



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B44467

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

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

November 14, 2014

Board of Directors
Muncie Public Transportation Corporation
1300 E. Seymour Street
Muncie, IN 47302

We have reviewed the audit report prepared by Estep Burkey Simmons, LLC, Independent Public Accountants, for the period January 1, 2013 to December 31, 2013. 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, 2013 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.

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

Paul D. Joyce, CPA
State Examiner

FINANCIAL STATEMENTS AND AUDITORS' REPORT
MUNCIE PUBLIC TRANSPORTATION CORPORATION

December 31, 2013

CONTENTS

	Page
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	6
FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	12
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	13
STATEMENT OF CASH FLOWS	14
NOTES TO FINANCIAL STATEMENTS	16
REQUIRED SUPPLEMENTAL INFORMATION	26
SUPPLEMENTAL INFORMATION	
BUDGETARY COMPARISON SCHEDULE	27
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	28
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	29
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	30
SCHEDULE OF GOVERNMENTAL FUNDING	31
SPECIAL REPORTS	
REPORT ON INTERNAL CONTROL AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	32
REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	34
EXIT CONFERENCE	36



Report of Independent Certified Public Accountants

Board of Directors
Muncie Public Transportation Corporation
Muncie, Indiana

Report on the Financial Statements

We have audited the accompanying statement of net position of the Muncie Public Transportation Corporation as of and for the year ended December 31, 2013, 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.

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 of 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 risk 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 account 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.

111 West Adams Street, Suite 103 | P.O. Box 42 | Muncie, Indiana 47308-0042 | 765.284.7554 | 765.284.7706 Fax
3900 South Memorial Drive | P.O. Box 1040 | New Castle, Indiana 47362-1040 | 765.529.5200 | 765.529.8840 Fax

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, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note O to the financial statements, the Muncie Public Transportation Corporation adopted Government Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities* effective January 1, 2013. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information and the Required Pension Supplementary Information on pages 6 through 11 and pages 26 and 27 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 evidence sufficient to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards, required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Muncie Public Transportation Corporation.

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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2014, 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* in considering Muncie Public Transportation Corporation's internal control over financial reporting and compliance.

Estep Burkey Simmons, LLC

Muncie, Indiana
September 26, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Muncie Public Transportation Corporation

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2013

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, 2013. 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 2013

- Net position totaled \$9,292,106 at December 31, 2013.
- Net position increased by \$564,461 in 2013, which compares to a increase of \$576 in 2012.
- Current liabilities increased 16% at the end of the year.

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 position, statement of revenues, expenses and changes in net position, 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 Position

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

- *Net Position Invested in Capital Assets* - This component of net position 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 Position* - This component of net position consists of restricted assets where constraints are placed upon the assets by creditors (such as debt covenants), grantors, contributors, laws and regulations, etc.
- *Unassigned Net Position* - This component consists of net position that does not meet the definition of net position invested in capital assets or restricted net position.

Muncie Public Transportation Corporation

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2013

Statement of Revenues, Expenses and Changes in Net Position

The statement of revenues, expenses and changes in net position 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 position is the change in net position. 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 Position

The following table reflects a condensed summary of assets, liabilities and net position of the Muncie Public Transportation Corporation as of December 31, 2013 and 2012:

Muncie Public Transportation Corporation
MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2013

Statement of Net Position - continued

Table 1

Summary of Assets, Liabilities and Net Position

December 31,

	2013	2012
Assets:		
Current assets	\$ 1,096,773	\$ 1,694,668
Restricted assets	651,947	974,537
Capital assets, net	8,131,493	6,570,792
 Total assets	<u>\$ 9,880,213</u>	<u>\$ 9,239,997</u>
 Liabilities:		
Current liabilities	\$ 588,107	\$ 506,395
Long-term liabilities	-	5,957
 Total liabilities	<u>588,107</u>	<u>512,352</u>
 Net Position:		
Invested in capital assets	8,131,493	6,570,792
Retricted by MPTC for future capital improvements	651,947	974,537
Unassigned	508,666	1,182,316
 Total net position	<u>9,292,106</u>	<u>8,727,645</u>
 Total liabilities and net position	<u>\$ 9,880,213</u>	<u>\$ 9,239,997</u>

Current assets decreased by 35% to \$1,096,773. The change in current assets is primarily due to a decrease in the cash balance. The decrease in the cash balance is primarily due to using temporary cash investments rather than borrowing from a line of credit.

Restricted assets decreased by 33% to \$651,947 due to the purchase of passenger revenue vehicles, thereby also increasing net capital assets by 24%.

Long-term liabilities have decreased by \$5,957 due to capital lease agreements for copy/scan equipment entering their final year of payments. Monthly payments of \$510 are required, and the lease will mature on December 16, 2014.

Muncie Public Transportation Corporation

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2013

Statement of Net Position - continued

Net position 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 \$1,203,644.

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

Unassigned net position, which represent assets available for operations, decreased by \$673,650 from the prior year.

Statement of Revenues, Expenses and Changes in Net Position

The following table reflects a condensed summary of the revenues, expenses and changes in net position for the years ended December 31, 2013 and 2012:

Table 2

Condensed Summary of Revenues, Expenses and Changes in Net Position

Years ended December 31,

	<u>2013</u>	<u>2012</u>
Operating revenues	\$ 3,368,886	\$ 3,584,751
Operating expenses:		
Operating expenses	6,618,218	6,501,700
Depreciation	1,203,644	1,148,522
Total operating expenses	<u>7,821,862</u>	<u>7,650,222</u>
Operating loss	(4,452,976)	(4,065,471)
Nonoperating revenues/expenses, net	2,915,529	3,125,784
Capital contributions	2,101,908	940,263
Change in net position	<u>564,461</u>	<u>576</u>
Net position - beginning of year	8,727,645	8,727,069
Net position - end of year	<u>\$ 9,292,106</u>	<u>\$ 8,727,645</u>

Muncie Public Transportation Corporation

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2013

Statement of Revenues, Expenses and changes in Net Position - continued

Operating revenues decreased by \$215,865 or approximately 6%. The decrease is primarily due to decreased local tax revenue. For the year ending December 31, 2013, system ridership was essentially unchanged from 2012.

Total operating expenses increased \$171,640. This increase is attributed to increases in labor, utilities and depreciation, and decreases in fringe benefits and casualty and liability costs.

Labor, utilities and depreciation increased \$74,369 or approximately 2% from 2012. Fringe benefits decreased by \$54,401 due to nationwide decreases in health insurance premiums.

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

Table 3

Operating Expenses

Years ended December 31,

	<u>2013</u>	<u>2012</u>
Labor	\$ 2,859,029	\$ 2,843,463
Fringe benefits	1,596,874	1,651,275
Contractual services	645,921	491,437
Materials and supplies	1,072,048	1,069,810
Utilities	100,380	96,699
Casualty and liability costs	186,763	208,911
Miscellaneous	157,203	140,105
	<u>6,618,218</u>	<u>6,501,700</u>
Operating expense before provisions		
Provision for depreciation	1,203,644	1,148,522
	<u>\$ 7,821,862</u>	<u>\$ 7,650,222</u>
Total operating expenses		

Muncie Public Transportation Corporation
MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2013

Capital Asset and Debt Administration

Capital Assets

The Muncie Public Transportation Corporation invested \$27,636,214 (not adjusted for inflation) in capital assets, including buildings, vehicles and other equipment as of December 31, 2013. Net of accumulated depreciation, the Muncie Public Transportation Corporation's capital assets at December 31, 2013 totaled \$8,131,493. This amount represents a net increase (including additions and disposals, net of depreciation) of \$1,560,701 or 24% from 2012. The year-over-year increase in capital assets resulted primarily from the acquisition of vehicles.

Debt Administration

Short-term debt consists of a line of credit. Interest on the line of credit in the amount of \$0 was paid during 2013. The line of credit was not utilized during 2013.

Long-term debt consisted of a capital lease obligation payable in the prior year. At December 31, 2013, the Muncie Public Transportation Corporation had \$0 in capital lease obligations outstanding. The capital lease obligation related to copier equipment.

Economic Factors and Next Year's Budget

The Muncie Public Transportation Corporation adopted the 2014 Annual Budget October 1, 2013. This budget provides for operating expenses of \$7,685,031. The operating budget increase of 1% from the 2013 Annual Budget is primarily due to projections of rising labor and utility costs needed to support ridership.

Budget revenues for 2014 are more than the 2013 Annual Budget by \$1,452,905, or 21%. This increase from 2013 operating revenues is expected as a result of increased federal and state operating assistance.

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 POSITION

December 31, 2013

ASSETS

CURRENT ASSETS

Cash	\$ 609,304
Accounts receivable	149,849
Materials and supplies inventory	256,694
Prepaid expenses	<u>80,926</u>

Total current assets 1,096,773

Investments - cash	651,947
Capital assets, net of accumulated depreciation	<u>8,131,493</u>

8,783,440

\$ 9,880,213

LIABILITIES

CURRENT LIABILITIES

Current maturities of long-term liabilities	\$ 5,957
Line of credit	
Accounts payable	430,651
Accrued and withheld expenses	<u>151,499</u>

Total current liabilities 588,107

LONG-TERM LIABILITIES

Lease payable, less current maturities	<u>588,107</u>
--	----------------

588,107

NET POSITION

Net investment in capital assets	8,131,493
Restricted by MPTC for future capital improvements	651,947
Unrestricted	<u>508,666</u>
	<u>9,292,106</u>
	<u>\$ 9,880,213</u>

The accompanying notes are an integral part of this statement.

Muncie Public Transportation Corporation

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended December 31, 2013

Operating revenues	
Fares, tokens and tickets	\$ 218,130
Local tax revenue	3,125,265
Miscellaneous	25,491
	<u>3,368,886</u>
Operating expenses	2,859,028
Labor	1,596,874
Fringe benefits	645,921
Services	1,072,048
Materials and supplies	100,381
Utilities	186,763
Casualty and liability costs	157,203
Miscellaneous	1,203,644
Depreciation	<u>7,821,862</u>
	(4,452,976)
Operating expenses in excess of operating revenues	
Nonoperating revenues (expenses)	1,476,120
Operating grant revenue - federal	1,437,464
Operating grant revenue - state	7,627
Miscellaneous revenue	1,577
Investment income	(7,259)
Interest expense	<u>2,915,529</u>
	(1,537,447)
Change in net position before capital contributions	<u>2,101,908</u>
Capital contributions	
	564,461
CHANGE IN NET POSITION	
	<u>8,727,645</u>
Net position - beginning of year	
	<u>\$ 9,292,106</u>

The accompanying notes are an integral part of this statement.

Muncie Public Transportation Corporation

STATEMENT OF CASH FLOWS

Year Ended December 31, 2013

Cash flows from operating activities:	
Local tax revenues	\$ 3,130,280
Cash received from customers	99,327
Cash received from special events/programs	25,491
Cash disbursed to employees	(4,460,217)
Cash disbursed to suppliers for goods and services	<u>(2,083,983)</u>
Net cash used in operating activities	(3,289,102)
Cash flows from noncapital financing activities:	
Grants	2,913,584
Miscellaneous revenue	<u>7,627</u>
Net cash provided by noncapital financing activities	2,921,211
Cash flows from capital and related financing activities:	
Capital grants	2,101,908
Capital acquisitions	(2,764,345)
Payments for capital lease obligation	(5,667)
Interest expense	<u>(7,259)</u>
Net cash used in capital and related financing activities	(675,363)
Cash flows from investing activities:	
Purchases of investments	322,590
Investment income	<u>1,577</u>
Net cash provided by investing activities	324,167
Net decrease in cash	(719,087)
Cash at beginning of year	<u>1,328,391</u>
Cash at end of year	<u><u>\$ 609,304</u></u>

The accompanying notes are an integral part of this statement.

Muncie Public Transportation Corporation
STATEMENT OF CASH FLOWS - Continued
Year Ended December 31, 2013

Reconciliation of operating loss to net cash used in operating activities	\$ (4,452,976)
Operating loss	
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation	1,203,644
Change in assets and liabilities:	
Increase in accounts receivable	(105,796)
Increase in inventory	(7,992)
Increase in prepaid expenses	(7,404)
Increase in accounts payable	78,333
Increase in accrued and withheld expenses	3,089
	<hr/>
Net cash used in operating activities	<u><u>\$ (3,289,102)</u></u>

The accompanying notes are an integral part of this statement.

Muncie Public Transportation Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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, 2013

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

6. Accounts Receivable

The Corporation's trade receivables have a contractual maturity of one year or less, and therefore are exempted from the disclosure requirements of FASB ASU 2010-20. Trade receivables are considered to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

7. 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.

8. 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.

9. 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.

Muncie Public Transportation Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

10. 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.

11. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Currently the Muncie Public Transportation Corporation does not report any deferred outflows of resources or deferred inflows of resources.

12. 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.

13. Advertising Costs

Advertising costs are expensed as incurred and included in operating expenses. Advertising expenses totaled \$84,093 for the year ended December 31, 2013.

14. 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.

Muncie Public Transportation Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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, N.A. 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, 2013, the Corporation exceeded the insured limit by approximately \$1,036,568.

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, 2013, 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 \$651,947.

The following schedule summarizes the investment return for the year ended December 31, 2013.

Total investment return: Interest	<u>\$ 647</u>
-----------------------------------	---------------

It is the Corporation's intent to hold the transit improvement reserve fund (T.I.R.F.) as a long-term investment.

NOTE E - FAIR VALUE MEASUREMENTS

The Foundation follows the provisions of the Fair Value Measurements and Disclosures topic of the FASB ASC. FASB ASC-820-10-35-19 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

FASB ASC 820-10-35-37 establishes a hierarchy of inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Foundation. Unobservable inputs are inputs that reflect the Foundation's assumptions about the assumptions that market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Muncie Public Transportation Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE E - FAIR VALUE MEASUREMENTS - Continued

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The following tables set forth financial assets measured at fair value in the Statement of Financial Position and the respective levels to which the fair value measurements are classified within the fair value hierarchy as of December 31, 2013, respectively:

	<u>Fair Value</u>	<u>Level 1</u>
Assets:		
Investments	\$ 651,947	\$ 651,947
Inventory	\$ 256,694	\$ 256,694
Liabilities:		
Long-term liabilities	\$ 5,957	\$ 5,957

NOTE F - CAPITAL ASSETS

Changes in capital assets for the year ending December 31, 2013 were:

Muncie Public Transportation Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE F - CAPITAL ASSETS - Continued

	Jan. 1, 2013	Additions	Disposals	Dec. 31, 2013
Capital assets not being depreciated				
Land	\$ 268,647	\$ -	\$ -	\$ 268,647
Capital assets being depreciated				
Buildings and improvements	7,570,750	284,952	-	7,855,702
Buses and equipment	16,865,685	2,477,708	-	19,343,393
Other property and equipment	435,434	1,685	-	437,119
Total capital assets being depreciated	24,871,869	2,764,345	-	27,636,214
Less: Accumulated depreciation and amortization				
Buildings and improvements	6,250,260	101,289	-	6,351,549
Buses and equipment	11,941,672	1,088,428	-	13,030,100
Other property and equipment	377,792	13,927	-	391,719
Total accumulated depreciation and amortization	18,569,724	1,203,644	-	19,773,368
Total capital assets being depreciated, net	6,302,145	1,560,701	-	7,862,846
Total capital assets, net	\$ 6,570,792	\$ 1,560,701	\$ -	\$ 8,131,493

NOTE G - LONG-TERM LIABILITIES

Long-term liabilities consist of the following at December 31, 2013.

Obligations under capital lease payable to Canon Financial Services, at A fixed interest rate of 5%. Monthly payments of \$510 are required and matures in December 2014. The obligation is secured by two copiers.	\$ 11,624
Less current maturities	<u>5,667</u>
	<u>\$ 5,957</u>

Annual maturities of long-term liabilities are as follows.

Year ending December 31, 2014	\$ 5,957
2015	\$ 0
2016	\$ 0
2017	\$ 0
2018	\$ 0

Muncie Public Transportation Corporation**NOTES TO FINANCIAL STATEMENTS**

December 31, 2013

NOTE H - BANK LINE OF CREDIT

The Corporation has a line of credit with a commercial bank which provides borrowings up to \$1,900,000. Advances bear a variable interest rate which was 5.00% on December 31, 2013, and is unsecured. Outstanding borrowings under this arrangement at December 31, 2013 were \$-0-. The line of credit expired on December 31, 2013, but was renewed until December 31, 2014.

NOTE I - 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. Benefit provisions are established and may be amended by the state legislature. 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, 1 North Capitol Avenue, Suite 001, 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 2012, the Corporation's annual pension cost of \$274,297 for PERF was equal to the Corporation's required contribution. The Corporation's actual contribution was \$226,180. 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 6.75% investment return, projected salary increases varies based on age of member, and 1% 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.

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.

Muncie Public Transportation Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE I - RETIREMENT PLAN - Continued

Three-Year Trend Information for PERF

Year Ending June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 229,822	76%	\$ 28,349
2012	\$ 244,604	72%	\$ 97,385
2013	\$ 274,297	82%	\$ 145,502

As of June 30, 2013, the most recent actuarial valuation date, the plan was 61% funded. The actuarial accrued liability for benefits was \$4,153,266, and the actuarial value of assets was \$2,517,097, resulting in an unfunded actuarial accrued liability of \$1,636,169. The annual payroll of active employees covered by the plan was \$2,697,964, and the ratio of AAL to covered payroll was 61%.

The following is the funded status information for the plan as of June 30, 2013, the most recent actuarial valuation date:

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over- Funded AAL (a - b)	Funded Ratio (a / b)	Covered Payroll (c)	Excess of Assets Over AAL as a Percentage of Covered Payroll (UAAL) ((b - a) / c)
\$ 2,517,097	\$ 4,153,266	\$(1,636,169)	61%	\$2,697,964	61%

NOTE J - LITIGATION

The Corporation is party to various legal proceedings which arose in the normal course of operations. Although the ultimate outcome of these matters cannot be presently determined, it is the opinion of management of the Corporation that the resolution of these matters will not have a material adverse impact on the Corporation's financial position.

NOTE K - 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.

Muncie Public Transportation Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE L - POLLUTION REMEDIATION OBLIGATION

The Corporation is subject to laws and regulations relating to the protection of the environment. In accordance with GASB 49, the Corporation's policy is to accrue environmental and cleanup-related costs when certain recognition triggers occur. Under GASB 49, liabilities and expenses would be estimated using an "expected cash flows" measurement technique. As of December 31, 2013, Muncie Public Transportation Corporation had not identified any recognition triggers that would require the recording of a liability and an expense. Muncie Public Transportation Corporation continually monitors its environmental obligations for any potential recognition triggers.

NOTE M - OPERATING LEASE COMMITMENTS

The Corporation leases tires under a noncancelable operating lease with unrelated parties, which expires in July 2014. The operating lease expense for the year ended December 31, 2013 totaled \$81,341.

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

Year ending December 31, 2014	\$ 32,120
2015	-0-
2016	-0-
2017	-0-
2018	-0-
	<hr/>
	\$ 32,120
	<hr/> <hr/>

NOTE N - CAPITAL LEASE COMMITMENTS

Property held under capital lease, included with owned property on the balance sheet at December 31, 2013, consists of the following.

Classification: Equipment

Copiers	\$ 27,025
Less accumulated depreciation	21,068
	<hr/>

Equipment under capital leases, net	<hr/> <hr/> \$ 5,957
-------------------------------------	----------------------

The Corporation has leased copiers under an agreement which has been classified as a capital lease. The lease is noncancelable and expires in December 2014. The future minimum lease payments under the capital leases and the net present value of the future minimum lease payments at December 31, 2013, are as follows:

Muncie Public Transportation Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE N - CAPITAL LEASE COMMITMENTS - Continued

Year ending December 31, 2014	\$	6,120
2015		-0-
2016		-0-
2017		-0-
2018		-0-
		<hr/>
Total minimum lease payments		6,120
Amount representing interest		163
		<hr/>
Present value of minimum lease payments	\$	<u>5,957</u>

NOTE O - CHANGE IN ACCOUNTING PRINCIPLE

During the year ended December 31, 2013, the Corporation implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which established financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Currently the Corporation does not report any deferred outflows of resources or deferred inflows of resources.

NOTE P - SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events through September 26, 2014, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2013, have been incorporated into these financial statements herein.

REQUIRED SUPPLEMENTAL INFORMATION

Muncie Public Transportation Corporation

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress for the
Public Employees' Retirement Fund

Year Ended December 31, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a - b)	Funded Ratio (b / a)	Covered Payroll (c)	Excess of Assets Over/Under AAL as a Percentage of Covered Payroll (UAAL) ((b - a) / c)
06/30/11	\$ 2,815,317	\$ 4,218,942	\$ (1,403,625)	67%	\$ 2,890,741	49%
06/30/12	\$ 2,404,415	\$ 4,136,679	\$ (1,732,264)	58%	\$ 2,690,601	64%
06/30/13	\$ 2,517,097	\$ 4,153,266	\$ (1,636,169)	61%	\$ 2,697,964	61%

SUPPLEMENTAL INFORMATION

Muncie Public Transportation Corporation
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2013

	Original Budget	Final Budget	Actual - Budgetary Basis	Variance Favorable (Unfavorable)
Operating revenues				
Fares, tokens and tickets	\$ 200,000	\$ 200,000	\$ 218,130	\$ 18,130
Local tax revenues	4,854,324	4,854,324	3,125,265	(1,729,059)
Operating assistance - federal	674,119	674,119	1,476,120	802,001
Operating assistance - state	1,000,000	1,000,000	1,437,464	437,464
Miscellaneous	2,000	2,000	25,491	23,491
	<u>6,730,443</u>	<u>6,730,443</u>	<u>6,282,470</u>	<u>(447,973)</u>
Operating expenses				
Operators' salaries and wages	1,729,500	1,729,500	1,708,512	20,988
Other salaries and wages	1,265,200	1,265,200	1,150,516	114,684
Fringe benefits	1,801,278	1,801,278	1,596,874	204,404
Contractual services	419,070	419,070	645,921	(226,851)
Fuel and lubricants	840,000	735,000	717,787	17,213
Tires and tubes	31,982	31,982	37,352	(5,370)
Other materials and supplies	370,250	330,739	316,909	13,830
Utilities	159,250	159,250	100,381	58,869
Casualty and liability costs	266,231	246,231	186,763	59,468
Miscellaneous	687,967	772,967	157,203	615,764
	<u>7,570,728</u>	<u>7,491,217</u>	<u>6,618,218</u>	<u>872,999</u>
Change in net position - budgetary basis	<u>\$ (840,285)</u>	<u>\$ (760,774)</u>	(335,748)	<u>\$ 425,026</u>
Reconciliation of budgetary basis to GAAP basis				
Provision for depreciation			(1,203,644)	
Capital contributions			2,101,908	
Investment income			1,577	
Miscellaneous revenue			7,627	
Interest expense on leasing transactions			(7,259)	
Change in net position - GAAP basis			<u>\$ 564,461</u>	

Muncie Public Transportation Corporation

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2013

<u>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Grant Identification #</u>	<u>Federal Expenditures</u>
<u>Department of Transportation</u>			
Federal Transit Administration Operating Assistance	20.507	IN-90-X640-00	\$ 1,470,365
	20.521	IN-57-X008-00	5,755
Federal Transit Administration Capital Assistance	20.507	IN-90-X640-00	395,746
	20.507	IN-90-X625-01	206,162
	20.500	IN-04-0047-00	<u>1,500,000</u>
Total Department of Transportation			<u>\$ 3,578,028</u>
Total expenditures of federal awards			<u>\$ 3,578,028</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.

NOTE C - NON-CASH ASSISTANCE

Muncie Public Transportation Corporation did not receive any non-cash assistance for federal awards for the year ended December 31, 2013.

NOTE D - LOANS

At year-end, Muncie Public Transportation Corporation had no loans or loan guarantees outstanding with federal awarding agencies.

Muncie Public Transportation Corporation

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2013

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:

CFDA #	Name of Program
20.507	Federal Transit Administration - Operating Assistance
20.507	Federal Transit Administration - Capital Assistance
20.500	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, 2013

DEPARTMENT OF TRANSPORTATION

The audit for the year ended December 31, 2012 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, 2013

<u>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Grant Identification #</u>	<u>Program or Award Amount</u>
Federal Transit Administration			
Operating Assistance	20.507	IN-90-X640-00	\$ 1,470,365
	20.521	IN-57-X008-00	5,755
Federal Transit Administration			
Capital Assistance	20.507	IN-90-X640-00	395,746
	20.507	IN-90-X625-01	206,162
	20.500	IN-04-0047-00	1,500,000
Indiana Department of Transportation			
Public Mass Transportation Fund			
Operating Assistance	N/A	9013MUNO	<u>1,437,464</u>
Total governmental funding			<u>\$ 5,015,492</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***

Report of Independent Certified Public Accountants

**Board of Directors
Muncie Public Transportation Corporation
Muncie, 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 Muncie Public Transportation Corporation as of and for the year ended December 31, 2013, and the related notes to the financial statements, and have issued our report thereon dated September 26, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Muncie Public Transportation Corporation'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Muncie Public Transportation Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Muncie Public Transportation Corporation'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 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 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*.

Purpose of this Report

This report is intended 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.

Estep Burkey Simmons, LLC

Muncie, Indiana
September 26, 2014



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Report of Independent Certified Public Accountants

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

Report on Compliance for Each Major Federal Program

We have audited Muncie Public Transportation Corporation's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Muncie Public Transportation Corporation's major federal programs for the year ended December 31, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Muncie Public Transportation Corporation'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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Muncie Public Transportation Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, Muncie 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 each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control over Compliance

The management of Muncie 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 Muncie Public Transportation Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Muncie Public Transportation Corporation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control, 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 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Estep Burkey Simmons, LLC

Muncie, Indiana
September 26, 2014

Muncie Public Transportation Corporation

EXIT CONFERENCE

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

DATE: October 9, 2014

TIME: 8:45 a.m.