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State Examiner

INDIANA STATE BOARD OF ACCOUNTS

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April 10, 2025

Board of Directors
South Bend Public Transportation Corporation
St. Joseph County, Indiana

We have reviewed the audit report of the South Bend Public Transportation Corporation (Corporation) which was opined upon by Crowe LLP, Independent Public Accountants, for the period January 1, 2023 to December 31, 2023. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of the South Bend Public Transportation Corporation as of December 31, 2023, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

Tammy R. White, CPA
Deputy State Examiner

**SOUTH BEND PUBLIC
TRANSPORTATION CORPORATION**
(A Component Unit of the City of South Bend, Indiana)

FINANCIAL STATEMENTS
December 31, 2023

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
South Bend, Indiana

FINANCIAL STATEMENTS
December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
South Bend Public Transportation Corporation
South Bend, Indiana

Report on Financial Statements***Opinion***

We have audited the financial statements of the business-type activities and fiduciary activities of the South Bend Public Transportation Corporation (the Corporation), a component unit of the City of South Bend, as of and for the year ended December 31, 2023, 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, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the Corporation as of December 31, 2023, and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the South Bend Public Transportation Corporation Pension Trust, which is a fiduciary activity of the Corporation. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for fiduciary activities, is based solely on the report of the other auditors.

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*, 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. The financial statements of the fiduciary fund were not audited in accordance with *Government Auditing Standards*.

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.

(Continued)

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.

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 on pages 4 through 8, the Schedule of Changes in the Corporation's Net Pension Liability and Related Ratios on page 27, and the Schedule of the Corporation's Contributions on page 28, 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 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 schedule of expenditures of federal awards as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements or 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 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 August 7, 2024 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.

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, flowing style.

Crowe LLP

South Bend, Indiana
August 7, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended December 31, 2023

As management of the South Bend Public Transportation Corporation (the "Corporation"), we offer the following discussion and analysis as insight into the financial performance of the Corporation for the fiscal year ended December 31, 2023. The Corporation's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Corporation's financial activity, and (c) identify changes in the Corporation's financial position (its ability to address the next and subsequent year challenges).

Because the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the financial statements, and the notes to the financial statements.

The South Bend Public Transportation Corporation is a municipal corporation established under Indiana Code 36-9-4-11 which provides transportation services for the citizens of South Bend and Mishawaka, Indiana. The Corporation is a component unit of the City of South Bend. The Corporation is governed by a nine-member Board of Trustees appointed for a four-year term by the Mayor of South Bend (3), the Mayor of Mishawaka (1), the South Bend Common Council (4), and the Mishawaka Common Council (1).

With a fleet of fifty (50) CNG fueled buses and a work force of one hundred twelve (112) employees, the Corporation operates an extensive system of bus routes that serve the cities of South Bend and Mishawaka six days a week. The Corporation services approximately 68 square miles with a population of more than 155,000.

In addition to an extensive fixed route system, the Corporation offers paratransit (Access) services for eligible riders who, because of a disability, may require an alternative to the regular fixed route service. The Access service consists of nineteen (19) ADA vehicles providing curb to curb service six days a week. The Corporation actively participates in Transit Watch and Safe Place programs dedicated to providing safety and information to those in need.

FINANCIAL HIGHLIGHTS

- Corporation's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at December 31, 2023 by \$37,647,066 (net position).
- Fare revenues for 2023 increased by 11% over that of the prior year.
- FTA and local capital contributions for 2023 decreased \$33,398 from the prior year.
- Operating expenses before depreciation increased by 2% from the prior year.
- Net position increased \$1,692,457, or 5%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report essentially consists of five parts: management's discussion and analysis (this section), the financial statements, the notes to the financial statements, supplementary information, and reports on compliance and internal controls over financial reporting. The discussion and analysis are intended to serve as an introduction to the Corporation's financial statements, which is comprised of the financial statements and the notes to the financial statements.

The Corporation's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the statements of revenues, expenses, and changes in net position. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the Corporation are included in the statement of net position.

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended December 31, 2023

The financial statements provide both long and short term information about the Corporation's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Financial statements. 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.

- **Statement of net position.** The statement of net position presents information on all of the Corporation's assets and deferred outflows of resources and liabilities and deferred inflows of resources, 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. Net position increases when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities results in increased net position, which indicates an improved financial position.
- **Statement of revenues, expenses, and changes in net position.** The statement of revenues, expenses, and changes in net position presents information showing how the Corporation's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave). Expenses are subtracted from revenues to get the change in net position.
- **Statement of cash flows.** The statement of cash flows is used to categorize net cash provided or used during a period as either operating, investing, or financing activities and reconciles beginning and ending cash and cash equivalents.

Notes to the financial statements. The notes are a required part of the financial statements that provide necessary information for the understanding of the Corporation's financial report. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Other information. The Corporation has provided more detailed information regarding certain facets of the financial statements in the "Required Supplementary Information" and "Supplemental Schedules" sections.

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SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended December 31, 2023

FINANCIAL ANALYSIS

Net position. Net position may serve, over time, as a useful indicator of a corporation's financial position. At December 31, 2023, the Corporation's total assets increased by \$1,518,706 to \$42,163,892 or approximately 4% from the prior year, primarily due to current year additions out pacing depreciation expense. Total liabilities amounted to \$723,686. This represents a decrease of \$882,685 or approximately 55% from the prior year. The increase is mainly attributed to a decrease in net pension liability (asset) of \$803,490 due to negative investment returns on plan assets in 2023. Consequently, net position changed to \$37,647,066. This represents an increase of \$1,692,457 or approximately 5%.

TABLE 1 - NET POSITION

	<u>2023</u>	<u>2022</u>	Percentage Change 2023 vs. 2022
Assets:			
Current assets	\$ 5,643,607	\$ 6,480,312	(13) %
Noncurrent assets	145,205	345,205	(58) %
Capital assets (net)	<u>36,375,080</u>	<u>33,819,669</u>	<u>8</u> %
Total assets	<u>42,163,892</u>	<u>40,645,186</u>	<u>4</u> %
Deferred outflows of resources	<u>510,988</u>	<u>974,815</u>	<u>(48)</u> %
Liabilities:			
Current liabilities	414,519	484,988	(15) %
Noncurrent liabilities	<u>309,167</u>	<u>1,121,383</u>	<u>(72)</u> %
Total liabilities	<u>723,686</u>	<u>1,606,371</u>	<u>(55)</u> %
Deferred inflows of resources	<u>4,304,128</u>	<u>4,059,021</u>	<u>6</u> %
Net position:			
Net investment in capital assets	36,363,853	33,663,696	8 %
Unrestricted	<u>1,283,213</u>	<u>2,290,913</u>	<u>(44)</u> %
Total net position	<u>\$ 37,647,066</u>	<u>\$ 35,954,609</u>	<u>5</u> %

Changes in net position. The change in net position at December 31, 2023, was an increase of \$1,692,457. The Corporation's total operating revenues increased by \$98,250 or approximately 7%. The Corporation's total non-operating revenues decreased by \$150,394 compared to the preceding fiscal year or approximately 2% due to timing of spending of grant funds. Total operating expenses increased by \$340,749 or approximately 3% which is mostly attributed to increase in labor, fringe benefits, and material and supplies expense in 2023 compared to 2022. Depreciation expense also increased by approximately \$209,503 or 7% due to new bus purchases in 2023. The changes in net position are detailed in Table 2.

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended December 31, 2023

TABLE 2 - CHANGES IN NET POSITION

	<u>2023</u>	<u>2022</u>	Percentage Change <u>2023 vs. 2022</u>
Operating revenues:			
Passenger fares	\$ 1,280,341	\$ 1,157,739	11 %
Advertising	172,349	165,957	4 %
Miscellaneous	<u>104,186</u>	<u>134,930</u>	<u>(23) %</u>
Total operating revenues	<u>1,556,876</u>	<u>1,458,626</u>	<u>7 %</u>
Operating expenses:			
Labor	6,247,478	6,063,960	3 %
Fringe benefits	1,945,586	2,151,371	(10) %
Services	1,029,454	869,870	18 %
Materials and supplies	1,264,038	1,154,423	9 %
Utilities	359,049	339,352	6 %
Insurance	552,461	502,967	10 %
Dues and subscriptions	14,655	18,249	(20) %
Travel and meetings	10,529	8,314	27 %
Advertising and promotion	40,458	11,007	268 %
Depreciation	3,390,253	3,180,750	7 %
Other	<u>36,500</u>	<u>97,034</u>	<u>(62) %</u>
Total operating expenses	<u>14,890,461</u>	<u>14,397,297</u>	<u>3 %</u>
Operating loss	(13,333,585)	(12,938,671)	3 %
Net non-operating revenues:			
Investment interest	58,857	26,052	126 %
Local government assessments and taxes	4,565,969	4,001,402	14 %
Federal grants and reimbursements	2,903,913	3,466,886	(16) %
State operating grants	2,080,062	2,060,889	1 %
Other	<u>(145,046)</u>	<u>4,755</u>	<u>(3,150) %</u>
Total non-operating revenues	<u>9,463,755</u>	<u>9,559,984</u>	<u>(1) %</u>
Net loss before capital contributions	(3,869,830)	(3,378,687)	15 %
Capital contributions	<u>5,562,287</u>	<u>5,103,444</u>	<u>9 %</u>
Change in net position	1,692,457	1,724,757	(2) %
Net position, beginning of year	<u>35,954,609</u>	<u>34,229,852</u>	<u>5 %</u>
Net position, end of year	<u>\$ 37,647,066</u>	<u>\$ 35,954,609</u>	<u>5 %</u>

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended December 31, 2023

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. As of December 31, 2023, the Corporation had invested \$36,375,080 in capital assets net of accumulated depreciation. As compared to the prior year, this amount represents a decrease (including additions and disposals) of \$(2,555,411) or (8)% (see Table 3). The most significant capital addition in 2023 was related to the purchase of vehicles. See Note 3 for further disclose on capital assets.

TABLE 3 - CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)

	<u>2023</u>	<u>2022</u>	Percentage Change <u>2023 vs. 2022</u>
Land	\$ 1,303,746	\$ 1,479,703	12 %
Land improvements	99,031	102,720	4 %
Buildings and improvements	16,168,167	16,273,441	1 %
Revenue vehicles and equipment	16,385,894	13,205,746	(24) %
Other service vehicles equipment	-	1,163	100 %
Shop and garage equipment	40,786	60,043	32 %
Furniture and office equipment	13,559	19,795	32 %
CNG Facility	1,814,615	2,069,893	12 %
Construction in process	<u>549,282</u>	<u>607,165</u>	<u>10 %</u>
Total capital assets, net	<u>\$ 36,375,080</u>	<u>\$ 33,819,669</u>	<u>(8) %</u>

CURRENTLY KNOWN FACTS

Public transportation ridership across the country continues to recover from the COVID-19 pandemic. Locally, the Corporation's ridership continues to rebound, increasing 15.74% in 2022 and 10.85% in 2023. The trend of increasing ridership is expected to continue; however, it is unknown if pre-pandemic ridership levels will be reached.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Corporation's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Controller, South Bend Public Transportation Corporation, 1401 S. Lafayette Blvd., South Bend, Indiana 46613.

FINANCIAL STATEMENTS

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
STATEMENT OF NET POSITION
December 31, 2023

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current assets

Cash and cash equivalents (Note 1)	\$ 934,675
Direct financing receivable - current portion (Note 2)	200,000
Grants and accounts receivable	52,107
Property tax receivable (Note 1)	3,965,027
Prepaid expense	110,130
Inventory (Note 1)	<u>381,668</u>
Total current assets	<u>5,643,607</u>

Noncurrent assets

Direct financing receivable (Note 2)	145,205
Capital assets:	
Non-depreciable capital assets (Note 3)	1,853,026
Depreciable capital assets, net of accumulated depreciation (Note 3)	<u>34,522,054</u>
Total capital assets	<u>36,375,080</u>
Total noncurrent assets	<u>36,520,285</u>

Total assets 42,163,892

Deferred outflows of resources

Pension (Note 8)	<u>510,988</u>
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Total assets and deferred outflows of resources \$ 42,674,880

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

Current liabilities

Accounts payable	\$ 87,644
Accrued payroll	135,625
Accrued compensated absences (Note 4)	62,355
Other current liabilities	<u>128,732</u>
Total current liabilities	<u>414,356</u>

Noncurrent liabilities

Net pension liability (Note 7)	107,082
Accrued compensated absences (Note 4)	<u>202,248</u>
Total noncurrent liabilities	<u>309,330</u>

Total liabilities 723,686

Deferred inflows of resources

Property taxes (Note 1)	3,965,027
Pension (Note 7)	<u>339,101</u>
Total deferred inflows of resources	<u>4,304,128</u>

Net position

Net investment in capital assets	36,363,853
Unrestricted	<u>1,283,213</u>
Total net position	<u>37,647,066</u>

Total liabilities, deferred inflows of resources, and net position \$ 42,674,880

See accompanying notes to financial statements.

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year ended December 31, 2023

Operating revenue	
Passenger fares	\$ 1,280,341
Advertising	172,349
Miscellaneous	104,186
Total operating revenue	<u>1,556,876</u>
Operating expenses	
Labor	6,247,478
Fringe benefits	1,945,586
Services	1,029,454
Materials and supplies	1,264,038
Utilities	359,049
Insurance	552,461
Dues	14,655
Travel	10,529
Advertising	40,458
Depreciation	3,390,253
Other operating expenses	36,500
Total operating expenses	<u>14,890,461</u>
Operating loss	<u>(13,333,585)</u>
Non-operating revenues (expense)	
Investment interest	58,857
Interest on tax warrants	(29,817)
Local government assessments and taxes (Note 5)	4,565,969
State operating grants (Note 5)	2,080,062
Federal operating grants (Note 5)	2,903,913
Loss on disposal of capital assets	(115,229)
Total non-operating revenues (expense)	<u>9,463,755</u>
Net loss before capital contributions	(3,869,830)
Capital contributions - grants (Note 5)	<u>5,562,287</u>
Change in net position	1,692,457
Net position, beginning of year	<u>35,954,609</u>
Net position, end of year	<u>\$ 37,647,066</u>

See accompanying notes to financial statements.

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
STATEMENT OF CASH FLOWS
Year ended December 31, 2023

Cash flows from operating activities	
Receipts from customers	\$ 1,432,078
Receipts from direct financing receivables	200,000
Receipts from other operations	172,349
Payments to employees	(6,281,928)
Payments for fringe benefits	(2,387,929)
Payments for services	(2,174,552)
Payments for materials and supplies	(1,239,802)
Net cash used by operating activities	<u>(10,279,784)</u>
Cash flows from noncapital financing activities	
Receipts of local government assessments and taxes	4,565,969
Receipts of federal and state government grants	5,621,077
Loss on sale of non-capital assets	(29,617)
Net cash provided by noncapital financing activities	<u>10,157,429</u>
Cash flows from capital and related financing activities	
Purchases of capital assets	(6,844,204)
Capital grant receipts	5,570,657
Proceeds from sale of capital assets	783,111
Net cash used by capital and related financing activities	<u>(490,436)</u>
Cash flows from investing activities	
Interest income	<u>58,857</u>
Net change in cash and cash equivalents	(553,934)
Cash and cash equivalents at beginning of year	<u>1,488,609</u>
Cash and cash equivalents at end of year	<u>\$ 934,675</u>
Reconciliation of operating loss to net cash used by operating activities	
Adjustments to reconcile loss from operations to net cash used by operating activities:	\$ (13,333,585)
Depreciation	3,390,253
Change in assets and liabilities	
Accounts receivable	47,551
Lease receivable	200,000
Inventory	24,236
Prepaid expense	(97,235)
Deferred outflows of resources – pension	463,827
Accounts payable	(65,085)
Accrued payroll and compensated absences	(44,984)
Other liabilities	30,874
Net pension liability	(803,490)
Deferred inflows of resources – pension	<u>(92,146)</u>
Net cash used by operating activities	<u>\$ (10,279,784)</u>
Supplemental schedule of noncash capital and related financing activity:	
Deferred inflows of resources – property tax	\$ 337,253

See accompanying notes to financial statements.

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
STATEMENT OF FIDUCIARY NET POSITION
December 31, 2023

	<u>Pension Trust Fund</u>
ASSETS	
Investments – at fair value (Note 8)	
U.S. government and government agencies obligations	\$ 826,162
Municipal bonds	223,098
Corporate obligations	1,016,776
Mutual funds – equity	7,180,912
Mutual funds – fixed income	580,447
Money market fund	<u>404,751</u>
Total investments – at fair value	<u>10,232,146</u>
Receivables	
Employer contributions	43,211
Employee contributions	22,674
Interest and dividends	<u>20,648</u>
Total receivables	<u>86,533</u>
Total assets	<u>10,318,679</u>
LIABILITIES	
Accounts payable	<u>8,310</u>
Total Liabilities	<u>8,310</u>
PLAN NET POSITION HELD IN TRUST RESTRICTED FOR PENSION BENEFITS	
Net position	<u>\$ 10,310,369</u>

See accompanying notes to financial statements.

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year ended December 31, 2023

	<u>Pension Trust Fund</u>
ADDITIONS	
Employer contributions	\$ 273,456
Employee contributions	143,277
Investment income:	
Net appreciation (depreciation) in fair value of investments	1,264,233
Interest and dividends	182,641
Less investment management fees	<u>(30,000)</u>
Net investment income	<u>1,416,874</u>
Total additions	<u>1,833,607</u>
DEDUCTIONS	
Benefits	824,893
Refunds of contributions	73,172
Administrative expenses	
Actuarial fees	25,625
Audit fees	18,000
Legal fees	<u>840</u>
Total deductions	<u>942,530</u>
NET INCREASE	<u>891,077</u>
PLAN NET POSITION HELD IN TRUST RESTRICTED FOR PENSION BENEFITS	
Beginning of year	<u>9,419,292</u>
End of year	<u>\$ 10,310,369</u>

See accompanying notes to financial statements.

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Operations: South Bend Public Transportation Corporation (Corporation) is a municipal corporation established under Indiana Code 36-9-4-11 which provides transportation services for the citizens of South Bend and Mishawaka, Indiana.

Basis of Accounting: The Corporation's operations are accounted for as an enterprise fund on an accrual basis in order to recognize the flow of economic resources. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, depreciation of assets is recognized, and all assets and liabilities associated with the operation of the Corporation are included in the statement of net position. The principal operating revenues of the Corporation are passenger fares. The Corporation also recognizes as operating revenue the fees collected from advertisements on Corporation property and miscellaneous operating revenues. Operating expenses for the Corporation include the costs of operating the transit system, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity: The Corporation is governed by a nine-member Board of Directors appointed for a four-year term by the Mayor of South Bend (3), the Mayor of Mishawaka (1), the South Bend Common Council (4), and the Mishawaka Common Council (1). Since the Mayor of South Bend and the South Bend Common Council appoint a voting majority of the Corporation's governing body, the city of South Bend is financially accountable for the Corporation. The Corporation is also fiscally dependent on the City of South Bend which is required to approve the Corporation's annual proposed budget. As such, the Corporation is a component unit of the city of South Bend and is included in the basic financial statements of the City.

Proprietary Fund Type: The Corporation 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.

Component Unit/Fiduciary Fund: The Corporation's defined benefit pension trust fund is presented as a pension trust fiduciary fund in the accompanying financial statements. The defined benefit plan is considered a pension plan under GASB 67, and it meets the GASB 14, as amended, and GASB 84 requirements for presentation as a fiduciary component unit. The plan's trust document authorizes a Board of Trustees consisting of three members appointed by the Corporation's Board of Directors and three members of the Union, with one member being the person holding the office of Union President, as elected by Union membership, and the second and third member being selected by the Union President. The Corporation reserves the right to amend in whole or in part any or all of the provisions of the plan. The Corporation has assumed the obligation to make contribution to the plan and the plan's assets are held exclusively for the benefit of pension participants and cannot be used for the activities or obligations of the Corporation.

Cash and cash equivalents: The Corporation had a \$1,623,238 bank balance deposited in local banks at December 31, 2023, which is fully insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposits Insurance Fund. For presentation in the statement of cash flows, cash and cash equivalents includes unrestricted cash deposits. The difference in the carrying amount of cash and the bank balance is caused by items in transit and outstanding checks at December 31, 2023.

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory: Inventory consists of parts and supplies and is valued at the lower of cost (first-in, first-out method) or market. As of December 31, 2023 the Corporation had an inventory balance of \$381,668.

Property Tax Calendar and Receivable: Property taxes for the 2023 tax levy were attached as an enforceable lien on properties as of March 1, 2023; these taxes were levied in January 2023, by passage of a tax ordinance. Tax bills were prepared by St. Joseph County and were issued in April 2023 and October 2023 and payable in May 2023 and December 2023.

Property taxes levied are collected by the St. Joseph County Treasurer and are scheduled to be distributed to the Corporation in January subsequent to year end; however, situations can arise which would delay the distributions. 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 were based upon the preceding year's lien date and assessed valuations are adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). As of December 31, 2023, the Corporation had an outstanding property tax receivable balance of \$3,965,027.

Accounts and Grants Receivable: Receivables consist of outstanding balances due from local, state, and federal sources. No allowance for bad debts has been established as management considers all receivables to be collectible.

Capital Assets: Property, buildings, and equipment are capitalized at cost. Expenditures for maintenance and repairs are charged to operations as incurred. The capitalization threshold for the Corporation is \$1,500. Depreciation is recorded using the straight-line method over the following useful lives:

Buildings and improvements	5 - 40 years
Revenue vehicles and equipment	7 - 12 years
Service vehicles and equipment	3 - 6 years
Shop and garage equipment	3 - 10 years
Furniture and office equipment	3 - 10 years

Accrued Compensated Absences: Substantially all employees receive compensation for vacations, holidays, and certain other qualifying absences such as sick leave. Compensated absences, which have been earned but not paid as of December 31, 2023, are accrued on the statement of net position.

Unearned revenue: This amount relates to Federal Transit Administration advance payments received but not yet expended on eligible costs as of December 31, 2023.

Management Estimates and Assumptions: Management must make estimates and assumptions in preparing financial statements in conformity with accounting principles generally accepted in the United States of America that affect the amounts reported therein and the disclosures provided. These estimates and assumptions may change in the future and the future results could differ.

Restricted Asset Spending Policy: Any restricted net position may be released from restriction by incurring expenses satisfying the restricted purpose or by occurrence of other events. When an expenditure is incurred for which both restricted and unrestricted resources are available, it is the Corporation's policy to apply restricted resources first, then unrestricted resources as needed.

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Pension Liability: For purposes of measuring the net pension liability (asset) on the South Bend Public Transportation Corporation Pension Trust (Plan), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense of the Plan have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds to employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Business Disruption: In March 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak to be a global pandemic. COVID-19 has impacted economic activity and financial markets globally. The operations and business results of the Corporation, specifically passenger fares, continue to be adversely affected by the pandemic. Management continues to follow a conservative strategy regarding use of resources and continues to pursue additional grants such as the CARES Act relief funding from the Public Health and Social Services Emergency Fund which the Corporation spent the remaining \$400,000 of the amount awarded of approximately \$8.5 million during 2023 to assist with funding operations.

Adoption of New Accounting Pronouncements: For the year ended December 31, 2023, the Corporation adopted the following accounting pronouncements.

- GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, establishes standards of accounting and financial reporting for public-private and public public partnerships (PPPs) and availability payment arrangements (APAs) for governments. This pronouncement was applicable for 2023, however there were no arrangements that qualified as of December 31, 2023, therefore no changes in reporting or presentation were made for this year.
- GASB Statement No. 96, Subscription-Based Information Technology Arrangements (“GASB 96”), provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. This pronouncement was applicable for 2023, however there were no material arrangements that qualified as of December 31, 2023, therefore no changes in reporting or presentation were made for this year.

NOTE 2 – DIRECT FINANCING RECEIVABLES

Under two of its federal capital assistance grants, the Corporation was awarded \$4,000,000 of funding during 2005 to purchase an additional parking garage in downtown South Bend. The Corporation purchased a garage from the City of South Bend (the City), a related party, which was renovated with certain modifications to accommodate the Corporation's needs. The Corporation entered into a \$4,000,000 direct financing lease with the City to lease the garage to the City for 20 years, until 2025. The City performs all management functions and pays the Corporation \$200,000 per year, with no interest and a percentage of the parking revenues over expenses. There were no additional payments for excess parking revenues to the Corporation for year ended December 31, 2023.

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 2 – DIRECT FINANCING RECEIVABLES (Continued)

At December 31, 2023, the outstanding balance of the lease receivable was \$345,205. Future minimum lease payments to be received under both leases are as follows:

2024		\$	200,000
2025			145,205
Total			<u>345,205</u>
Less: Current portion			<u>(200,000)</u>
Noncurrent position		\$	<u>145,205</u>

NOTE 3 - CAPITAL ASSETS

Following are the changes in capital assets for the year ended December 31, 2023:

<u>Description</u>	<u>Balance Jan. 1, 2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 31, 2023</u>
Non-depreciable capital assets:				
Construction in process	\$ 607,164	\$ 549,270	\$ 607,154	\$ 549,280
Land	<u>1,479,703</u>	-	<u>175,957</u>	<u>1,303,746</u>
Total Non-depreciable capital assets	2,086,867	549,270	783,111	1,853,026
Depreciable capital assets:				
Land improvements	147,570	-	-	147,570
Buildings and improvements	32,234,646	757,948	349,086	32,643,508
Revenue vehicles and equipment	25,880,935	5,419,057	3,726,747	27,573,245
Service vehicles and equipment	347,975	-	-	347,975
Shop and garage equipment	1,531,164	-	-	1,531,164
Transit studies	566,611	-	-	566,611
Furniture and office equipment	756,427	2,500	980	757,947
CNG Station	<u>4,192,235</u>	-	-	<u>4,192,235</u>
Total depreciable capital assets	65,657,563	6,179,505	4,076,813	67,760,255
Less accumulated depreciation:				
Land improvements	(44,848)	(3,689)	-	(48,537)
Buildings and improvements	(15,960,695)	(863,221)	349,086	(16,474,830)
Revenue vehicles and equipment	(12,674,677)	(2,238,909)	3,726,747	(11,186,839)
Service vehicles and equipment	(346,809)	(1,163)	-	(347,972)
Shop and garage equipment	(1,472,651)	(19,257)	-	(1,491,908)
Transit studies	(566,611)	-	-	(566,611)
Furniture and office equipment	(736,127)	(8,736)	980	(743,883)
CNG Station	<u>(2,122,343)</u>	<u>(255,278)</u>	-	<u>(2,377,621)</u>
Total accumulated depreciation	<u>(33,924,761)</u>	<u>(3,390,253)</u>	<u>4,076,813</u>	<u>(33,238,201)</u>
Total depreciable capital assets, net of accumulated depreciation	<u>31,732,802</u>	<u>2,789,252</u>	-	<u>34,522,054</u>
Total capital assets	<u>\$ 33,819,669</u>	<u>\$ 3,338,522</u>	<u>\$ 783,111</u>	<u>\$ 36,375,080</u>

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 4 – LONG TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2023 is as follows:

<u>Direct Borrowing</u>	<u>Balance at January 1, 2023,</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2023</u>	<u>Amounts Due Within One Year</u>
Compensated absences	\$ 275,137	\$ -	\$ (10,534)	\$ 264,603	\$ 62,355
Total long-term liabilities	<u>\$ 275,137</u>	<u>\$ -</u>	<u>\$ (10,534)</u>	<u>\$ 264,603</u>	<u>\$ 62,355</u>

NOTE 5 - STATE, LOCAL AND FEDERAL ASSISTANCE

State, local and federal assistance is as follows:

Non-operating:

Local government assessments and taxes:

Property tax appropriation	\$ 3,555,139
Other tax appropriations	<u>1,010,830</u>
Total	4,565,969

Federal grants and reimbursement:

Federal preventive maintenance assistance grants	1,457,669
Federal operating assistance grants	<u>1,446,244</u>
Total FTA grants	2,903,913

State operating assistance grant 2,080,062

Total state, local and federal assistance \$ 9,549,944

The Corporation is the designated recipient of funds under the Urban Mass Transportation Act of 1964. The preventative maintenance assistance grants and federal operating assistance grants are awarded to the Corporation and funds may be earned and disbursed generally over a two-year period. The Corporation received assistance under these grants for the year ended December 31, 2023, of \$2,903,913.

The Corporation is also a designated recipient of operating assistance funds from the State of Indiana. The state makes distributions of funds to transit systems, which have been appropriated for mass transit operating assistance. The total operating grant earned for the year ended December 31, 2023, was \$2,080,062.

Capital Contribution Revenue:

The Corporation received \$5,562,287 of capital contributions from both federal and local sources for the year ended December 31, 2023. Capital grants are earned as the Corporation expends funds in accordance with its federal and state grants. Generally, the Corporation receives an 80% federal match on all funds spent for budgeted items included in the grant agreements.

(Continued)

NOTE 6 - CONTINGENT LIABILITIES

Capital and operating assistance grants financed by state and federal agencies are subject to audit by these agencies to determine if expenditures comply with conditions of the grants. In the opinion of management, no significant unrecorded liabilities will arise from such audits.

The Corporation is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters and employee health and accident benefits. For the year ended December 31, 2023, the Corporation has purchased commercial insurance policies covering risks of loss related to the above-mentioned events. There were no significant reductions in insurance coverage during 2022 and there were no settlements that exceeded insurance coverage during the previous three years for those risks that the Corporation purchased insurance. In addition, various claims and lawsuits arising from the normal course of business are pending against the Corporation. In the opinion of management, the potential loss on all claims should not have a material effect on the financial statements.

NOTE 7 - EMPLOYEE PENSION PLAN

Defined Benefit Pension Plan: The Corporation sponsors a single-employer, defined benefit pension plan under a trust agreement, The South Bend Public Transportation Corporation Pension Trust (Plan), covering certain full-time permanent union and nonunion employees. The Plan was established for the purpose of providing retirement, death, and disability benefits for employees of the Corporation.

The Plan's trust document authorizes a Board of Trustees consisting of three members appointed by the Board of Directors of the Corporation and three members of the Union, with one member being the person holding the office of Union President, as elected by the Union membership, and the second and third member being selected by the Union President. The Corporation reserves the right at any time to amend the plan provisions as deemed necessary, however, no plan amendments shall make it possible for any part of the plan assets to be used for purposes other than to satisfy all benefits entitled to the plan participants.

The plan is audited separately from these financial statements. Requests for additional financial information related to the plan should be addressed to the Controller, South Bend Public Transportation, 1401 S. Lafayette Blvd., South Bend, Indiana 46613.

Benefits provided: The Plan provides retirement as well as death and disability benefits. Plan participants who retire at or after age 65 (or at age 60 with reduced benefits) are entitled to a retirement benefit payable monthly for life, in an amount based upon each year of credited service. The Plan also provides for automatic 100% vesting in the accrued benefit if the participant terminates employment with the employer as the result of a "total and permanent disability." Employees who retire at the normal retirement date (or active employees who die either before or after attaining age 55 with reduced death benefits) are entitled to death benefits payable to a designated beneficiary or spouse upon death of the retiree.

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 7 - EMPLOYEE PENSION PLAN (Continued)

Employees covered by benefit terms: Employees who are members of the union automatically become participants in the plan as of their employment commencement date and nonunion employees can commence participation when they agree to make mandatory contributions to the plan. Nonunion employees that did not elect to participate in the plan within the later of one year of their employment commencement date or May 1, 2002, were no longer eligible to participate in the plan.

At January 1, 2023, the following employees were covered by the benefit terms:

Active plan members	63
Inactive plan members entitled to but not yet receiving benefits	21
Inactive plan members and beneficiaries currently receiving benefits	76
	160

Contributions: The South Bend Public Transportation Corporation and the Amalgamated Transit Union AFL-CIO Local #996 continue to operate under their collective bargaining agreement, effective November 1, 2018 through October 31, 2019. On August 17, 2020, the Corporation and the Union initially renewed the terms of their collective bargaining agreement, effective August 17, 2020 through August 16, 2022. The corporation and the Union performed an additional renewal with the terms of their collective bargaining agreement, effective August 17, 2022 through August 16, 2026. The Corporation's and participant's contributions are fixed amounts payable weekly. The Corporations' weekly contribution is \$74.63 per participant. The participant's contribution increased from \$34.56 to \$39.16 per week effective August 17, 2020 through December 31, 2023. A participant is fully vested once the individual has five years or more of credited service. A participant has a nonforfeitable right to their employee contributions with accumulated interest and is at all times 100% vested in such amounts.

Net Pension Liability (Asset): The Corporation's net pension liability (asset) was measured as of December 31, 2023, and the total pension liability (asset) used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2023. At December 31, 2023, the Plan's fiduciary net position, or fair value of Plan assets, was \$10,310,369 compared to a total pension liability of \$10,417,451, resulting in a net pension liability (asset) of \$107,082.

Actuarial assumptions. The total pension liability (asset) in the January 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Measurement date	December 31, 2023, based on valuation date of January 1, 2023
Actuarial cost method	Entry Age Method
Asset valuation method	Market value of assets
Amortization method	Open 20 years, Level dollar, and Layered
Actuarial assumptions:	
Inflation	2.30%
Salary increases	0%
Investment rate of return	6.5%, including inflation, and net pension plan investment expense
Retirement age	100% retirement at age 65
Turnover	T-2 Table of the Pension Actuary's Handbook
Mortality	PubG-2010 Healthy Mortality Table with Generational projection Per the MP-2021 scale
Cost of living adjustment	Not applicable

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 7 - EMPLOYEE PENSION PLAN (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflations. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2023, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Short-term investments	10.0%	0.59%
U.S. equity market	72.0%	4.10%
Non-U.S. equity	6.0%	5.81%
U.S. core bonds	12.0%	2.13%
Total	<u>100.0%</u>	

Discount rate. The discount rate used to measure the total pension liability was 6.5%. The projection of cash flows used to determine the discount rate assumed the plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in net pension liability (asset):

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) – (b)</u>
Balances at December 31, 2022	\$ 10,329,864	\$ 9,419,292	\$ 910,572
Changes for the year:			
Service cost	163,366	-	163,366
Interest	653,332	-	653,332
Effect of plan changes	-	-	-
Effect of economic / demographic gains or losses	225,809	-	225,809
Effect of assumptions changes or inputs	(56,855)	-	(56,855)
Benefit payments	(898,065)	(898,065)	-
Contributions – employer	-	273,456	(273,456)
Contributions – employee	-	143,277	(143,277)
Net investment income	-	1,416,874	(1,416,874)
Administrative expense	-	(44,465)	44,465
Net changes	<u>87,587</u>	<u>891,077</u>	<u>(803,490)</u>
Balances at December 31, 2023	<u>\$ 10,417,451</u>	<u>\$ 10,310,369</u>	<u>\$ 107,082</u>

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 7 - EMPLOYEE PENSION PLAN (Continued)

Sensitivity of the net pension liability (asset) to changes in the discount rate: The following presents the net pension liability, calculated using the discount rate of 6.50 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease <u>(5.50%)</u>	Current Discount Rate <u>(6.50%)</u>	1% Increase <u>(7.50%)</u>
Net pension liability (asset)	\$ 1,204,832	\$ 107,082	\$ (824,311)

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position at December 31, 2023 is below:

Assets		
Investments		\$ 10,232,146
Contributions receivable		<u>86,533</u>
		<u>10,318,679</u>
Liabilities		
Accounts payable		<u>8,310</u>
Net position restricted for pension benefits		<u>\$ 10,310,369</u>

Pension expense and deferred outflows of resources and deferred inflows of resources related to pension: For the year ended December 31, 2023, the Corporation recognized pension expense of (\$158,353). At December 31, 2023, the Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 188,418	\$ (290,830)
Changes of assumptions	116,259	(48,271)
Net difference between projected and actual earnings on pension plan investments	<u>206,311</u>	<u>-</u>
Total	<u>\$ 510,988</u>	<u>\$ (339,101)</u>

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 7 - EMPLOYEE PENSION PLAN (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	<u>Amount</u>
2024	\$ (62,073)
2025	113,597
2026	284,672
2027	(164,309)

Payable to the Pension Plan: The Corporation had \$86,533 in contributions payable from employer and employees to the plan for the year ended December 31, 2023.

NOTE 8 – FIDUCIARY FUND

Summary of Significant Accounting Policies

The Corporation's pension trust fund is presented as a fiduciary fund. The pension plan is audited separately. Information regarding the pension plan is included in Note 7. The following is a summary of the more significant policies:

Method of Accounting: The accompanying financial statements are prepared using the accrual basis of accounting. Employer and employee contributions are recognized in the period in which contributions are due. Benefits are recognized when due and payable in accordance with the terms of the Plan.

Fair Value of Investments: Investments are reported at fair value, except for fixed earnings investments, which generally represents reported contract value as of the last business day of the year. The fair value of a financial instrument is the amount that would be received to sell that asset (or paid to transfer a liability) in an orderly transaction between market participants at the measurement date (the exit price). Fixed earnings investments, represented by the guaranteed investment fund, are stated at contract value as determined by the custodian. Short-term investments are carried at cost which approximates fair value. Purchases and sales of investments are recorded on a trade date basis. Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date.

Contributions Receivable: Contributions receivable represents amounts due from the employer and employees but not yet received by the Plan as of December 31, 2023, and as such are not allocated to an investment category until received and applied.

Net Appreciation in Fair Value of Investments: Net appreciation and other changes in fair value consist of realized and unrealized gains and losses and dividends earned.

Estimates: The preparation of financial statements in conformity with generally accepted accounting principles may require management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 8 – FIDUCIARY FUND (Continued)

Investments

Pension trust fund investments consist of the following holdings as of December 31, 2023:

U.S. government and government agencies obligations	\$	826,162
Municipal bonds		223,098
Corporate obligations		1,016,776
Mutual funds – equity		7,180,912
Mutual funds – fixed income		580,447
Money market fund		<u>404,751</u>
 Total investments – at fair value		 <u>\$ 10,232,146</u>

Investment Risk: The Plan invests in various types of investments. Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of fiduciary net position. The current economic environment has increased the degree of uncertainty.

Interest Rate Risk: Interest rate risk is the risk that the changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Plan's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The following table presents a summarization of the Plan's debt investments (weighted average maturity is as of December 31, 2023 or closest available month):

<u>Type of Investment</u>	<u>Maturity (Years)</u>	<u>2023</u>
U.S. Governmental and governmental agencies obligations	1 - Over 10 years	\$ 826,162
Municipal bonds	1 - Over 10 years	223,098
Corporate and foreign government obligations	1 - Over 10 years	1,016,776
Mutual funds – fixed income	1 - Over 10 years	580,447
Money market fund	< 1 year	<u>404,751</u>
 Total		 <u>\$ 3,051,234</u>

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 8 – FIDUCIARY FUND (Continued)

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. U.S. Government obligations or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk and do not require disclosure of credit quality. The following table presents a summarization of the Plan's average credit quality ratings of debt investments as valued by Standard & Poor's, Moody's or A.M. Best at December 31, 2023 or closest available month.

<u>Type of Investment</u>	<u>Rating</u>	<u>2023</u>
U.S. Governmental and governmental agencies obligations	AAA	\$ 515,684
U.S. Governmental agency obligations	Not rated	310,478
Municipal bonds	AAA	49,158
	AA+	32,744
	AA-	118,287
	Not rated	22,909
	Corporate bonds	AAA
	AA-	241,295
	A+	233,744
	A	241,438
	A-	108,083
	BBB+	42,772
	BBB	149,444
Mutual funds – fixed income	AA-	93,508
	A+	-
	A	96,756
	BBB	174,336
	BBB-	85,094
	B	130,753
Money market fund	Not rated	<u>404,751</u>
Total		<u>\$ 3,051,234</u>

Fair Value Measurements: GASB Statement No. 72, Fair Value Measurement and Application, established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date or identical, unrestricted assets or liabilities

Level 2: Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly

Level 3: Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 8 – FIDUCIARY FUND (Continued)

The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Plan has the following recurring fair value measurements as of December 31, 2023:

	Fair Value Measurements as of December 31, 2023		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments at fair value level			
U.S. government and government agency obligation	\$ 157,840	\$ 668,322	\$ -
Corporate obligation	-	1,016,776	-
Municipal bonds	-	223,098	-
Mutual funds – equity	7,180,912	-	-
Mutual funds – fixed income	580,447	-	-
Money market fund	<u>-</u>	<u>404,751</u>	<u>-</u>
Total investments by fair value level	<u>\$ 7,919,199</u>	<u>\$ 2,312,947</u>	<u>\$ -</u>

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CORPORATION'S NET PENSION
LIABILITY AND RELATED RATIOS
December 31, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability										
Service cost	\$ 163,366	\$ 225,993	\$ 211,308	\$ 199,342	\$ 204,283	\$ 184,035	\$ 190,177	\$ 188,699	\$ 140,374	\$ 136,631
Interest	653,332	682,011	659,632	613,709	610,649	595,524	589,499	572,403	539,643	517,370
Changes of benefit terms	-	-	-	49,105	-	561	-	-	-	-
Effect of economic/demographic gains or losses	225,809	(489,516)	29,579	54,691	(113,266)	61,335	(68,249)	128,624	349,625	(5,264)
Changes of assumptions	(56,855)	-	92,181	408,458	(38,278)	(21,761)	(14,079)	(36,407)	(5,525)	179,399
Expected benefit payments, including refunds of employee contributions	(898,065)	(699,195)	(628,125)	(643,283)	(579,452)	(635,072)	(561,934)	(621,636)	(515,258)	(463,157)
Net change in total pension liability	87,587	(280,707)	364,575	682,022	83,936	184,622	135,414	231,683	508,859	364,979
Total pension liability										
Beginning of year	10,329,864	10,610,571	10,245,996	9,563,974	9,480,038	9,295,416	9,160,002	8,928,319	8,419,460	8,054,481
End of year	<u>\$ 10,417,451</u>	<u>\$ 10,329,864</u>	<u>\$ 10,610,571</u>	<u>\$ 10,245,996</u>	<u>\$ 9,563,974</u>	<u>\$ 9,480,038</u>	<u>\$ 9,295,416</u>	<u>\$ 9,160,002</u>	<u>\$ 8,928,319</u>	<u>\$ 8,419,460</u>
Plan fiduciary net position										
Contributions - employer	\$ 273,456	\$ 265,033	\$ 300,444	\$ 292,881	\$ 306,955	\$ 240,438	\$ 201,242	\$ 199,517	\$ 202,068	\$ 189,748
Contributions - employee	143,277	138,695	157,423	142,135	141,065	124,647	116,509	115,168	116,837	109,851
Net investment income (loss)	1,416,874	(1,611,222)	1,385,093	1,796,079	1,564,362	(341,559)	1,021,652	671,261	(142,820)	369,413
Expected benefit payments, including refunds of employee contributions	(898,065)	(699,195)	(628,125)	(643,283)	(579,452)	(635,072)	(561,934)	(621,636)	(515,258)	(463,157)
Administrative expenses	(44,465)	(41,220)	(47,550)	(76,810)	(86,530)	(85,720)	(82,635)	(67,163)	(67,818)	(68,961)
Net change in plan fiduciary net position	891,077	(1,947,909)	1,167,285	1,511,002	1,346,400	(697,266)	694,834	297,147	(406,991)	136,894
Plan fiduciary net position										
Beginning of year	9,419,292	11,367,201	10,199,916	8,688,914	7,342,514	8,039,780	7,344,946	7,047,799	7,454,790	7,317,896
End of year	<u>\$ 10,310,369</u>	<u>\$ 9,419,292</u>	<u>\$ 11,367,201</u>	<u>\$ 10,199,916</u>	<u>\$ 8,688,914</u>	<u>\$ 7,342,514</u>	<u>\$ 8,039,780</u>	<u>\$ 7,344,946</u>	<u>\$ 7,047,799</u>	<u>\$ 7,454,790</u>
Employer's net pension liability	<u>\$ 107,082</u>	<u>\$ 910,572</u>	<u>\$ (756,630)</u>	<u>\$ 46,080</u>	<u>\$ 875,060</u>	<u>\$ 2,137,524</u>	<u>\$ 1,255,636</u>	<u>\$ 1,815,056</u>	<u>\$ 1,880,520</u>	<u>\$ 964,670</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>98.97%</u>	<u>91.19%</u>	<u>107.13%</u>	<u>99.55%</u>	<u>90.85%</u>	<u>77.45%</u>	<u>86.49%</u>	<u>80.18%</u>	<u>78.94%</u>	<u>88.54%</u>
Covered payroll	<u>\$ 4,147,729</u>	<u>\$ 4,398,839</u>	<u>\$ 4,367,777</u>	<u>\$ 4,617,522</u>	<u>\$ 4,389,892</u>	<u>\$ 4,259,785</u>	<u>\$ 3,997,402</u>	<u>\$ 3,902,470</u>	<u>\$ 3,761,624</u>	<u>\$ 3,668,738</u>
Employer's net pension liability as a percentage of covered payroll	2.58%	20.70%	-17.32%	1.00%	19.93%	50.18%	31.41%	46.51%	49.99%	26.29%

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE CORPORATION'S CONTRIBUTIONS
 December 31, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 251,885	\$ 118,836	\$ 185,532	\$ 258,507	\$ 354,807	\$ 281,872	\$ 311,813	\$ 327,950	\$ 231,195	\$ 165,988
Contributions in relation to the actuarially determined contribution	<u>(273,456)</u>	<u>(265,033)</u>	<u>(300,444)</u>	<u>(292,594)</u>	<u>(340,458)</u>	<u>(197,434)</u>	<u>(201,418)</u>	<u>(203,005)</u>	<u>(202,068)</u>	<u>(189,748)</u>
Contribution deficiency (excess)	<u>\$ (21,571)</u>	<u>\$ (146,197)</u>	<u>\$ (114,912)</u>	<u>\$ (34,087)</u>	<u>\$ 14,349</u>	<u>\$ 84,438</u>	<u>\$ 110,395</u>	<u>\$ 124,945</u>	<u>\$ 29,127</u>	<u>\$ (23,760)</u>
Covered payroll	<u>\$ 4,147,729</u>	<u>\$ 4,398,839</u>	<u>\$ 4,367,777</u>	<u>\$ 4,617,522</u>	<u>\$ 4,389,892</u>	<u>\$ 4,259,785</u>	<u>\$ 3,997,402</u>	<u>\$ 3,902,470</u>	<u>\$ 3,761,624</u>	<u>\$ 3,668,738</u>
Contributions as a percentage of covered employee payroll	6.59%	6.02%	6.88%	6.34%	7.76%	4.63%	5.04%	5.20%	5.37%	5.17%

Valuation date: Actuarially determined contribution rates are calculated as of December 31, one year prior to the fiscal year in which contributions are reported.

Actuarial cost method: Entry age method

Amortization method: Layered 20-year amortization level dollar

Asset valuation method: Fair market value of assets on measurement date adjusted for prepaid benefits

Inflation: 2.30%

Salary increases: Not applicable

Investment rate of return: 6.50%, net of investment expenses

Retirement age: 100% retirement at age 65

Mortality: 2023 – PubG-2010 Healthy Mortality Table with Generational projection per the MP-2021 scale

Cost of living increases: Not applicable

SUPPLEMENTAL SCHEDULE

SCHEDULE OF OPERATING REVENUES, EXPENSES AND NONOPERATING ASSISTANCE

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors
South Bend Public Transportation Corporation
South Bend, Indiana

We have audited the financial statements of business type activities and fiduciary activities, of South Bend Public Transportation Corporation (the Corporation) as of and for the years ended December 31, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015, and 2014 and our reports thereon dated August 7, 2024, August 21, 2023, June 24, 2022, July 23, 2021, July 28, 2020, August 19, 2019, August 20, 2018, August 21, 2017, August 18, 2016, and July 20, 2015, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of operating revenues, expenses, and nonoperating revenues is presented for the purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits 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 information is fairly stated in all material respects in relation to the financial statements as a whole.



Crowe LLP

South Bend, Indiana
August 7, 2024

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
SCHEDULE OF OPERATING REVENUES, EXPENSES AND NONOPERATING REVENUES
For the ten years ended December 31, 2023

<u>Year</u>	<u>Passenger Revenue</u>	<u>Other Revenue</u>	<u>Non-operating Revenue (Exp)</u>	<u>Total Revenues</u>	<u>Operating Expenses Before Depreciation</u>	<u>Excess of Expenses Before Depreciation</u>	<u>Depreciation</u>	<u>Net Loss Before Capital Contributions</u>
2014	\$ 1,418,049	\$ 267,194	\$ 7,579,590	\$ 9,264,833	\$ 10,138,068	\$ (873,235)	\$ 2,853,410	\$ (3,726,645)
2015	1,408,767	265,714	7,593,189	9,267,670	10,438,116	(1,170,446)	2,771,647	(3,942,093)
2016	1,364,468	353,010	8,099,313	9,816,791	10,233,408	(416,617)	2,698,506	(3,115,123)
2017	1,341,274	325,439	8,251,724	9,918,437	10,357,759	(439,322)	2,447,611	(2,886,933)
2018	1,367,764	179,846	9,078,844	10,626,454	10,514,877	111,577	2,396,070	(2,284,493)
2019	1,297,248	140,142	8,707,925	10,145,315	11,284,514	(1,139,199)	2,481,849	(3,621,048)
2020	833,334	215,927	10,591,756	11,641,017	10,200,358	1,440,659	2,463,740	(1,023,081)
2021	981,671	172,127	11,077,733	12,231,531	10,376,971	1,854,560	2,902,755	(1,048,195)
2022	1,157,739	300,887	9,559,984	11,018,610	11,216,547	(197,937)	3,180,750	(3,378,687)
2023	1,280,341	276,535	9,463,755	11,020,631	11,500,208	(479,577)	3,390,253	(3,869,830)

The 2014 financial information has not been adjusted for the impact of the implementation of GASB 68/71 which occurred in 2015 because information was not available to adjust expenses.

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended December 31, 2023

<u>Federal Grantor/ Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Award Number</u>	<u>Federal Expenditure</u>
Department of Transportation			
Federal Transportation Administration			
Direct:			
Federal Transit Cluster:			
Bus and Bus Facilities Formula, Competitive, and Low or No Emissions Program	20.526	IN-34-0016	\$ 4,299,121
Bus and Bus Facilities Formula, Competitive, and Low or No Emissions Program	20.526	IN-34-X017	248,374
Bus and Bus Facilities Formula, Competitive, and Low or No Emissions Program	20.526	IN-34-0046	101,790
Bus and Bus Facilities Formula, Competitive, and Low or No Emissions Program	20.526	IN-34-0054	15,917
COVID-19 - Federal Transit Formula Grants	20.507	IN-90-X756	400,000
Federal Transit Formula Grants	20.507	IN-90-X776	19,444
Federal Transit Formula Grants	20.507	IN-90-X795	764,205
Federal Transit Formula Grants	20.507	IN-90-X819	<u>2,568,233</u>
Total Federal Transit Cluster			8,417,084
Transit Services Program Cluster:			
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	IN-16-X035	<u>33,580</u>
Total Transit Services Program Cluster			33,580
Public Transportation Innovation	20.530	IN-26-7001	<u>20,139</u>
Total Expenditures of Federal Awards			<u>\$ 8,470,803</u>

Of the federal expenditures presented in the schedule, the Corporation provided federal awards to the following subrecipients:

<u>Assistance Listing Number/Federal Program</u>	<u>Subrecipient</u>	<u>Expenditures</u>
20.513 Enhanced Mobility of Seniors and Individuals with Disabilities	Real Services	<u>\$ 33,579</u>
Total Federal Awards Paid to Subrecipients		<u>\$ 33,579</u>

See accompanying note to the schedule of expenditures of federal awards.

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended December 31, 2023

NOTE 1 - 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, 2023. 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 financial position, 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.

Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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
South Bend Public Transportation Corporation
South Bend, 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 business type activities and fiduciary activities of the South Bend Public Transportation Corporation ("Corporation"), a component unit of the city of South Bend, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated August 7, 2024. Our report includes a reference to other auditors who audited the financial statements of the South Bend Public Transportation Corporation Trust Fund, a fiduciary activity of the Corporation, as described in our report on the Corporation's financial statements. The financial statements of the fiduciary activity were not audited in accordance with *Government Auditing Standards*.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of 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.

(Continued)

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.

A handwritten signature in black ink that reads "Crowe LLP". The letters are cursive and fluid.

Crowe LLP

South Bend, Indiana
August 7, 2024

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

Board of Directors
South Bend Public Transportation Corporation
South Bend, Indiana

Report on Compliance for Major Federal Program

Opinion on Major Federal Program

We have audited the South Bend Public Transportation Corporation's (Corporation), a component unit of the City of South Bend, 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 the Corporation's major federal program for the year ended December 31, 2023. 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, 2023.

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 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 Corporation's federal programs.

(Continued)

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 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 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 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 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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

(Continued)

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.

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

South Bend, Indiana
August 7, 2024

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended December 31, 2023

Section I – Summary of Auditor’s Results
Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiencies identified not considered to be material weaknesses? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiencies identified not considered to be material weaknesses? _____ Yes X None Reported

Type of auditor’s report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes X No

Identification of major programs:

ALN Number(s) Name of Federal Program or Cluster

20.507 Federal Transit Cluster:
20.526 Federal Transit – Formula Grants and COVID-19 – Federal Transit Formula Grants
 Bus and Bus Facilities Formula, Competitive, and Low or No Emissions Program

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ Yes X No

Section II – Financial Statement Findings

None noted.

Section III – Federal Award Findings and Questioned Costs

None noted.
