December 31, 2007, the Muncie Public Transportation Corporation had \$17,261 in capital lease obligations outstanding. Monthly payments of \$525 are required, and the lease will mature on January 1, 2011. The capital lease obligation relates to a copier.

**Economic Factors and Next Year's Budget**

The Muncie Public Transportation Corporation adopted the 2007 Annual Budget on September 7, 2006. This budget provides for operating expenses of \$6,934,985. The operating budget increase of 8% over the 2006 Annual Budget is primarily due to increased fuel costs to support Muncie Public Transportation Corporation's continuing ridership growth. As fuel costs increase and the bus service becomes more familiar to local university students, ridership continues to climb.

Budgeted revenues for 2007 are higher than the 2006 Annual Budget by \$768,753 or 11%. This increase over 2006 operating revenues is expected as a result of increased local subsidy and tax revenue due to a math error on the part of other agencies through the budget calculation process and reimbursement of funds due to an oversight when calculations were made by other agencies to include a newly annexed area in the city that Muncie Public Transportation Corporation provides service to. Operating assistance from the Indiana Department of Transportation is also increased due to improved ridership and performance.

**Contacting the Muncie Public Transportation Corporation's Financial Management**

This financial report is designed to provide our patrons and other interested parties with a general overview of the Muncie Public Transportation Corporation's finances and to demonstrate the Muncie Public Transportation Corporation's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Muncie Public Transportation Corporation's Director of Finance, 1300 East Seymour Street, Muncie, Indiana 47302.

FINANCIAL STATEMENTS

## Muncie Public Transportation Corporation

## STATEMENT OF NET ASSETS

December 31, 2007

<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash	\$ 604,235
Accounts receivable	18,053
Materials and supplies inventory	236,876
Prepaid expenses	92,456
	<hr/>
Total current assets	951,620
<b>NON CURRENT ASSETS</b>	
Investments - cash	482,406
Capital assets, net of accumulated depreciation	7,861,438
	<hr/>
	8,343,844
	<hr/>
	<u><u>\$ 9,295,464</u></u>
 <b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Current maturities of long-term liabilities	\$ 5,350
Accounts payable	298,231
Accrued and withheld expenses	182,532
	<hr/>
Total current liabilities	486,113
<b>LONG-TERM LIABILITIES</b>	
Lease payable, less current maturities	11,911
	<hr/>
	498,024
<b>NET ASSETS</b>	
Invested in capital assets	7,861,438
Retricted by MPTC for future capital improvements	482,406
Unrestricted	453,596
	<hr/>
	8,797,440
	<hr/>
	<u><u>\$ 9,295,464</u></u>

The accompanying notes are an integral part of this statement.

## Muncie Public Transportation Corporation

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For The Year Ended December 31, 2007

Operating revenues	
Fares, tokens and tickets	\$ 238,024
Local tax revenue	3,988,665
Miscellaneous	2,100
	<hr/>
	4,228,789
Operating expenses	
Labor	2,809,696
Fringe benefits	1,341,054
Services	414,347
Materials and supplies	974,055
Utilities	109,950
Casualty and liability costs	331,344
Miscellaneous	150,052
Depreciation	1,302,604
	<hr/>
	7,433,102
	<hr/>
Operating expenses in excess of operating revenues	(3,204,313)
Nonoperating revenues (expenses)	
Operating grant revenue - federal	1,161,316
Operating grant revenue - state	1,388,890
Miscellaneous revenue	13,567
Investment income	73,061
Gain on disposal of assets	11,956
Interest expense	(134,391)
	<hr/>
	2,514,399
	<hr/>
Change in net assets before capital contributions	(689,914)
Capital contributions	1,295,577
	<hr/>
<b>CHANGES IN NET ASSETS</b>	605,663
Net assets - beginning of year	8,191,777
	<hr/>
Net assets - end of year	\$ 8,797,440
	<hr/> <hr/>

The accompanying notes are an integral part of this statement.

## Muncie Public Transportation Corporation

## STATEMENT OF CASH FLOWS

Year Ended December 31, 2007

Cash flows from operating activities:	
Local tax revenues	\$ 3,988,665
Cash received from customers	244,775
Cash received from special events/programs	2,100
Cash disbursed to employees	(4,143,973)
Cash disbursed to suppliers for goods and services	(2,006,852)
	<hr/>
Net cash used in operating activities	(1,915,285)
Cash flows from noncapital financing activities:	
Grants	2,550,206
Miscellaneous revenue	13,567
	<hr/>
Net cash provided by noncapital financing activities	2,563,773
Cash flows from capital and related financing activities:	
Capital grants	1,303,683
Proceeds from the sale of capital assets	11,956
Capital acquisitions	(1,981,044)
	<hr/>
Net cash used in capital and related financing activities	(665,405)
Cash flows from investing activities:	
Investment income	73,061
Interest expense	134,391
	<hr/>
Net cash provided by investing activities	207,452
Net increase in cash	190,535
Cash at beginning of year	413,700
	<hr/>
Cash at end of year	\$ 604,235
	<hr/> <hr/>

The accompanying notes are an integral part of this statement.

**Muncie Public Transportation Corporation**  
**STATEMENT OF CASH FLOWS - Continued**  
**Year Ended December 31, 2006**

Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (3,204,313)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation	1,302,604
Gain on disposal of assets	(11,956)
Change in assets and liabilities:	
Decrease in accounts receivable	18,007
Increase in inventory	(2,299)
Decrease in prepaid expenses	5,625
Decrease in accounts payable	(29,730)
Increase in accrued and withheld expenses	6,777
	<hr/>
Net cash used in operating activities	<u><u>\$ (1,915,285)</u></u>

The accompanying notes are an integral part of this statement.

Muncie Public Transportation Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A - SUMMARY OF ACCOUNTING POLICIES

1. Reporting Entity

The Muncie Public Transportation Corporation was incorporated on July 1, 1981. The Corporation was established as an independent governmental agency (an Indiana municipal corporation) "separate and apart from all other government agencies" to provide transit service to the Muncie, Indiana metropolitan area. It provides two modes of transportation: a fixed motorbus route and a demand-response route which services the elderly and handicapped.

The Board of Directors, a five-member group, has governing authority over the Muncie Public Transportation Corporation. The Board members are appointed by the mayor and the city council.

These financial statements include all of the financial transactions of Muncie Public Transportation Corporation.

2. Accounting Method

The financial statements of the Muncie Public Transportation Corporation have been prepared in accordance with accounting principles generally accepted in the United States of America utilizing the accrual basis of accounting.

3. Cash Equivalents

For purposes of the statement of cash flows, the Corporation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Due to the restricted nature of improvement reserve fund investments, the Corporation does not consider them to be cash equivalents.

4. Inventories

Inventories consist principally of bus parts and fuel which are stated at cost determined by the first-in first-out method.

5. Investments

In accordance with GASB Statement No. 31, the Corporation's general policy is to report short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments, which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes.

Muncie Public Transportation Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

6. Property and Depreciation

Equipment and improvements, acquired by the Corporation with operating revenues and operating grants, are carried at cost less accumulated depreciation. Depreciation is computed by the straight-line method over the estimated useful lives of two to forty years and charged directly to expense.

Equipment and improvements, acquired by the Corporation with capital grants, are carried at cost less accumulated depreciation. Depreciation is computed by the straight-line method over the estimated useful lives of two to forty years and charged as a reserve against capital grants in the fund equity section of the balance sheet.

Expenditures for maintenance, repair and minor renewals are charged against income as incurred. Additions and major renewals are capitalized.

7. Revenue Recognition

The Corporation recognizes income from fares when collected and income from special routes when earned.

The Corporation's source of tax revenue comes from property taxes. Property taxes attach as an enforceable lien on property as of March 1. Taxes are levied in September and are due and payable in two installments, on May 10 and November 10 of the following year.

Property tax revenues are recognized when they become available. This includes property tax receivables expected to be collected on the May and November due dates. Delinquent taxes are considered fully collectible; therefore, no allowance for uncollectible taxes is provided.

The sum of all property tax rates imposed on tangible personal property within a political subdivision may not exceed \$1.25 on each \$100.00 of assessed valuation on territory outside corporate city limits or \$2.00 on each \$100.00 of assessed valuation on territory inside corporate city limits.

8. Income Tax

The Muncie Public Transportation Corporation was organized on July 1, 1981 as a distinct municipal corporation and, as such, is exempt from federal and state income tax.

9. Budget

The management of Muncie Public Transportation Corporation prepares a budget based on estimates of revenues and projected costs. This budget is used to request a tax rate. The budget is open to public hearing and revision by the Department of Local Government Finance and is then approved.

Muncie Public Transportation Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

10. Compensated Absences

Employees of the Muncie Public Transportation Corporation are entitled to paid vacation and paid sick days, depending upon job classification, length of service and other factors. The vacation and sick days do not accumulate; accordingly, no accrual has been made.

11. Advertising Costs

Advertising costs are expensed as incurred and included in operating expenses. Advertising expenses totaled \$86,575 for the year ended December 31, 2007.

12. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - OPERATING GRANT

Under Sections 5 and 9 of the Urban Mass Transportation Act of 1964, the Corporation is entitled to receive financial assistance for the undertaking of an urban mass transportation operating assistance project.

NOTE C - CASH AND CONCENTRATION OF CREDIT RISK

Deposits were held by First Merchants Bank in interest-bearing accounts.

The Corporation maintains its cash in bank deposit accounts at high credit quality financial institutions. The balances, at times, may exceed federally insured limits. At December 31, 2007, the Corporation exceeded the insured limit by approximately \$116,603.

NOTE D - INVESTMENTS

Due to a reduction in federal funds available, the board of directors established an improvement reserve fund for the purpose of accumulating money for future anticipated capital improvements. Since 1991, assets have been set aside for this purpose. The investment is in a time deposit account with First Merchants Bank, N.A. in Muncie, Indiana and is insured or registered, with securities held by the entity or its agent in the entity's name.

As of December 31, 2007, the Corporation held the investment in a transit improvement reserve fund (T.I.R.F.) consisting of a time deposit account. The fair value of the investment approximated cost at year end and totaled \$482,406.

## Muncie Public Transportation Corporation

## NOTES TO FINANCIAL STATEMENTS

December 31, 2007

## NOTE D - INVESTMENTS - Continued

The following schedule summarizes the investment return for the year ended December 31, 2007.

Total investment return: Interest	<u>\$20,265</u>
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It is the Corporation's intent to hold the transit improvement reserve fund as a long-term investment.

## NOTE E - CAPITAL ASSETS

Changes in capital assets for the year ending December 31, 2007 were:

	<u>Jan. 1, 2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>Dec. 31, 2007</u>
Capital assets not being depreciated				
Land	\$ 255,850	\$ -	\$ -	\$ 255,850
Capital assets being depreciated				
Buildings and improvements	7,339,890			7,339,890
Buses and equipment	12,519,286	1,688,245	1,053,512	13,154,019
Other property and equipment	358,379	2,585		360,964
Total capital assets being depreciated	<u>20,217,555</u>	<u>1,690,830</u>	<u>1,053,512</u>	<u>20,854,873</u>
Less: Accumulated depreciation and amortization				
Buildings and improvements	4,748,155	308,771		5,056,926
Buses and equipment	8,003,751	968,333	1,053,512	7,918,572
Other property and equipment	248,285	25,502		273,787
Total accumulated depreciation and amortization	<u>13,000,191</u>	<u>1,302,606</u>	<u>1,053,512</u>	<u>13,249,285</u>
Total capital assets being depreciated, net	<u>7,217,364</u>	<u>388,224</u>	<u>-</u>	<u>7,605,588</u>
Total capital assets, net	<u>\$ 7,473,214</u>	<u>\$ 388,224</u>	<u>\$ -</u>	<u>\$ 7,861,438</u>

## NOTE F - LONG-TERM LIABILITIES

Long-term liabilities consist of the following at December 31, 2007.

Obligations under capital lease payable to Canon Financial Services, at a fixed interest rate of 6.38%. Monthly payments of \$525 are required and matures on January 1, 2011. The obligation is secured by two copiers.	\$17,261
Less current maturities	<u>5,350</u>
	<u>\$11,911</u>

## Muncie Public Transportation Corporation

## NOTES TO FINANCIAL STATEMENTS

December 31, 2007

## NOTE F - LONG-TERM LIABILITIES - Continued

Annual maturities of long-term liabilities are as follows.

Year ending December 31, 2008	\$5,350
2009	\$5,702
2010	\$6,077
2011	\$ 132
2012	\$ 0

## NOTE G - BANK LINE OF CREDIT

The Corporation has a line of credit with a commercial bank which provides borrowings up to \$2,300,000. Advances bear a variable interest rate which was 7.25% on December 30, 2007, and is unsecured. There were no outstanding borrowings under this arrangement at December 31, 2007. The line of credit expired on December 30, 2007.

## NOTE H - RETIREMENT PLAN

Muncie Public Transportation Corporation contributes to the Public Employees' Retirement Fund (PERF), a defined benefit plan as described in Indiana state statutes IC 5-10.2-2 and 5-10.3 with an annuity savings account provision. The PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. PERF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by writing the Public Employees' Retirement Fund, Harrison Building, Suite 800, 143 West Market Street, Indianapolis, IN 46204 or by calling 1-888-526-1687.

There are two separate streams of contributions that flow into PERF to fund the two pieces of the overall benefits structure - employer and member contributions. The Corporation is responsible for funding the Defined Benefit Pension and the amount of the contribution is determined annually by an actuary. The current employer contribution rate is 4.75% of the employees' gross earnings. Members are required to contribute 3% of their gross earnings to the PERF to fund their Annuity Savings Account. Employer contributions are adopted by the Board of Trustees of the PERF based on recommendations by the actuary.

For 2007, the Corporation's annual pension cost was \$166,860 for PERF. The Corporation's required and actual contribution was \$150,691. The mandatory employer contribution is a percentage of payrolls, determined by PERF's actuary, necessary to fund the pension benefit in accordance with IC 5-10-2-2-11. The actuarial assumptions included 7.25% investment return, projected salary increases varies based on age of member, and 1.5% per year cost-of-living adjustments. The normal cost is calculated separately for each active participant and is equal to the level percentage of payroll needed as an annual contribution from entry age to retirement age to fund projected benefits. The unfunded actuarial accrued liability on any valuation date is the accumulated value of such normal costs from entry age to the valuation date less the actuarial value of assets.

## Muncie Public Transportation Corporation

## NOTES TO FINANCIAL STATEMENTS

December 31, 2007

## NOTE H - RETIREMENT PLAN - Continued

The effect of this valuation method is to amortize all actuarial gains and losses, resulting from experience different from that anticipated in our assumptions, over a 30-year open period. The purpose of the method is to give a smooth progression of the costs from year to year and, at the same time, provide for an orderly funding of the unfunded liabilities.

## Three-Year Trend Information for PERF

Year Ending June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2005	\$133,671	100%	(\$74,943)
2006	\$153,817	93%	(\$63,842)
2007	\$166,860	90%	(\$47,673)

## NOTE I - LITIGATION

The Corporation is party to various legal proceedings which normally occur in transit operations. These legal proceedings are not likely to have a material adverse impact on the Corporation.

## NOTE J - FEDERAL GRANTS

In the normal course of operations, the Corporation receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

## NOTE K - COMMITMENTS AND CONTINGENCIES

The Corporation is subject to laws and regulations relating to the protection of the environment. The Corporation's policy is to accrue environmental and cleanup-related costs of a non-capital nature when it is both probable that a liability has been incurred and when the amount can be reasonably estimated. Although it is not possible to quantify with any degree of certainty the potential financial impact of the Corporation's continuing compliance efforts, management believes any future remediation or other compliance-related costs will not have a material adverse effect on the financial condition or reported results of operations of the Corporation.

## NOTE L - OPERATING LEASE COMMITMENTS

The Corporation leases tires under a noncancelable operating lease with unrelated parties, which expired April 30, 2007 and was renewed for an additional year. The lease provides for one additional one year renewal option at similar rates. The Corporation also leases office equipment under a noncancelable operating lease with unrelated parties, which expires October 2008. The operating leases expense for the year ended December 31, 2007 totaled \$30,817.

## Muncie Public Transportation Corporation

## NOTES TO FINANCIAL STATEMENTS

December 31, 2007

## NOTE L - OPERATING LEASE COMMITMENTS - Continued

The following is a schedule of anticipated future minimum rental payments required under the above noncancelable operating lease:

Year ending December 31, 2008	\$24,975
2009	7,986
2010	-0-
2011	-0-
2012	-0-
	<u>\$32,961</u>

## NOTE M - CAPITAL LEASE COMMITMENTS

Property held under capital lease, included with owned property on the balance sheet at December 31, 2007, consists of the following.

Classification: Equipment	
Copier	\$20,100
Less accumulated depreciation	<u>5,743</u>
Equipment under capital leases, net	<u>\$14,357</u>

The Corporation has leased a copier under an agreement which has been classified as a capital lease. The lease is noncancelable and expires on January 1, 2011. The future minimum lease payments under the capital leases and the net present value of the future minimum lease payments at December 31, 2007, are as follows.

Year ending December 31,	2008	\$6,297
	2009	6,297
	2010	6,297
	2011	133
	2012	<u>-0-</u>
Total minimum lease payments		19,024
Amount representing interest		<u>1,763</u>
Present value of minimum lease payments		<u>\$17,261</u>

REQUIRED SUPPLEMENTAL INFORMATION

## Muncie Public Transportation Corporation

## REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress for the  
Public Employees' Retirement Fund

December 31, 2007

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	Funding Excess ((b / a) / c)
7/1/2005	\$2,282,779	\$2,550,036	(\$267,257)	90%	\$2,620,303	10%
7/1/2006	\$2,806,071	\$2,832,733	(\$ 26,662)	99%	\$2,782,823	1%
7/1/2007	\$3,135,366	\$3,102,142	\$ 33,224	101%	\$2,717,320	0%

See accompanying independent auditors' report.

SUPPLEMENTAL INFORMATION

Muncie Public Transportation Corporation  
 BUDGETARY COMPARISON SCHEDULE  
 For the Year Ended December 31, 2007

	Original Budget	Final Budget	Actual - Budgetary Basis	Variance Favorable (Unfavorable)
Operating revenues				
Fares, tokens and tickets	\$ 250,000	\$ 250,000	\$ 238,024	\$ (11,976)
Local tax revenues	3,867,007	3,867,007	3,988,665	121,658
Operating assistance - federal	1,357,978	1,357,978	1,161,316	(196,662)
Operating assistance - state	1,400,000	1,400,000	1,388,890	(11,110)
Miscellaneous	10,000	10,000	2,100	(7,900)
	<u>6,884,985</u>	<u>6,884,985</u>	<u>6,778,995</u>	<u>(105,990)</u>
Operating expenses				
Operators' salaries and wages	1,861,800	1,861,800	1,722,416	139,384
Other salaries and wages	1,188,150	1,188,150	1,087,280	100,870
Fringe benefits	1,463,097	1,463,097	1,341,054	122,043
Contractual services	456,500	456,500	414,347	42,153
Fuel and lubricants	780,000	780,000	608,882	171,118
Tires and tubes	31,050	31,050	38,683	(7,633)
Other materials and supplies	412,950	412,950	326,490	86,460
Utilities	125,000	125,000	109,950	15,050
Casualty and liability costs	326,438	326,438	331,344	(4,906)
Miscellaneous	240,000	240,000	150,052	89,948
	<u>6,884,985</u>	<u>6,884,985</u>	<u>6,130,498</u>	<u>754,487</u>
Change in net assets - budgetary basis	<u>\$ -</u>	<u>\$ -</u>	648,497	<u>\$ 648,497</u>
Reconciliation of budgetary basis to GAAP basis				
Provision for depreciation			(1,302,604)	
Capital contributions			1,295,577	
Investment income			73,061	
Miscellaneous revenue			13,567	
Gain on disposal of assets			11,956	
Interest expense on leasing transactions			(134,391)	
Change in net assets - GAAP basis			<u>\$ 605,663</u>	

See accompanying independent auditors' report.

## Muncie Public Transportation Corporation

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2007

<u>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</u>	<u>Federal CDFA Number</u>	<u>Grant Identification #</u>	<u>Federal Expenditures</u>
<u>Department of Transportation</u>			
Federal Transit Administration Operating Assistance	20.507	IN-90-X536-00	\$1,161,316
Federal Transit Administration Capital Assistance	20.507	IN-04-0001-00 IN-90-X476-00 IN-90-X498-00	1,188,000 6,516 <u>109,167</u>
Total Department of Transportation			<u>\$2,464,999</u>
Total expenditures of federal awards			<u>\$2,464,999</u>

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

## NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Muncie Public Transportation Corporation and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

## NOTE B - SUBRECIPIENTS

Muncie Public Transportation Corporation did not provide any federal awards to subrecipients.

## Muncie Public Transportation Corporation

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2007

1. The auditors' report expresses an unqualified opinion on the financial statements of Muncie Public Transportation Corporation.
2. No reportable conditions relating to the audit of the financial statements are reported in the "Independent Auditors' Report On The Financial Statements And The Schedule Of Federal Awards."
3. No instances of noncompliance material to the financial statements of Muncie Public Transportation Corporation were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award program are reported in the "Report On Compliance With Requirements Applicable To Each Major Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133."
5. The auditors' report on compliance for Muncie Public Transportation Corporation expresses an unqualified opinion on the major federal program.
6. There were no audit findings relative to the major federal award program for Muncie Public Transportation Corporation.
7. The programs tested as major programs included:

<u>CFDA #</u>	<u>Name of Program</u>
20.507	Federal Transit Administration - Operating Assistance
20.507	Federal Transit Administration - Capital Assistance

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Muncie Public Transportation Corporation was determined to be a low-risk auditee.

Muncie Public Transportation Corporation

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended December 31, 2007

DEPARTMENT OF TRANSPORTATION

The audit for the year ended December 31, 2006 did not contain any findings. Accordingly, there are no prior findings listed in this schedule.

## Muncie Public Transportation Corporation

## SCHEDULE OF GOVERNMENTAL FUNDING

Year Ended December 31, 2007

<u>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</u>	<u>Federal CDEFA Number</u>	<u>Grant Identification #</u>	<u>Program or Award Amount</u>
Federal Transit Administration Operating Assistance	20.507	IN-90-X536-00	\$1,161,316
Federal Transit Administration Capital Assistance	20.507	IN-04-0001-00 IN-90-X476-00 IN-90-X498-00	1,188,000 6,516 109,167
<u>Indiana Department of Transportation</u>			
Public Mass Transportation Fund Operating Assistance	N/A	9007MUNO	<u>1,388,890</u>
Total governmental funding			<u>\$3,853,889</u>

SPECIAL REPORTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**Board of Directors  
Muncie Public Transportation Corporation  
Muncie, Indiana**

We have audited the financial statements of Muncie Public Transportation Corporation as of and for the year ended December 31, 2007, and have issued our report thereon dated April 28, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Muncie Public Transportation Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

Compliance and Other Matters

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

This report is intended for the information of the Board of Directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Estep Burkey Simmons, LLC*

Muncie, Indiana  
April 28, 2008

**REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

**Board of Directors  
Muncie Public Transportation Corporation  
Muncie, Indiana**

Compliance

We have audited the compliance of Muncie Public Transportation Corporation with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. Muncie Public Transportation Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Muncie Public Transportation Corporation's management. Our responsibility is to express an opinion on Muncie Public Transportation Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standard*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Muncie Public Transportation Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Muncie Public Transportation Corporation's compliance with those requirements.

In our opinion, Muncie Public Transportation Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

### Internal Control Over Compliance

The management of Muncie Public Transportation Corporation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Muncie Public Transportation Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

This report is intended for the information of the Board of Directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Estep Burkey Simmons, LLC*

Muncie, Indiana  
April 28, 2008

**Muncie Public Transportation Corporation**

**EXIT CONFERENCE**

PLACE: Muncie Public Transportation Corporation's Maintenance/Storage and Administrative Facility

DATE: November 5, 2009

TIME: 9:00 a.m.