



STATE OF INDIANA
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STATE BOARD OF ACCOUNTS
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October 19, 2023

Board of Directors
Gary Public Transportation Corporation
200 West 4th Avenue
Gary, IN 46402

We have reviewed the audit report of Gary Public Transportation Corporation, which was opined on by Crowe LLP, Independent Public Accountants, for the period January 1, 2022 to December 31, 2022. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of Gary Public Transportation Corporation as of December 31, 2022, and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the findings on pages 26 through 28. Please see the Schedule of Findings and Questioned Costs for further detail. Management's Corrective Action Plan in response to the finding appears on pages 29-32.

In our opinion, Crowe LLP prepared the audit report in accordance with the guidelines established by the State Board of Accounts.

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

A handwritten signature in cursive script that reads 'Tammy R. White'.

Tammy R. White, CPA
Deputy State Examiner

**GARY PUBLIC TRANSPORTATION
CORPORATION**

FINANCIAL STATEMENTS

December 31, 2022

GARY PUBLIC TRANSPORTATION CORPORATION
Gary, Indiana

FINANCIAL STATEMENTS
December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Gary Public Transportation Corporation
Gary, Indiana

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Gary Public Transportation Corporation ("Corporation"), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2022, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

(Continued)

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Corporation's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

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


Crowe LLP

Indianapolis, Indiana
September 28, 2023

GARY PUBLIC TRANSPORTATION CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended December 31, 2022

The management discussion and analysis of the financial performance of Gary Public Transportation Corporation ("the Corporation" or "GPTC") provides an overall review of the Corporation's financial activities for the year ended December 31, 2022, with comparative information for 2021. The Corporation's management encourages readers to consider the information presented herein in conjunction with the financial statements to enhance their understanding of the Corporation's financial performance. All amounts, unless otherwise indicated, are expressed in millions of dollars.

Financial Highlights

- Total 2022 assets were \$7.8 million, an increase of \$1.1 million, or 16.4%, from the 2021 assets of \$6.7 million. Net position was \$6.1 million at December 31, 2022.
- The 2022 change in net position was \$1.3 million, compared to \$352,756 for 2021.
 - Total 2022 operating and non-operating revenues were \$9.1 million, an increase of \$0.7 million, or 8.3%, from the 2021 revenues of \$8.4 million. Most of the increase was due to an increase in federal funding assistance offsetting the decrease in operating revenues.
 - Total 2022 operating and non-operating expenses were \$7.8 million, an decrease of \$1.1 million, or 12.4%, from 2021 costs of \$8.9 million. Most of the decrease was due to a decrease in transportation and general and administrative expenses.

Overview of the Financial Statements

The financial section of this report is comprised of three components:

- Management Discussion & Analysis (this section)
- Financial statements with corresponding note disclosures, and
- Supplementary information

The financial statements are designed to provide readers with a broad overview of the Corporation's finances, in a manner similar to a private-sector business. The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the financial statements.

The statement of net position presents information on all the Corporation's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating.

The statement of revenues, expenses, and changes in net position present information showing how the Corporations' net position changed during the year being reported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

The financial statements present the functions of the Corporation that are principally supported by operating and non-operating revenues/expenses. The Corporation has business-type activities; that is, functions that are intended to recover a portion of their costs through user fees and charges. These activities are reported in the financial statements as operating revenue that consist of passenger fares and advertising revenue.

(Continued)

GARY PUBLIC TRANSPORTATION CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended December 31, 2022

Financial Analysis

Statement of Net Position: The Corporation's total assets remained consistent compared to the prior year. Liabilities remained consistent compared to prior year as there were no significant outstanding invoices payable at year end.

| | 2022 | 2021 | Variance | % Variance |
|---|---------------|---------------|---------------|---------------|
| Assets | | | | |
| Current and other assets | \$ 4.4 | \$ 4.8 | \$ (0.4) | -8.3% |
| Capital assets | 3.4 | 1.9 | 1.5 | 78.9% |
| Total assets | <u>7.8</u> | <u>6.7</u> | <u>1.1</u> | <u>16.4%</u> |
| Liabilities | | | | |
| Other current liabilities | 0.1 | 0.3 | (0.2) | -66.7% |
| Total liabilities | <u>0.1</u> | <u>0.3</u> | <u>(0.2)</u> | <u>-66.7%</u> |
| Deferred Inflows of Resources | | | | |
| From property taxes | 1.6 | 1.6 | - | 100.0% |
| Net Position | | | | |
| Net investment in capital assets | 3.4 | 1.9 | 1.5 | 78.9% |
| Unrestricted | 2.7 | 2.9 | (0.2) | -6.9% |
| Total net position | <u>6.1</u> | <u>4.8</u> | <u>1.3</u> | <u>27.1%</u> |
| Total liabilities, deferred inflows of resources, and net position | <u>\$ 7.8</u> | <u>\$ 6.7</u> | <u>\$ 1.1</u> | <u>16.4%</u> |

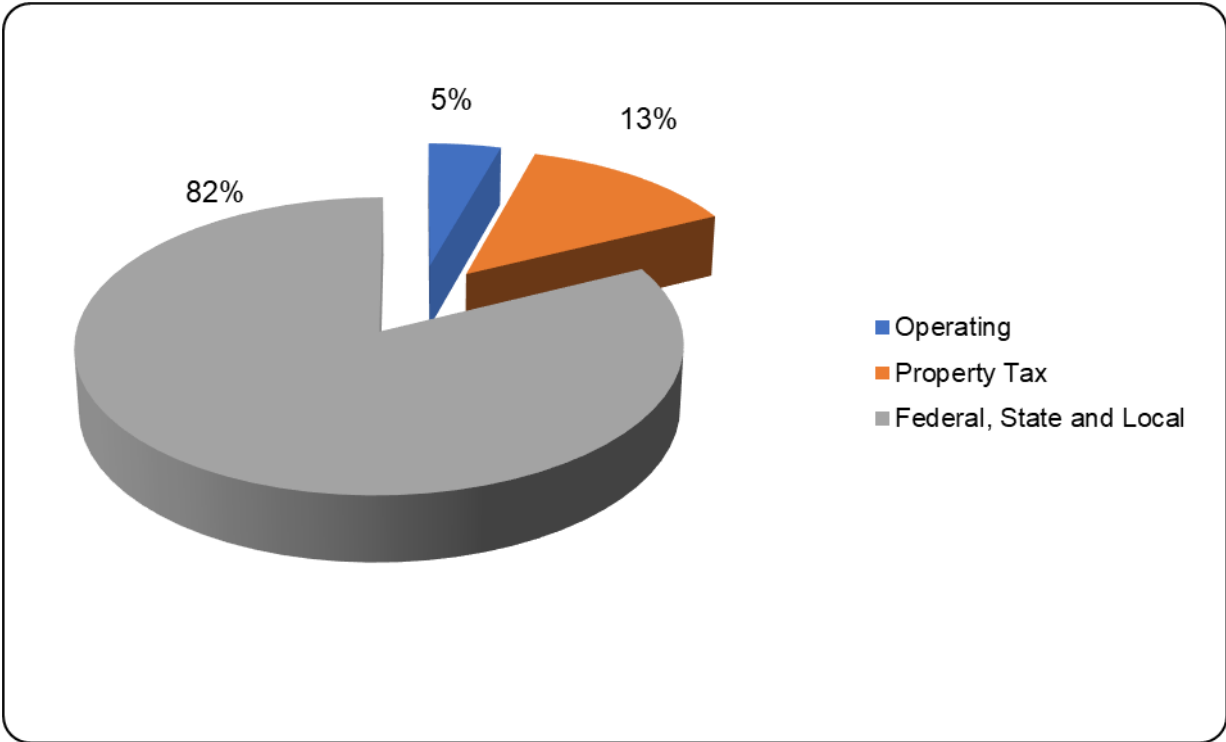
Changes in Net Position: For 2022 and 2021, revenue from GPTC activities was \$9.1 and \$8.4 million, respectively, with related 2022 and 2021 expenses of \$7.8 million and \$8.9 million. The increase in non-operating revenue was due to the increase in federal grant activity. The decrease in expenses was primarily due to transportation and general and administrative expenses.

| | 2022 | 2021 | Variance | % Variance |
|-------------------------------|---------------|-----------------|---------------|---------------|
| Revenues | | | | |
| Operating revenues | \$ 0.4 | \$ 0.4 | \$ - | 0.0% |
| Non-operating revenues | 8.7 | 8.0 | 0.7 | 8.7% |
| Total revenues | <u>9.1</u> | <u>8.4</u> | <u>0.7</u> | <u>8.3%</u> |
| Expenses | | | | |
| Operating expenses | 7.8 | 8.9 | (1.1) | -12.4% |
| Total expenses | <u>7.8</u> | <u>8.9</u> | <u>(1.1)</u> | <u>-12.4%</u> |
| Change in net position | <u>\$ 1.3</u> | <u>\$ (0.5)</u> | <u>\$ 1.8</u> | <u>-100%</u> |

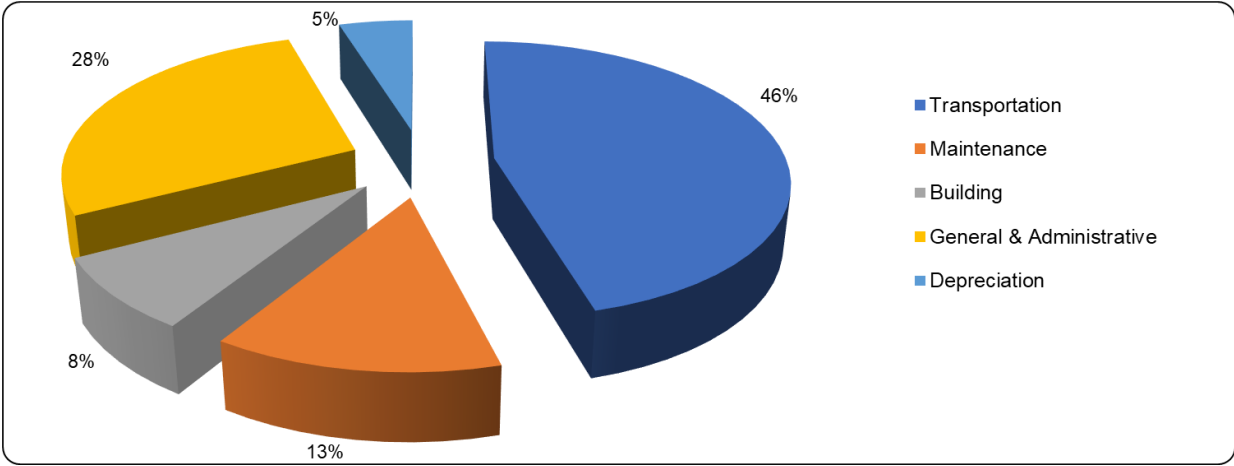
(Continued)

GARY PUBLIC TRANSPORTATION CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended December 31, 2022

2022 Revenues by Source: The following represents the primary funding sources for the Corporation (both operating and non-operating) for the year:



2022 Expenses by Function: The following represents a breakdown of total expenses (both operating and non-operating) for the year:



(Continued)

GARY PUBLIC TRANSPORTATION CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended December 31, 2022

Capital Asset and Debt Administration

Capital assets

At the end of 2022 and 2021, the Corporation had invested \$3.4 million and \$1.9 million, respectively, net of accumulated depreciation. The total depreciation expense for 2022 and 2021 was \$0.4 million and \$0.6 million, respectively. Refer to the financial statement Note 3 for further information on capital assets.

| | 2022 | 2021 | Variance | % Variance |
|--------------------------------|----------------|----------------|---------------|--------------|
| Capital Assets | | | | |
| Construction in process | \$ - | \$ - | - | 0.0% |
| Land | 0.6 | 0.6 | - | 0.0% |
| Building and improvements | 14.7 | 14.7 | - | 0.0% |
| Revenue vehicles and equipment | 12.4 | 11.2 | 1.2 | 10.7% |
| Service Vehicles and equipment | 3.6 | 3.2 | 0.4 | 12.5% |
| Office furniture and equipment | 1.7 | 1.7 | - | 0.0% |
| Software | 0.2 | 0.2 | - | 0.0% |
| Total assets | <u>\$ 33.2</u> | <u>\$ 31.6</u> | <u>\$ 1.6</u> | <u>5.1%</u> |
| Accumulated Depreciation | 29.8 | 29.7 | 0.1 | 0.3% |
| Capital Assets, net | <u>\$ 3.4</u> | <u>\$ 1.9</u> | <u>\$ 1.5</u> | <u>78.9%</u> |

Factors Bearing on the Corporation's Future

Gary Public Transportation Corporation (GPTC) is expecting an exciting future. Procured in 2022, the corporation will launch its anticipated electric buses in 2023. GPTC procured charging stations for those electric buses. Another 2022 project was the hiring of an architect to design the rehabilitation plans for the 35th Avenue facility, as well as, design the bus operators' relief facility. Matching funds continuing to be a significant financial challenge, but steps have been taken towards achieving sustainable operating revenue from local and state sources. Evidence of this ability was the award of a grant from the Indiana Department of Environmental Management (IDEM) for matching dollars for four (4) electric buses (arriving in 2023). The GPTC will continue its ongoing relationship with local municipalities (Hammond, Merrillville, and Lake County, Indiana) who provide matching funds for services delivered outside of the City of Gary's borders.

GPTC has been awarded in excess of \$22 million dollars in Federal grant awards. Those dollars are from various FTA programs, including Congestion Mitigation and Air Quality (CMAQ), Job Access and Reverse Commute (JARC), and Moving Ahead for Progress in the 21st Century (MAP-21); which provide funding streams for a myriad of projects and operating assistance. These dollars can require 50% to 20% matching dollars that GPTC receives from various sources. Local property tax dollars and Public Mass Transit Fund (PMTF) dollars are our two primary sources of matching funds. As mentioned above, GPTC has three inter-local agreements for funding from local communities that GPTC served. Because of the ability to obtain matching funds, GPTC plans to embark on various improvements – multimillion-dollar renovations to its maintenance facility, purchase of new diesel buses, installation and rehabilitation of bus stops, and to acquire support vehicles to enhance service to its riders and employees.

(Continued)

GARY PUBLIC TRANSPORTATION CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended December 31, 2022

Requests for Information

This financial report is designed to provide the Corporation's citizens, taxpayers, and creditors with a general overview of the Corporation's finances and to demonstrate the Corporation's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the Finance Office at Gary Public Transportation Corporation, 100 West 4th Avenue, Third Floor, Gary, IN, 46402, (219) 885-7555.

GARY PUBLIC TRANSPORTATION CORPORATION
STATEMENT OF NET POSITION
Year ended December 31, 2022

| | <u>2022</u> |
|--|---------------------|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents (Note 2) | \$ 447,358 |
| Federal and state grants receivable | 1,854,670 |
| Property tax receivable | 1,556,108 |
| Accounts receivable | 25,272 |
| Materials and supplies Inventory | 295,195 |
| Prepaid expenses | <u>102,610</u> |
| Total current assets | 4,281,213 |
| Noncurrent assets: | |
| Restricted Cash (Note 2) | 142,989 |
| Capital assets: (Note 3) | |
| Capital assets not being depreciated: | |
| Construction in process | 30,836 |
| Land | <u>631,331</u> |
| Total capital assets not being depreciated | 662,167 |
| Depreciable capital assets: | |
| Building and improvements | 14,669,931 |
| Revenue vehicles and equipment | 12,439,500 |
| Service vehicles and equipment | 3,649,395 |
| Office furniture and equipment | 1,665,821 |
| Software | <u>186,674</u> |
| Total capital assets being depreciated | 32,611,321 |
| Less: Accumulated depreciation | <u>(29,828,646)</u> |
| Total depreciable capital assets, net | <u>2,782,675</u> |
| Total capital assets, net | <u>3,444,842</u> |
| Total assets | <u>\$ 7,869,044</u> |
| LIABILITIES | |
| Liabilities: | |
| Accounts and other payables | <u>\$ 200,312</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| From property taxes (Note 1) | <u>1,556,108</u> |
| NET POSITION | |
| Net investment in capital assets | 3,444,842 |
| Unrestricted net position | <u>2,667,782</u> |
| Total net position | <u>6,112,624</u> |
| Total liabilities, deferred inflows of resources, and net position | <u>\$ 7,869,044</u> |

See accompanying notes to financial statements.

GARY PUBLIC TRANSPORTATION CORPORATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year ended December 31, 2022

| | <u>2022</u> |
|--|--------------------------------|
| Operating revenues | |
| Passenger | \$ 341,055 |
| Advertising | <u>104,532</u> |
| Total operating revenues | <u>445,587</u> |
| Operating expenses | |
| Transportation | 3,591,574 |
| Maintenance | 1,029,778 |
| Building | 654,066 |
| General and administrative | 2,185,014 |
| Depreciation and amortization | <u>376,460</u> |
| Total operating expenses | <u>7,836,892</u> |
| Operating loss | (7,391,305) |
| Nonoperating revenues (expenses) | |
| FTA federal grants | 4,616,991 |
| State operating assistance | 911,022 |
| Property tax | 1,211,231 |
| Local operating tax | 81,731 |
| Other income | <u>443,592</u> |
| Total nonoperating revenues (expenses) | <u>7,264,567</u> |
| Net change before capital contributions | (126,738) |
| Capital contributions | <u>1,395,451</u> |
| Change in net position | 1,268,713 |
| Total net position, beginning of year | <u>4,843,911</u> |
| Total net position, end of year | <u><u>\$ 6,112,624</u></u> |

See accompanying notes to financial statements.

GARY PUBLIC TRANSPORTATION CORPORATION
STATEMENT OF CASH FLOWS
Year ended December 31, 2022

| | <u>2022</u> |
|---|-----------------------|
| Cash flows from operating activities | |
| Cash received from fares | \$ 327,652 |
| Cash received from advertising | 104,532 |
| Payments to employees | (3,925,479) |
| Payments to suppliers and vendors | <u>(3,598,178)</u> |
| Net cash from operating activities | <u>(7,091,473)</u> |
| Cash flows from noncapital financing activities | |
| Receipts of local government assessments and taxes | 2,203,984 |
| Other income | 443,592 |
| Receipts of federal and state government grants and reimbursements | <u>3,684,343</u> |
| Net cash from noncapital financing activities | <u>6,331,919</u> |
| Cash flows from capital and related financing activities | |
| Purchase of capital assets | (1,914,989) |
| Receipts of federal and state government grants and reimbursements | <u>1,395,451</u> |
| Net cash from capital and related financing activities | <u>(519,538)</u> |
| Net change in cash and cash equivalents | (1,279,092) |
| Cash and cash equivalents, beginning of year | <u>1,869,439</u> |
| Cash and cash equivalents, end of year | <u>\$ 590,347</u> |
| Reconciliation of operating income to net cash from operating activities | |
| Operating loss | \$ (7,391,305) |
| Adjustments to reconcile operating loss to net cash from operating activities | |
| Depreciation and amortization | 376,460 |
| (Increase) decrease due to changes in: | |
| Accounts receivable | (13,403) |
| Materials and supplies inventory | 916 |
| Prepaid expense | (17,251) |
| Accounts payable | <u>(46,890)</u> |
| Net cash from operating activities | <u>\$ (7,091,473)</u> |

See accompanying notes to financial statements.

GARY PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business: Gary Public Transportation Corporation ("GPTC" or the "Corporation") is a municipal corporation formed in 1975 under the provisions of IC 19-5-2-10. GPTC was formed for the purpose of providing and maintaining continuing public transportation through a publicly owned urban mass transportation system. GPTC's mission is to become an efficient transit system capable of meeting the employment, social and medical needs of the citizens of Gary, Indiana as well as Northwest Indiana, while stimulating economic development within the City of Gary.

Reporting Entity: The accompanying financial statements comply with the provisions of the Governmental Accounting Standards Board (GASB). GASB Statement No. 61 requires that financial statements of the reporting entity include all the organization's activities, functions, and component units for which the reporting entity is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board and either (1) the reporting entity's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the reporting entity. Based upon the application of these criteria, no entities have been identified as component units for the purpose of defining the Corporation's reporting entity.

Budgetary Information: Annual budgets are adopted on the cash basis of accounting, which is not consistent with U.S. GAAP. All annual appropriations lapse at calendar year end. Prior to the first required publication, the Controller of the Corporation submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised, and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution, approves the budget for the next year. Copies of the budget resolution and the advertisements for funds for which property taxes are levied are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the Controller receives approval of the Indiana Department of Local Government Finance. The Corporation's management cannot transfer budgeted appropriations between classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund.

Basis of Accounting and Accounting Presentation: This summary of significant accounting policies is presented to assist in understanding GPTC's financial statements. The financial statements and accompanying notes are representations of GPTC's management who is responsible for their integrity and objectivity.

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Proprietary Fund Type: GPTC operates as an Enterprise Fund, a type of Proprietary Fund. Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. GPTC's activities are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, net position, revenues, and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

(Continued)

GARY PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates in Preparation of Financial Statements: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Operating and Non-operating Revenues and Expenses: The principal operating revenue of GPTC is passenger fares. GPTC also recognized as operating revenue the fees collected from advertisements of GPTC's property and miscellaneous operating revenues.

Operating expenses for GPTC include the costs of operating the transit system, administrative expenses, and depreciation on capital assets.

Non-operating revenues primarily include grants and tax revenue from federal, state, and local governments. On an accrual basis, revenue from grants is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements may include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, and expenditure requirements, in which the resources are provided to the GPTC on a reimbursement basis.

It is GPTC's policy to apply restricted resources first when an expense is incurred for which both with restricted and unrestricted net position are available.

Property Taxes: Property tax revenues are recognized in the year in which they are levied. Property taxes levied are collected by the County Treasurer and are distributed to the Corporation. The Corporation collects taxes after the due dates, usually within 45-90 days. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates are based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxes levied in one year become due and payable in two installments the following year. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively.

Property Tax Receivable: Property taxes for the 2022 tax levy were attached as an enforceable lien on properties as of March 1, 2022; these taxes were levied in January 2022, by passage of a tax ordinance. Tax bills were prepared by Lake County and were issued in April 2022 and October 2022 and payable in May 2022 and December 2022. As of December 31, 2022, GPTC had an outstanding property tax receivable balance of \$1,556,108. There is an offsetting deferred inflow of resources relates to the timing of activity.

Fare Box and Passenger Revenues: Revenues are recognized at the time services are performed.

Capital and Operating Grants Revenue: Certain expenditures for capital acquisitions, improvements and development of an urban mass transportation system have received significant federal funding through the Federal Transit Administration (FTA). The balance of such expenditures is funded through state and local sources. Funds provided by governmental authorities for capital and operating assistance are recognized when earned. These revenues are recorded under nonoperating revenues and capital contributions.

(Continued)

GARY PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents: Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with maturities when purchased of three months or less. Restricted cash had represented funds remaining from insurance proceeds received during the previous years from the disposition of an FTA funded service vehicle. There are funds on hand at December 31, 2022 from the aforementioned service vehicle of \$142,989.

Grants and Accounts Receivable: Grants receivable are typically based on cost reimbursement agreements. Accounts receivable are based on operating activities. No allowance for bad debts has been established because management considers all material receivables to be collectible.

Materials and Supplies Inventory: Inventory consists of parts and supplies and is valued at the lower of cost (first-in, first-out method) or market.

Capital Assets: Capital assets are stated at cost and are defined as assets which (1) have a useful life of more than one year and a unit cost of more than \$5,000 (2) have a unit cost of \$5,000 or less, but which are part of a network or system conversion or (3) have a unit cost of \$1,000 and were purchased with grant money. The cost of maintenance and repairs is charged to operations as incurred. Depreciation is calculated under the straight-line method at amounts based on the respective estimated useful lives of major asset classifications, as follows:

| | |
|--------------------------------|--------------|
| Buildings and improvements | 20 years |
| Revenue vehicles and equipment | 7 - 12 years |
| Service vehicles and equipment | 7 - 10 years |
| Office furniture and equipment | 5 - 10 years |
| Software | 5 years |

Compensated Absences: Substantially all employees receive compensation for vacations, holidays, illness, and certain other qualifying absences. The number of days compensated for the various categories of absence is based generally on length of service and are earned the year before they can be used. Unused vacation hours do not carry over unless specifically approved, but payments for unused vacation are due at the end of the vacation year for administrative staff. At December 31, 2022, the amount accruable for administrative staff was not deemed to be individually material and is included in accounts and other payables.

Self-Insurance: The Corporation has a self-funded workmen compensation insurance, dental and vision plan. As of December 31, 2022, there were no material accrued amounts for workers' compensation, dental or vision pending claims.

Net Position: The three components of net position include:

Net Investment in Capital Assets - This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted for capital projects - This consists of assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. There were no restricted funds for capital projects at year end.

Unrestricted - This consists of assets that do not meet the definition of "restricted" or "Net investment in capital assets."

(Continued)

GARY PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Pronouncements: For the year ended December 31, 2022, the Corporation adopted the following accounting pronouncements.

- GASB Statement No. 87, *Leases*, was adopted with no impact on the financial statements.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to December 31, 2022, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2022.

NOTE 2 - CASH AND CASH EQUIVALENTS

The Corporation maintains cash deposits with area financial institutions. A summary of these deposits at December 31, 2022, is as follows:

| | <u>Carrying Value</u> | <u>Bank Balance</u> |
|---|---------------------------|-------------------------|
| Cash deposits: | | |
| Insured by FDIC | \$ 315,398 | \$ 315,476 |
| Insured by Indiana Public Deposits Insurance Fund | <u>274,949</u> | <u>562,883</u> |
| | <u>\$ 590,347</u> | <u>\$ 878,359</u> |

The Public Deposit Insurance Fund (PDIF) was created by the Acts of 1937 to protect the public funds of the state and its political subdivisions deposited in approved financial institutions. The PDIF insures those public funds deposited in approved financial institutions which exceed the limits of coverage provided by any federal deposit insurance. GPTC has funds deposited in PDIF approved financial institutions.

(Continued)

GARY PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 3 - CAPITAL ASSETS, NET

A summary of changes in capital assets is as follows:

| | <u>1/1/2022</u> | <u>Additions</u> | <u>Reductions</u> | <u>12/31/2022</u> |
|---|---------------------|---------------------|-------------------|---------------------|
| Capital assets not being depreciated: | | | | |
| Construction in process | \$ - | \$ 30,836 | \$ - | \$ 30,836 |
| Land | <u>631,331</u> | <u>-</u> | <u>-</u> | <u>631,331</u> |
| Total capital assets not being depreciated | 631,331 | 30,836 | - | 662,167 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 14,669,931 | - | - | 14,669,931 |
| Revenue vehicles and equipment | 11,896,293 | 1,480,458 | (247,500) | 13,129,251 |
| Service vehicles and equipment | 2,555,949 | 403,695 | - | 2,959,644 |
| Office furniture and equipment | 1,665,821 | - | - | 1,665,821 |
| Software | <u>186,674</u> | <u>-</u> | <u>-</u> | <u>186,674</u> |
| Total capital assets being depreciated | 30,974,668 | 1,884,153 | (247,500) | 32,611,321 |
| Less accumulated depreciation: | | | | |
| Buildings and improvements | (14,337,223) | (62,746) | - | (14,399,969) |
| Revenue vehicles and equipment | (11,131,881) | (228,486) | 247,500 | (11,112,867) |
| Service vehicles and equipment | (2,503,980) | (39,558) | - | (2,543,538) |
| Office furniture and equipment | (1,543,021) | (43,792) | - | (1,586,813) |
| Software | <u>(183,581)</u> | <u>(1,878)</u> | <u>-</u> | <u>(185,459)</u> |
| Total accumulated depreciation | <u>(29,699,686)</u> | <u>(376,460)</u> | <u>247,500</u> | <u>(29,828,646)</u> |
| Total capital assets being depreciated, net | <u>1,274,982</u> | <u>1,507,693</u> | <u>-</u> | <u>2,782,675</u> |
| Total capital assets, net | <u>\$ 1,906,313</u> | <u>\$ 1,538,529</u> | <u>\$ -</u> | <u>\$ 3,444,842</u> |

NOTE 4 - DEFINED CONTRIBUTION PENSION PLAN

The Corporation sponsors a defined contribution pension plan, covering all eligible salaried and hourly employees, known as the Gary Public Transportation Corporation Employee's Pension Plan and Trust. Latitude is the third-party administrator (the Plan Administrator), and Capital Bank and Trust is the custodian of the plan assets. The plan is part of an agreement with Division 517 of the Amalgamated Transit Union and the plan may be amended by mutual agreement of the parties, subject to approval by the Corporation. Under the terms of the plan, the Corporation is required to make monthly contributions, which vary depending on the length of service of employees as follows:

| <u>Years of Service</u> | <u>Monthly Contribution</u> |
|-------------------------|-----------------------------|
| Less than 10 | \$ 30 |
| 10 - 15 | 40 |
| 15 - 19 | 45 |
| 20 - 24 | 50 |
| 25 or more | 60 |

(Continued)

GARY PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 4 - DEFINED CONTRIBUTION PENSION PLAN (Continued)

Employees become vested after five years of continuous service with GPTC. Additionally, the Corporation contributes fifteen cents per payroll hour for full time employees with at least ten years of vested service. The Corporation's employer contributions were approximately \$34,000 for the year ended December 31, 2022, and employee contributions were approximately \$29,000.

The plan administrator invests the plan's assets in several types of mutual funds. At December 31, 2022, the investments of the plan, at fair value, amounted to approximately \$1,440,000. These assets are excluded from these financial statements. The plan is not audited.

NOTE 5 - FEDERAL, STATE AND LOCAL NON-OPERATING ASSISTANCE

Reduced fare revenue subsidies received from the State of Indiana were \$911,022 for the year ended December 31, 2022, were used for discounted services provided to the elderly, disabled, or student riders.

Property tax revenue for 2022 was from a Lake County property tax levy with distributions to GPTC of \$1,211,231 for operating assistance.

GPTC receives federal funds from the Department of Transportation (via FTA) under the Urbanized Area Formula grant. The grant is cost reimbursement based on projects and budgets preapproved. Once funds have been spent on preapproved projects, GPTC requests reimbursement. The FTA reimburses GPTC its proportionate share of the monies spent while GPTC is responsible for a local match.

NOTE 6 - LEASES

The Corporation leases tires and related services for its fleet of buses through Bridgestone. Amounts due on the lease are determined on an annual basis relative to actual usage. The agreement expired April 30, 2023. New lease agreements were entered into in 2023. Expenses related to this lease were approximately \$30,095 in 2022.

NOTE 7 - RISK MANAGEMENT – CONTINGENCIES AND COMMITMENTS

Contingencies: Various claims and lawsuits arising from the normal course of business are pending against GPTC. The nature of GPTC's operations sometimes subjects the Corporation to litigation. General Counsel for GPTC is of the opinion that ultimate settlement of such claims in excess of insurance coverage will not result in a material adverse effect on GPTC's financial statements as of December 31, 2022. The Corporation did not have settlements in excess of insurance coverage during the current or preceding years ending December 31, 2022, 2021, or 2020. No liability is recorded as of December 31, 2022.

GPTC maintains coverage for general liability, property and casualty, employee accidents, environmental, business interruption, terrorism, and automotive liability losses arising from automotive liability, property, property-related business interruption, terrorism, employment-related suits, including discrimination and sexual harassment, and management liability of board members, directors, and officers of GPTC.

Also included are risks of loss associated with providing insured and self-insured health, dental, and life insurance benefits to employees and retirees. Premiums have been recorded as expenses in the appropriate funds. GPTC provides health insurance benefits to employees through two fully insured health maintenance organizations PPO plan.

(Continued)

NOTE 7 - RISK MANAGEMENT – CONTINGENCIES AND COMMITMENTS (Continued)

GPTC provides dental insurance benefits through two fully insured dental maintenance organizations and a self-insured dental indemnity plan. GPTC does not purchase stop-loss insurance for its self-insured comprehensive indemnity/PPO plan. No material liabilities associated with the dental indemnity plan exist at December 31, 2022. Lastly, GPTC covers the cost of employee life insurance policies for both active and retired employees. Life insurance coverage limits are \$15,000 for active union employees and \$7,000 for retired employees, and GPTC is obligated to cover the cost of the associated premiums. For active nonunion employees, the coverage limit is based on salary.

Commitments: GPTC has reported that the Corporation has no material contractual commitments to fulfill as of December 31, 2022.

NOTE 8 - OTHER MATTERS

GPTC uses office space owned by the City of Gary. The use of the space is part of an operating agreement in exchange for GPTC services that includes collecting parking lot revenue and rent payments from the lessees at the Metro Center and making payments based on revenue collections to the various Metro Center vendors for utilities, security, janitorial and maintenance, and other related expenses. Any expense amounts in excess of the revenue collected from the Metro Center vendors are the responsibility of the City of Gary.

SUPPLEMENTARY INFORMATION

GARY PUBLIC TRANSPORTATION CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year ended December 31, 2022

| <u>Federal Grantor/ Program or Cluster Title</u> | <u>AL Number</u> | <u>Award Number</u> | <u>Federal Expenditure</u> |
|--|----------------------|-------------------------|--------------------------------|
| Department of Transportation | | | |
| Federal Transportation Administration | | | |
| Direct Awards: | | | |
| Federal Transit Cluster: | | | |
| Federal Transit Formula Grants | 20.507 | IN-2016-0025 | \$ 2,657 |
| Federal Transit Formula Grants | 20.507 | IN-2016-0036 | 513,902 |
| Federal Transit Formula Grants | 20.507 | IN-2019-0028 | 1,191,311 |
| COVID-19 - Federal Transit Formula Grants | 20.507 | IN-2020-0015 | 583,709 |
| Federal Transit Formula Grants | 20.507 | IN-2020-0043 | 211,085 |
| Federal Transit Formula Grants | 20.507 | IN-2021-0024 | 681,061 |
| Federal Transit Formula Grants | 20.507 | IN-2022-0008 | 70,237 |
| Federal Transit Formula Grants | 20.507 | IN-90-0585 | 703,060 |
| Federal Transit Formula Grants | 20.507 | IN-90-0652 | 1,948,078 |
| Federal Transit Formula Grants | 20.507 | IN-95-0016 | <u>107,342</u> |
| Total Federal Transit Cluster | | | <u>6,012,422</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 6,012,442</u> |

Notes to the SEFA

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Corporation under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Corporation, it is not intended to and does not present the statement of net position, statement of revenues, expenses and changes in net assets, or cash flows of the Corporation.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. The Corporation has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Other Information

The Corporation did not have any sub-recipient activity or noncash activity during the year.

INDEPENDENT AUDITOR'S 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
Gary Public Transportation Corporation
Gary, Indiana

We have audited, in accordance with the 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 the Gary Public Transportation Corporation ("Corporation") as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated September 28, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Crowe LLP
Crowe LLP

Indianapolis, Indiana
September 28, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Board of Directors
Gary Public Transportation Corporation
Gary, Indiana

Report on Compliance for Major Federal Program

Opinion on Major Federal Program

We have audited the Gary Public Transportation Corporation ("Corporation") compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on Corporation's major federal program for the year ended December 31, 2022. The Corporation's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

Basis for Opinion on Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Corporation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Corporation's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Corporation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Corporation's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as 2022-002 to be a material weakness.

(Continued)

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Corporation's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Corporation's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Crowe LLP
Crowe LLP

Indianapolis, Indiana
September 28, 2023

GARY PUBLIC TRANSPORTATION CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended December 31, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiencies identified?

_____ Yes X None Reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal Control over major federal programs:

Material weakness(es) identified?

 X Yes _____ No

Significant deficiencies identified?

 X Yes _____ None Reported

Type of auditor's report issued on compliance for major federal program:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 X Yes _____ No

Identification of major programs:

AL Number(s)

Name of Federal Program or Cluster

20.507

Federal Transit Cluster – Federal Transit Formula Grants

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

_____ Yes X No

(Continued)

GARY PUBLIC TRANSPORTATION CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended December 31, 2022

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2022-001 - Controls Over Cash Management (Significant Deficiency)

Criteria: According to Title 2 U.S. Code of Federal Regulations (“CFR”) Part 200, paragraph 305, non-federal entities are required to minimize the time that elapses between the transfer of funds from the federal funding source and the disbursement of those funds by the non-federal entity for the program’s intended purposes.

Condition and Context: As a part of our testing over cash management of funds received from the federal funding source, we examined information showing the dates on which five program-related disbursement of federal funds were received by the Corporation, and we compared those dates to the dates when the Corporation remitted the amounts for the purposes of covering payroll expenses and paying its various contractors. We noted one draw for \$1,184,367 that was received from the federal funding source with no payments made to the contractors for which the funds had been appropriated. This resulted in a period of 16 days between receipt of the federal funds and the corresponding payments to the contractors. We also noted one of the five draws tested were for an incorrect amount. The Corporation submitted a draw for \$29,997 in error. The overdrawn funds were repaid to the federal funding source. The Corporation prepared a schedule of draws made during 2022 and it was noted that the Corporation drew or repaid an incorrect amount in four months of the year, of which some were corrected in the next period.

Effect: As a result of these matters, the Corporation essentially borrowed money from the federal government and potentially delayed payment to vendors.

Cause: The condition was caused by an oversight by management that resulted in invoices not being processed for payment until well after the cash had been drawn by the Corporation and resulted in draws to processed for an incorrect amount.

Questioned Costs: From our sample tests, the Corporation overdraw \$29,997 for the month of May 2022.

Recommendation: We recommend that management designate a specific individual to be responsible for monitoring the receipt of federal funds on a daily basis. This person should be tasked with ensuring that funds that have been transferred from the federal funding source are disbursed to the intended contractors within a short period following receipt of these funds and ensuring that the correct draw amounts are submitted. We also recommend that management prepare a schedule of all claims to determine whether there are additional amounts that have been overclaimed.

Views of responsible officials and planned corrective actions: Management agrees with the finding and has prepared a corrective action plan.

(Continued)

GARY PUBLIC TRANSPORTATION CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended December 31, 2022

Finding 2022-002 - Controls Over Payroll Expenditures (Material Weakness)

Criteria: 2 CFR 200.403 establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable, under federal awards, cost must meet certain criteria:

- a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
- d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
- f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally financed program in either the current or a prior period.
- g) Be adequately documented.
- h) Cost must be incurred during the approved budget period.

Additionally, 2 CFR 200.303 indicates that non-Federal Entities receiving Federal awards must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations and terms and conditions of the Federal award.

The Corporation should have controls in place to document that salaries and overtime paid with federal funds were allowable. Timecards supporting hours worked should be approved and pay rates reviewed.

Condition and Context: A summary of allowable charges for the grant was prepared for submission. Differences were noted when comparing the summary to timecards. Within the sample of 45, we noted that 31 timecards did not have a documented review. From the sample, we noted that the pay advice form, which reflects pay rate changes, for 2 employees did not indicate signature by an approver and only indicated the requestor's signature. The employees' new pay rate as indicated on the pay advice form was reflected in the payroll expenditure. Additionally, within the sample of 45, we noted 1 employee that did not have a pay advice form or contract to support the pay rate.

We noted the following control items:

- 31 out of 45 timecards tested did not have documented review.
- 2 out of 45 employees tested did not have pay advice forms signed by both the requestor and reviewer. Only the requestor signed the form.
- 1 out of 45 employees tested did not have a pay advice form or other supporting documentation for the pay rate.

Effect: Payroll expenditures could be inaccurately charged to the federal grant.

Cause: The lack of documented timecard and pay rate approval were an oversight.

Questioned Costs: None

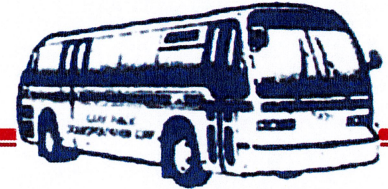
(Continued)

GARY PUBLIC TRANSPORTATION CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended December 31, 2022

Finding 2022-002 - Controls Over Payroll Expenditures (Material Weakness) (Continued)

Recommendation: We recommend the Corporation maintain documented approval of all timecards and pay rate increases.

Views of responsible officials and planned corrective actions: Management agrees with the finding and has prepared a corrective action plan.



Administration Facility
100 West 4th Avenue
(219) 885-7555

Transportation/Maintenance
2101 West 35th Avenue
(219) 884-6100

Finding 2022-001 - Controls Over Cash Management (Significant Deficiency)

Criteria: According to Title 2 U.S. Code of Federal Regulations (“CFR”) Part 200, paragraph 305, non-federal entities are required to minimize the time that elapses between the transfer of funds from the federal funding source and the disbursement of those funds by the non-federal entity for the program’s intended purposes.

Condition and Context: As a part of our testing over cash management of funds received from the federal funding source, we examined information showing the dates on which five program-related disbursement of federal funds were received by the Corporation, and we compared those dates to the dates when the Corporation remitted the amounts for the purposes of covering payroll expenses and paying its various contractors. We noted one draw for \$1,184,367 that was received from the federal funding source with no payments made to the contractors for which the funds had been appropriated. This resulted in a period of 16 days between receipt of the federal funds and the corresponding payments to the contractors. We also noted one of the five draws tested were for an incorrect amount. The Corporation submitted a draw for \$29,997 in error. The overdrawn funds were repaid to the federal funding source. The Corporation prepared a schedule of draws made during 2022 and it was noted that the Corporation drew or repaid an incorrect amount in four months of the year, of which some were corrected in the next period.

Effect: As a result of these matters, the Corporation essentially borrowed money from the federal government and potentially delayed payment to vendors.

Cause: The condition was caused by an oversight by management that resulted in invoices not being processed for payment until well after the cash had been drawn by the Corporation and resulted in draws to processed for an incorrect amount.

Questioned Costs: From our sample tests, the Corporation overdraw \$29,997 for the month of May 2022.

Recommendation: We recommend that management designate a specific individual to be responsible for monitoring the receipt of federal funds on a daily basis. This person should be tasked with ensuring that funds that have been transferred from the federal funding source are disbursed to the intended contractors within a short period following receipt of these funds and ensuring that the correct draw amounts are submitted. We also

in compliance with Federal statutes, regulations and terms and conditions of the Federal award.

The Corporation should have controls in place to document that salaries and overtime paid with federal funds were allowable. Timecards supporting hours worked should be approved and pay rates reviewed.

Condition and Context: A summary of allowable charges for the grant was prepared for submission. Differences were noted when comparing the summary to timecards. Within the sample of 45, we noted that 31 timecards did not have a documented review. From the sample, we noted that the pay advice form, which reflects pay rate changes, for 2 employees did not indicate signature by an approver and only indicated the requestor's signature. The employees' new pay rate as indicated on the pay advice form was reflected in the payroll expenditure. Additionally, within the sample of 45, we noted 1 employee that did not have a pay advice form or contract to support the pay rate.

We noted the following control items:

- 31 out of 45 timecards tested did not have documented review.
- 2 out of 45 employees tested did not have pay advice forms signed by both the requestor and reviewer. Only the requestor signed the form.
- 1 out of 45 employees tested did not have a pay advice form or other supporting documentation for the pay rate.

Effect: Payroll expenditures could be inaccurately charged to the federal grant.

Cause: The lack of documented timecard and pay rate approval were an oversight.

Questioned Costs: None

Recommendation: We recommend the Corporation maintain documented approval of all timecards and pay rate increases.

Views of Responsible Officials and Planned Corrective Actions:

The Transportation Department provides a spreadsheet that details time operators work by route. This process is used to align FTA funding streams with routes driven. The spreadsheet is kept by the Transportation Manager and reviewed by the Director of Transportation. These two positions approve time prior to submitting it for processing.

GPTC is engaging its current payroll provider to assist in finding a technological solution to capturing start and end times of each operator. Until we can get this technical solution, an approval form will be submitted by the Transportation Department along with the allocation spreadsheet.

As stated above, GPTC experienced a lot of turnover and personnel changes – the Human Resource Department had many. Pay advices are managed by this department. Our

recommend that management prepare a schedule of all claims to determine whether there are additional amounts that have been overclaimed.

Views of Responsible Officials and Planned Corrective Actions:

In 2022, GPTC experienced a lot of turnover and personnel changes in multiple areas. In reassigning responsibilities, the Finance Department was designated as the area to handle FTA fund requests in June 2023. Absorption of these responsibilities required them to get an understanding of the process, formulate procedures for drawdowns, and develop a method for monitoring these dollars. The first drawdowns by the new team occurred in August 2023. FTA dollars are a major source of funding, so managing this process is highly important. GPTC has implemented a review process, as required by the FTA; and developed a spreadsheet for formulating amounts to be drawn. Iniquities in the spreadsheet were remedied in September 2023, and future processing has been good.

GPTC realizes that FTA grants are reimbursable. The process requires prepayment of expenses, proof of payment, and reclamation of the FTA's portion of expended funds. So, future funds will be disbursed in a timely fashion. Large dollar amounts that require FTA funding for payment will be disbursed within three days, as required.

Finding 2022-002 - Controls Over Payroll Expenditures (Material Weakness):

Criteria: 2 CFR 200.403 establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable, under federal awards, cost must meet certain criteria:

- a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
- d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
- f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally financed program in either the current or a prior period.
- g) Be adequately documented.
- h) Cost must be incurred during the approved budget period.

Additionally, 2 CFR 200.303 indicates that non-Federal Entities receiving Federal awards must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award

current staff initiates and monitors pay advices. These documents are being transmitted electronically for review by all parties and to preserve records.

Contact Information:

For more information, questions, and/or concerns, please contact Freddy McMillon, Director of Finance at Gary Public Transportation Corporation at (219)885-7555, ext. 201.

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Finding 2021-001 – Controls Over Financial Reporting:

Internal controls over financial reporting are a key component of an organization's control environment. Entities should have internal controls over financial reporting including policies and procedures surrounding the general journal entry process. During our audit, we concluded that management did not have effective segregation of duties surrounding the manual journal entry process. In certain instances, manual entries were prepared and posted in the system by the same user. During the testing of manual journal entries posted during the year under audit, we noted instances where entries were prepared and posted by the same user within the system resulting in a lack of segregation of duties within the journal entry process. Improper segregation of duties surrounding the journal entry process could result in authorized transactions being recorded to the financial reporting system where management would not be able to detect such activity timely.

Recommendation: We recommend that management implement a period end closing checklist and prepare GAAP financial statements periodically and reinforce the use of standard protocol for periodic general ledger closing, account reconciliation process, monthly journal entries, in order to prepare accurate and timely internal financial statements and ensure timely backups are performed.

Status: Resolved.