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February 11, 2016

Board of Directors  
South Bend Public Transportation Corporation  
1401 South Lafayette Blvd  
South Bend, IN 46613

We have reviewed the audit report prepared by Crowe Horwath, LLP, Independent Public Accountants, for the period January 1, 2014 to December 31, 2014. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants opinion, the financial statements included in the report present fairly the financial condition of South Bend Public Transportation Corporation, as of December 31, 2014 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

A handwritten signature in cursive script that reads "Paul D. Joyce".

Paul D. Joyce, CPA  
State Examiner

**SOUTH BEND PUBLIC  
TRANSPORTATION CORPORATION**

**ANNUAL REPORT**  
December 31, 2014 and 2013

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
South Bend, Indiana

ANNUAL REPORT  
December 31, 2014 and 2013

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## INDEPENDENT AUDITOR'S REPORT

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

**Report on Financial Statements**

We have audited the accompanying financial statements of the South Bend Public Transportation Corporation (the Corporation) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2014 and 2013, and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplemental Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, 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.

### ***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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 July 20, 2015 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 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 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 Horwath* LLP  
Crowe Horwath LLP

South Bend, Indiana  
July 20, 2015

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years ended December 31, 2014 and 2013

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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 years ended December 31, 2014 and 2013. 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).

Since 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 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 forty five (45) buses and two (2) trolleys and a work force of one hundred twelve (112) employees, the Corporation operates an extensive system of bus routes that serve the twin cities 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 to individuals unable to use the fixed route service. The ACCESS service consists of fourteen (14) 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**

During fiscal year 2014, the Corporation's net position increased by \$2,609,488. This change represents an 8% increase over the preceding year. The increase is due to significant bus purchases from New Flyer. The Corporation received \$6,336,133 of capital contributions from the Federal Transit Administration.

During fiscal year 2013, the Corporation's net position decreased by \$2,868,652. This change represents an 8% decrease over the preceding year. The decrease is due to the reduction in state funding of 26% from prior years. The Corporation received \$1,067,484 of capital contributions from the Federal Transit Administration.

#### **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 is 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 and liabilities associated with the operation of the Corporation are included in the statement of net position.

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(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years ended December 31, 2014 and 2013

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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 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. 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 "Supplemental Schedules" section.

## FINANCIAL ANALYSIS

**Net position.** Net position may serve, over time, as a useful indicator of a corporation's financial position. At December 31, 2014, the Corporation's total assets increased to \$38,555,854. This represents an increase of \$3,969,375 or approximately 11% over the prior year. Total liabilities amounted to \$2,381,419. This represents an increase of \$1,359,887 or approximately 133% over the prior year. Consequently net position changed to \$36,174,435. This represents an increase of \$2,609,488 or approximately 8% (see Table 1). The increase is primarily attributable to the change in capital assets and capital grants.

At December 31, 2013, the Corporation's total assets decreased to \$34,586,479. This represents a decrease of \$3,306,131 or approximately 9% over the prior year. Total liabilities amounted to \$1,021,532. This represents a decrease of \$437,479 or approximately 30% over the prior year. Consequently net position changed to \$33,564,947. This represents a decrease of \$2,868,652 or approximately 8%. The decrease is primarily attributable to the change in capital assets and changes in cash balances.

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(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years ended December 31, 2014 and 2013

TABLE 1 - NET POSITION

	<u>2014</u>	<u>2013</u>	Percentage Change <u>2014 vs. 2013</u>	<u>2012</u>	Percentage Change <u>2013 vs. 2012</u>
<b>Assets:</b>					
Current assets	\$ 1,813,678	\$ 1,943,547	(8)%	\$ 2,475,454	(21)%
Other assets	1,945,203	2,345,205	(16)%	3,174,615	(26)%
Capital assets (net)	<u>34,796,973</u>	<u>30,297,727</u>	15 %	<u>32,242,541</u>	(6)%
Total assets	<u>\$ 38,555,854</u>	<u>\$ 34,586,479</u>	11 %	<u>\$ 37,892,610</u>	(9)%
<b>Liabilities:</b>					
Current liabilities	\$ 1,031,419	\$ 1,021,532	1 %	\$ 1,459,011	(30)%
Long-term liabilities	<u>1,350,000</u>	-	-	-	-
Total liabilities	<u>\$ 2,381,419</u>	<u>\$ 1,021,532</u>	133 %	<u>\$ 1,459,011</u>	(30)%
<b>Net position:</b>					
Net investment in capital assets	\$ 33,446,973	\$ 30,297,727	15 %	\$ 32,178,557	(6)%
Unrestricted	<u>2,727,462</u>	<u>3,267,220</u>	(58)%	<u>4,255,042</u>	(23)%
Total net position	<u>\$ 36,174,435</u>	<u>\$ 33,564,947</u>	8 %	<u>\$ 36,433,599</u>	(8)%

**Change in net position.** The change in net position at December 31, 2014, was an increase of \$2,609,488. The Corporation's total operating revenues decreased by \$13,382 or approximately 1%. The Corporation's total non-operating revenues increased by \$224,485 compared to the preceding fiscal year. This increase represents approximately 3%. Total operating expenses increased by \$1,612 or approximately 1%. The changes in net position are detailed in Table 2.

The change in net position at December 31, 2013, was a decrease of \$2,868,652. The Corporation's total operating revenues increased by \$21,720 or approximately 1%. The Corporation's total non-operating revenues decreased by \$500,927 compared to the preceding fiscal year. This decrease represents approximately 4%. Total operating expenses decreased by \$604,717 or approximately 4%. The changes in net position are detailed in Table 2.

- **Revenues:** During 2014, operating revenues, principally fare revenues, decreased by 1%. This minor decrease is due to a decrease in ridership the Corporation experienced. Decrease in ridership is due to student ridership at local universities. Non-operating revenues increased by \$224,485 from the prior fiscal year.

During 2013, operating revenues, principally fare revenues, increased by 1%. This minor increase is due to an increase in ridership the Corporation experienced. Increase in ridership is due to student ridership at local universities. Non-operating revenues decreased by \$500,927 from the prior year as a result of decreased state funding (PMTF).

- **Expenses:** During 2014, total operating expenses remained consistent over the prior year. Excluding depreciation, operating expenses increased 1% which management primarily attributes to decrease in cost of fringe benefits and materials and supplies.

During 2013, total operating expenses decreased by 4% over the prior period. Excluding depreciation, operating expenses decreased 3% which management primarily attributes to decrease in cost of fringe benefits and materials and supplies.

- **Capital contributions:** During fiscal year 2014 capital contributions increased by \$5,268,649 or 494%. This increase was primarily attributable to significant bus purchases in 2014.

During fiscal year 2013 capital contributions decreased by \$11,961 or 1%. This decrease was primarily attributable to no large construction projects being completed in 2013.

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years ended December 31, 2014 and 2013

**TABLE 2 - CHANGES IN NET POSITION**

	<u>2014</u>	<u>2013</u>	Percentage Change <u>2014 vs. 2013</u>	<u>2012</u>	Percentage Change <u>2013 vs. 2012</u>
<b>Operating revenues:</b>					
Passenger fares	\$ 1,418,049	\$ 1,432,235	(1)%	\$ 1,427,740	0 %
Advertising	72,000	69,000	4 %	54,000	28 %
Miscellaneous	<u>195,194</u>	<u>197,390</u>	(1)%	<u>195,165</u>	1 %
Total operating revenues	<u>1,685,243</u>	<u>1,698,625</u>	(1)%	<u>1,676,905</u>	1 %
<b>Operating expenses:</b>					
Labor	5,036,057	4,946,325	2 %	4,941,995	0 %
Fringe benefits	1,779,273	1,795,234	(1)%	1,824,723	(2)%
Services	1,037,940	1,151,890	(10)%	1,354,055	(15)%
Materials and supplies	1,740,194	1,634,054	7 %	1,754,410	(7)%
Utilities	200,050	159,001	26 %	174,807	(9)%
Insurance	193,395	203,332	(5)%	207,978	(2)%
Dues and subscriptions	31,053	33,695	(8)%	26,836	26 %
Travel and meetings	38,267	23,048	66 %	12,034	92 %
Advertising and promotion	53,127	29,472	80 %	4,268	591 %
Depreciation	2,853,410	2,993,727	(5)%	3,268,620	(8)%
Other	<u>28,712</u>	<u>20,088</u>	43 %	<u>24,857</u>	(19)%
Total operating expenses	<u>12,991,478</u>	<u>12,989,866</u>	0 %	<u>13,594,583</u>	(4)%
<b>Operating loss</b>	(11,306,235)	(11,291,241)	0 %	(11,917,678)	(5)%
<b>Net nonoperating revenues:</b>					
Investment interest	1,591	1,500	6 %	1,638	(8)%
Local government assessments and taxes	3,337,256	3,499,662	(5)%	3,458,789	1 %
Federal grants and reimbursements	2,256,301	1,725,130	31 %	1,511,622	14 %
State operating grants	1,974,543	2,128,813	(7)%	2,883,983	(26)%
Other	<u>9,899</u>	<u>-</u>	- %	<u>-</u>	- %
Total nonoperating revenues (expenses)	<u>7,579,590</u>	<u>7,355,105</u>	3 %	<u>7,856,032</u>	(6)%
<b>Net loss before capital contributions</b>	(3,726,645)	(3,936,136)	(5)%	(4,061,646)	(3)%
Capital contributions	<u>6,336,133</u>	<u>1,067,484</u>	494 %	<u>1,079,445</u>	(1)%
<b>Change in net position</b>	2,609,488	(2,868,652)	(191)%	(2,982,201)	(4)%
Net position, beginning of year	<u>33,564,947</u>	<u>36,433,599</u>	(8)%	<u>39,415,800</u>	(8)%
<b>Net position, end of year</b>	<u>\$ 36,174,435</u>	<u>\$ 33,564,947</u>	8 %	<u>\$ 36,433,599</u>	(8)%

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 Years ended December 31, 2014 and 2013

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** As of December 31, 2014, the Corporation had invested \$34,796,973 in capital assets net of accumulated depreciation. As compared to the prior year, this amount represents an increase (including additions and disposals) of \$4,499,244 or 15% (see Table 3). This increase is primarily attributed to significant bus purchases from New Flyer in 2014.

As of December 31, 2013, the Corporation had invested \$30,297,727 in capital assets net of accumulated depreciation. As compared to the prior year, this amount represents a decrease (including additions and disposals) of \$1,944,814 or 6% (see Table 3). This decrease is primarily attributed to the retiring of six fixed route vehicles without them being replaced and depreciation expense.

**TABLE 3 - CAPITAL ASSETS (NET OF DEPRECIATION)**

	<u>2014</u>	<u>2013</u>	Percentage Change <u>2014 vs. 2013</u>	<u>2012</u>	Percentage Change <u>2013 vs. 2012</u>
Land	\$ 3,054,308	\$ 3,054,306	0 %	\$ 3,054,306	0 %
Land - New Ops Center	132,235	135,924	(3)%	139,613	(3)%
Construction in progress	-	331,554	(100)%	63,984	418 %
Buildings and structures	22,644,553	23,632,262	(4)%	24,497,900	(4)%
Revenue equipment	7,989,008	2,266,905	252 %	3,084,717	(27)%
Other service equipment	48,496	39,565	23 %	56,221	(30)%
Shop and garage equipment	244,033	517,217	(53)%	797,317	(35)%
Office equipment	160,923	286,522	(44)%	457,683	(37)%
Transit studies	317,961	33,472	850 %	90,800	(63)%
CNG	205,456	-	- %	-	(63)%
<b>Total capital assets</b>	<u>\$ 34,796,973</u>	<u>\$ 30,297,727</u>	<u>15 %</u>	<u>\$ 32,242,541</u>	<u>(6)%</u>

**Long-term debt.** As of December 31, 2014, the Corporation had \$1,350,000 in outstanding debt. The increase in debt is attributed to a new loan to fund the local share for the acquisition of new buses (See Note 4).

**CURRENTLY KNOWN FACTS**

Other than the uncertainty of general economic indicators on the Corporation, its funding affiliates, and its customers, there are no significant facts, decisions or conditions that are expected that management believes will have a material impact on the financial position or results of operations. The Corporation anticipates a decrease in both total revenues and total expenditures which have been incorporated into the fiscal year 2015 budget. These decreases are due to changes in our current state funding (PMTF) that the Corporation has experienced in 2014. In addition, the Corporation has been in the process of reviewing expenses to determine ways to reduce these costs.

**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  
 STATEMENTS OF NET POSITION  
 December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (Note 1)	\$ 424,197	\$ 508,907
Accounts and grants receivable	247,927	245,699
Lease receivable - current portion (Note 2)	400,000	400,000
Inventory (Note 1)	293,240	327,828
Net pension asset (Note 6)	448,312	448,312
Prepaid expense	<u>-</u>	<u>12,801</u>
Total current assets	<u>1,813,676</u>	<u>1,943,547</u>
<b>Noncurrent assets</b>		
Lease receivable (Note 2)	1,945,205	2,345,205
Non-depreciable capital assets (Note 3)	3,054,308	3,385,860
Capital assets, net of accumulated depreciation (Note 3)	<u>31,742,665</u>	<u>26,911,867</u>
Total noncurrent assets	<u>36,742,178</u>	<u>32,642,932</u>
Total assets	<u>\$ 38,555,854</u>	<u>\$ 34,586,479</u>
<b>LIABILITIES AND NET POSITION</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 384,089	\$ 360,777
Accrued Payroll	65,012	48,295
Due to FTA	235,159	235,159
Accrued compensated absences (Note 1)	270,933	291,823
Other current liabilities	<u>76,226</u>	<u>85,478</u>
Total current liabilities	<u>1,031,419</u>	<u>1,021,532</u>
<b>Noncurrent liabilities</b>		
Loan payable (Note 4)	<u>1,350,000</u>	<u>-</u>
Total liabilities	<u>2,381,419</u>	<u>1,021,532</u>
<b>Net position</b>		
Net investment in capital assets	33,446,973	30,297,727
Unrestricted	<u>2,727,462</u>	<u>3,267,220</u>
Total net position	<u>36,174,435</u>	<u>33,564,947</u>
Total liabilities and net position	<u>\$ 38,555,854</u>	<u>\$ 34,586,479</u>

See accompanying notes to financial statements.

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 Years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Operating revenue</b>		
Passenger fares	\$ 1,418,049	\$ 1,432,235
Advertising	72,000	69,000
Miscellaneous operating revenue	<u>195,194</u>	<u>197,390</u>
<b>Total operating revenue</b>	<b>1,685,243</b>	<b>1,698,625</b>
 <b>Operating expenses</b>		
Labor	5,036,057	4,946,325
Fringe benefits	1,779,273	1,795,234
Services	1,037,940	1,151,890
Materials and supplies	1,740,194	1,634,054
Utilities	200,050	159,001
Insurance	193,395	203,332
Dues	31,053	33,695
Travel	38,267	23,048
Advertising	53,127	29,472
Depreciation	2,853,410	2,993,727
Other operating expenses	<u>28,712</u>	<u>20,088</u>
<b>Total operating expenses</b>	<b>12,991,478</b>	<b>12,989,866</b>
 <b>Operating loss</b>	 <b>(11,306,235)</b>	 <b>(11,291,241)</b>
 <b>Non-operating revenues</b>		
Investment interest	1,591	1,500
Other income	9,899	-
Local government assessments and taxes (Note 5)	3,337,256	3,499,662
Federal grants (Note 5)	2,256,301	1,725,130
State operating grants (Note 5)	<u>1,974,543</u>	<u>2,128,813</u>
<b>Total nonoperating revenues</b>	<b>7,579,590</b>	<b>7,355,105</b>
 <b>Net loss before capital contributions</b>	 <b>(3,726,645)</b>	 <b>(3,936,136)</b>
 Capital contributions - grants (Note 5)	 <u>6,336,133</u>	 <u>1,067,484</u>
 <b>Change in net position</b>	 <b>2,609,488</b>	 <b>(2,868,652)</b>
 Net position, beginning of year	 <u>33,564,947</u>	 <u>36,433,599</u>
 <b>Net position, end of year</b>	 <b><u>\$ 36,174,435</u></b>	 <b><u>\$ 33,564,947</u></b>

See accompanying notes to financial statements.

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
STATEMENTS OF CASH FLOWS  
Years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Cash flows from operating activities</b>		
Receipts from passengers	\$ 1,593,171	\$ 1,614,415
Receipts from leased operations	400,000	400,000
Receipts from other operations	72,000	69,000
Payments to employees	(5,042,755)	(4,989,019)
Payments for fringe benefits	(1,776,748)	(1,814,136)
Payments for services	(1,547,356)	(1,826,037)
Payments for materials and supplies	<u>(1,705,606)</u>	<u>(1,694,523)</u>
Net cash used by operating activities	(8,007,294)	(8,240,300)
<b>Cash flows from noncapital financing activities</b>		
Proceeds from tax anticipation warrants	1,100,000	1,100,000
Repayment of tax anticipation warrants	(1,108,415)	(1,109,197)
Receipts of local government assessments and taxes	3,337,256	3,499,662
Receipts of federal and state government grants	<u>4,273,844</u>	<u>3,723,047</u>
Net cash provided by noncapital financing activities	7,602,685	7,213,512
<b>Cash flows from capital and related financing activities</b>		
Purchases of capital assets	(7,352,656)	(1,048,913)
Capital grant receipts	6,311,065	1,090,486
Proceeds on sale of capital assets	9,899	-
Proceeds from loan payable	<u>1,350,000</u>	<u>-</u>
Net cash provided by capital and related financing activities	318,308	41,573
<b>Cash flows from investing activities</b>		
Interest income	<u>1,591</u>	<u>1,500</u>
Net cash provided by investing activities	1,591	1,500
<b>Net change in cash and cash equivalents</b>	(84,710)	(983,715)
Cash and cash equivalents at beginning of year	<u>508,907</u>	<u>1,492,622</u>
Cash and cash equivalents at end of year	<u>\$ 424,197</u>	<u>\$ 508,907</u>
<b>Reconciliation of operating loss to net cash used by operating activities</b>		
Adjustments to reconcile loss from operations to net cash used by operating activities:	\$ (11,306,235)	\$ (11,291,241)
Depreciation	2,853,410	2,993,727
Change in assets and liabilities		
Accounts receivable	(20,160)	(12,806)
Lease receivable	400,000	400,000
Inventory	34,588	(60,469)
Net pension asset	-	(18,902)
Prepaid expense	12,801	177,673
Accounts payable	23,312	(177,828)
Accrued payroll	16,717	(82,329)
Accrued compensated absences	(20,890)	39,635
Other liabilities	<u>(837)</u>	<u>(207,760)</u>
Net cash used by operating activities	<u>\$ (8,007,294)</u>	<u>\$ (8,240,300)</u>

See accompanying notes to financial statements.

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014 and 2013

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**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 Statements 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.

GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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 of the organizations 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 considered to be potential component units for the purpose of defining the Corporation's reporting entity.

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.

Cash and cash equivalents: The Corporation had \$583,228 and \$845,131 deposited in local banks at December 31, 2014 and 2013, which is fully insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposits Insurance Fund. The Corporation also held a certificate of deposit with a balance of \$25,003 at December 31, 2014. The certificate of deposit has a 30 day maturity and is being renewed on a monthly basis. For presentation in the statement of cash flows, cash and cash equivalents include unrestricted cash deposits and other investments with original maturities of three months or less. The difference in the carrying amount of cash and the bank balance is caused by items in transit and outstanding checks at December 31, 2014 and 2013.

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

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

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(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014 and 2013

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

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 - 25 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, 2014 and 2013, are accrued as shown on the Statements of Net Position.

Due to FTA: Due to FTA consists of assets sold that were originally purchased with FTA grant monies. The amount owed is calculated as 80% of net book value of the assets disposed.

Property Tax Calendar: Property taxes for the 2014 tax levy were attached as an enforceable lien on properties as of March 1, 2014; these taxes were levied in January 2014, by the passage of a tax ordinance. Tax bills were prepared by St. Joseph County and were issued in April 2014 and October 2014 and payable in May 2014 and December 2014.

Property taxes for the 2013 tax levy were attached as an enforceable lien on properties as of March 1, 2013; these taxes were levied in January 2013, by the passage of a tax ordinance. Tax bills were prepared by St. Joseph County and were issued in April 2013 and October 2013 and payable in May 2013 and December 2013.

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.

New Accounting Pronouncements: In 2014, the Corporation adopted GASB Statement No. 67, *Financial Reporting for Pension Plans* as identified in the notes to financial statements. GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* were also implemented in 2014 with no impact on the financial statements.

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(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2014 and 2013

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

Other GASB standards that are under evaluation for future years include:

- Statement No. 68 and 71, *Accounting and Financial Reporting for Pensions and Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment to Statement No. 68*. The Corporation has not yet adopted these standards and is evaluating the impact they may have on its financial statements.
- Statement No. 72, *Fair Value Measurement and Application*. The Corporation has not yet adopted this standard and is evaluating the impact it may have on its financial statements.

**NOTE 2 - LEASE RECEIVABLES**

Under two of its federal capital assistance grants, the Corporation was awarded \$3,000,000 of funding during 2000 to build or purchase a parking garage in downtown South Bend. The Corporation elected to purchase a garage from the City of South Bend (the City) that was constructed with certain modifications to accommodate the Corporation's needs. The Corporation entered into a \$3,000,000 direct financing lease with the City to lease the garage to the City for 15 years, until 2015. 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 years ended December 31, 2014 and 2013, respectively.

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) that 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 years ended December 31, 2014 and 2013, respectively.

At December 31, 2014 and 2013 the outstanding balance of the two lease receivables was \$2,345,205 and \$2,745,205, respectively.

Future minimum lease payments to be received under both leases are as follows:

2015	\$	400,000
2016		200,000
2017		200,000
2018		200,000
2019		200,000
2020- 2026		<u>1,145,205</u>
		2,345,205
Less: Current portion		<u>400,000</u>
Noncurrent portion	\$	<u>1,945,205</u>

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014 and 2013

**NOTE 3 - CAPITAL ASSETS**

Following are the changes in capital assets for the years ended December, 31 2014 and 2013:

Description	Balance at Jan. 1, 2014	Additions	Deletions	Balance at Dec. 31, 2014
<b>Non-depreciable capital assets:</b>				
Construction in progress	\$ 331,552	\$ -	\$ (331,552)	\$ -
Land	<u>3,054,308</u>	<u>-</u>	<u>-</u>	<u>3,054,308</u>
<b>Total non-depreciable capital assets</b>	<b><u>\$ 3,385,860</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (331,552)</u></b>	<b><u>\$ 3,054,308</u></b>
<b>Capital assets:</b>				
Land improvements	\$ 147,570	\$ -	\$ -	\$ 147,570
Buildings and improvements	30,659,106	79,156	-	30,738,262
Revenue vehicles and equipment	15,891,273	6,960,124	-	22,851,397
Service vehicles and equipment	368,776	27,914	(31,125)	365,565
Shop and garage equipment	1,542,020	-	-	1,542,020
Transit studies	171,984	394,627	-	566,611
Furniture and office equipment	1,093,625	7,998	-	1,101,623
CNG Station	-	214,389	-	214,389
Subtotal	<u>49,874,354</u>	<u>7,684,208</u>	<u>(31,125)</u>	<u>57,527,437</u>
<b>Less accumulated depreciation:</b>				
Land-improvements	(11,646)	(3,689)	-	(15,335)
Buildings and improvements	(7,026,844)	(1,066,865)	-	(8,093,709)
Revenue vehicles and equipment	(13,624,368)	(1,238,021)	-	(14,862,389)
Service vehicles and equipment	(329,211)	(18,983)	31,125	(317,069)
Shop and garage equipment	(1,024,803)	(273,184)	-	(1,297,987)
Transit studies	(138,512)	(110,138)	-	(248,650)
Furniture and office equipment	(807,103)	(133,597)	-	(940,700)
CNG Station	-	(8,933)	-	(8,933)
<b>Total accumulated depreciation</b>	<b><u>(22,962,487)</u></b>	<b><u>(2,853,410)</u></b>	<b><u>31,125</u></b>	<b><u>(25,784,772)</u></b>
<b>Total capital assets, net of accumulated depreciation</b>	<b><u>\$ 26,911,867</u></b>	<b><u>\$ 4,830,798</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 31,742,665</u></b>

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014 and 2013

**NOTE 3 - CAPITAL ASSETS (Continued)**

<u>Description</u>	<u>Balance at Jan. 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at Dec. 31, 2013</u>
<b>Non-depreciable capital assets:</b>				
Construction in progress	\$ 63,984	\$ 267,568	\$ -	\$ 331,552
Land	<u>3,054,308</u>	<u>-</u>	<u>-</u>	<u>3,054,308</u>
<b>Total non-depreciable capital assets</b>	<b><u>\$ 3,118,292</u></b>	<b><u>\$ 267,568</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,385,860</u></b>
<b>Capital assets:</b>				
Land improvements	\$ 147,570	\$ -	\$ -	\$ 147,570
Buildings and improvements	30,452,384	206,722	-	30,659,106
Revenue vehicles and equipment	18,880,570	504,470	(3,493,767)	15,891,273
Service vehicles and equipment	368,776	-	-	368,776
Shop and garage equipment	1,542,020	-	-	1,542,020
Transit studies	171,984	-	-	171,984
Furniture and office equipment	<u>1,023,474</u>	<u>70,151</u>	<u>-</u>	<u>1,093,625</u>
Subtotal	52,586,778	781,343	(3,493,767)	49,874,354
<b>Less accumulated depreciation:</b>				
Land-improvements	(7,957)	(3,689)	-	(11,646)
Buildings and improvements	(5,954,485)	(1,072,359)	-	(7,026,844)
Revenue vehicles and equipment	(15,795,853)	(1,322,282)	3,493,767	(13,624,368)
Service vehicles and equipment	(312,554)	(16,657)	-	(329,211)
Shop and garage equipment	(744,703)	(280,100)	-	(1,024,803)
Transit studies	(81,184)	(57,328)	-	(138,512)
Furniture and office equipment	<u>(565,791)</u>	<u>(241,312)</u>	<u>-</u>	<u>(807,103)</u>
<b>Total accumulated depreciation</b>	<b><u>(23,462,527)</u></b>	<b><u>(2,993,727)</u></b>	<b><u>3,493,767</u></b>	<b><u>(22,962,487)</u></b>
<b>Total capital assets, net of accumulated depreciation</b>	<b><u>\$ 29,124,251</u></b>	<b><u>\$ (2,212,384)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 26,911,867</u></b>

**NOTE 4 - LOAN PAYABLE**

In October 2014, the Corporation obtained a \$1,350,000 bank loan to help fund the acquisition of new buses. The loan requires monthly, interest only payments until February 2016 when quarterly principal payments of \$125,000 plus interest commence. The loan has a fixed interest rate of 2.0% and matures in November 2018. The outstanding balance on long-term debt is \$1,350,000 and \$0 as of December 31, 2014 and 2013.

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2014 and 2013

**NOTE 4 - LOAN PAYABLE (Continued)**

The future maturities of the long-term debt are as follows:

Year	
2015	\$ -
2016	500,000
2017	500,000
2018	<u>350,000</u>
 Total	 <u>\$ 1,350,000</u>

Interest expense was \$5,272 and \$0 for the years ended December 31, 2014 and 2013.

**NOTE 5 - STATE, LOCAL AND FEDERAL ASSISTANCE**

State, local and federal assistance is as follows:

Operating:

	2014	2013
Local government assessments and taxes:		
Property tax appropriation	\$ 2,670,133	\$ 2,886,355
Other tax appropriations	<u>667,123</u>	<u>613,307</u>
Total	3,337,256	3,499,662
 Federal grants and reimbursement:		
Federal preventive maintenance assistance grant	1,355,800	1,259,825
Federal operating assistance grant	<u>900,501</u>	<u>465,305</u>
Total	2,256,301	1,725,130
 State operating assistance grant	 <u>1,974,543</u>	 <u>2,128,813</u>
	<u>\$ 7,568,100</u>	<u>\$ 7,353,605</u>

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 years ended December 31, 2014 and 2013 of \$2,256,301 and \$1,725,130. As of December 31, 2014 and 2013, accounts receivable was \$152,000 and \$195,000, respectively, outstanding from the Federal Transportation Administration for preventive maintenance assistance and operating assistance.

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 years ended December 31, 2014 and 2013 was \$1,974,543 and \$2,128,813. As of December 31, 2014 and 2013, there was no receivable from the State of Indiana for operating assistance.

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014 and 2013

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**NOTE 5 - STATE, LOCAL AND FEDERAL ASSISTANCE (Continued)**

Capital:

In addition, the Corporation received \$6,336,133 and \$1,067,484 of capital contribution from federal and local sources for the years ended December 31, 2014 and 2013, respectively. 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. As of December 31, 2014 and 2013, accounts receivable related to capital contribution grants was \$71,852 and \$20,858, respectively, outstanding from the City of South Bend and the Department of Energy.

**NOTE 6 - EMPLOYEE PENSION PLAN**

Plan Description: The Corporation sponsors a trustee, single-employer, defined benefit pension plan covering certain full-time permanent union and nonunion employees. The plan provides retirement, death and disability benefits.

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. Plan participants who retire at or after age 65 (or at age 60 with reduced benefits) are entitled to an annual retirement benefit payable monthly for life, in an amount based upon compensation and credited service. Employees are also entitled to disability benefits in instances in which employment terminates from the result of "total and permanent disability". Employees who retire at age 65 (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.

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 Corporation, 1401 S. Lafayette Blvd., South Bend, Indiana 46613.

Basis of Accounting: The accrual basis of accounting is utilized for the pension trust fund. Under this method, additions to net plan assets are recorded when earned and deductions from net plan assets are recorded when the time related liabilities are incurred. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the term of the plan.

Methods Used to Determine Value of Investments: Pension plan assets consist of fixed-income and equity mutual funds, which are reported at their estimated fair values, determined from quoted market prices. Gains and losses represent increases (decreases) of cost over fair value.

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(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014 and 2013

**NOTE 6 - EMPLOYEE PENSION PLAN (Continued)**

Funding Policy and Annual Pension Cost: The Corporation's and participant's contributions are fixed amounts payable weekly. During 2014 and 2013, the Corporation's contribution was \$54.63 per participant per week and the participant's contribution was \$31.50 per week. The required contribution is calculated through actuarial analysis to determine the contribution rates that are required over time to allow sufficient assets to be available to pay benefits when due. The allocation of the required contribution between the Corporation and the participants is determined and governed by collective bargaining agreements.

For the years ending December 31, 2014 and 2013, the Corporation's annual pension cost (APC), including amortization of past service cost over 20 years, was \$190,661 and \$176,118, respectively. The Corporation's contributions totaled \$209,563 and \$214,357 for the years ending 2014 and 2013, respectively. The Corporation contributed 115%, 127% and 116% of the required amount in 2014, 2013 and 2012, respectively. The participant's contributions totaled \$120,826 and \$123,699 for the years ending 2014 and 2013, respectively. The required contribution was determined as part of the actuarial valuation using the entry age actuarial cost method. The actuarial assumptions include a 6.5% investment rate of return. The unfunded actuarial accrued liability is amortized on a level percentage of projected payroll on an open 20-year basis. An actuarial valuation as of January 1, 2014 has been performed to determine the required contribution for the 2014 year.

The following represents the significant components of the APC and changes in net pension asset during the years ended December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Annual required contribution (ARC)	\$ 181,980	\$ 168,209
Interest on net pension asset	(27,912)	(25,426)
Adjustment to ARC	<u>36,593</u>	<u>33,335</u>
Annual pension cost (APC)	190,661	176,118
Contributions made	<u>209,563</u>	<u>214,357</u>
Increase in net pension asset	18,902	38,239
Net pension asset - beginning of year	<u>429,410</u>	<u>391,171</u>
 Net pension asset - end of year	 <u>\$ 448,312</u>	 <u>\$ 429,410</u>

Schedule of Funding Progress: Expressing the net position available for benefits as a percentage of the pension benefit obligation provides one indication of the plan's funding status. The following is presented as historical trend information showing the plan's funding progress (in thousands) in accumulating sufficient assets to pay benefits when due.

<u>December 31,</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL)</u>	<u>Funded</u> <u>Ratio</u>	<u>Over</u> <u>(Under)</u> <u>Funded</u> <u>AAL</u>	<u>Covered</u> <u>Payroll</u>	<u>UAAL as</u> <u>Percentage</u> <u>of Covered</u> <u>Payroll</u>
2014	\$ 7,318	\$ 8,102	90.32 %	(784)	3,747	(20.92)%
2013	7,318	8,102	90.32 %	(784)	3,747	(20.92)%
2012	7,022	7,997	87.80 %	(975)	3,917	(24.90)%
2011	6,603	7,630	86.50 %	(1,027)	4,184	(24.50)%
2010	6,331	7,355	86.00 %	(1,024)	4,803	(21.30)%
2009	5,818	6,748	86.20 %	(930)	4,607	(20.20)%
2008	5,222	6,630	78.76 %	(1,408)	4,359	(32.30)%

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014 and 2013

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**NOTE 7 - LITIGATION, CONTINGENT LIABILITIES, COMMITMENTS**

Commitments: Professional Transit Management, Ltd. and Veolia Transportation Services, Inc. provide management and advisory service to the Corporation. The term of the current contract is from October 1, 2012 through September 30, 2015 with options to extend the agreement through September 30, 2017. The basic service fees, including reimbursement for travel expenses, were \$253,401 and \$246,075 in 2014 and 2013. These contracts provide for basic annual fees, assuming all extensions are elected, as follows:

<u>Year</u>	
2015	\$ 262,869
2016	271,682
2017	<u>208,874</u>
 Total	 <u>\$ 743,425</u>

Contingencies: 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 years ended December 31, 2014 and 2013, 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 2014 and there were no settlements that exceeded insurance coverage during any of past three fiscal 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 8 - TEMPORARY LOAN TAX ANTICIPATION WARRANTS**

In 2014, the Corporation issued \$1,100,000 of tax anticipation warrants to provide short-term operating cash at an interest rate of 0.78%. The warrants were paid in full on December 30, 2014.

On January 5, 2015, the Corporation issued \$1,100,000 of tax anticipation warrants to provide short-term operating cash at an interest rate of 1.00%. The warrants are due December 31, 2015 and are to be paid with property tax revenue received during the year. The tax warrants were issued to improve operating cash until the property tax revenue is received later in the year.

**SUPPLEMENTAL SCHEDULE**

**SCHEDULE OF OPERATING REVENUES, EXPENSES AND NONOPERATING ASSISTANCE**



Crowe Horwath LLP  
Independent Member Crowe Horwath International

## 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 South Bend Public Transportation Corporation (the Corporation) as of and for the years ended December 31, 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, and 2005 and our reports thereon dated July 20, 2015, July 9, 2014, June 17, 2013, May 30, 2012, May 24, 2011, May 13, 2010, May 11, 2009, August 11, 2008, May 29, 2007, and March 10, 2006, 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 Horwath* LLP  
Crowe Horwath LLP

South Bend, Indiana  
July 20, 2015

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
 SCHEDULE OF OPERATING REVENUES, EXPENSES AND NONOPERATING REVENUES  
 For the ten years ended December 31, 2014

Year	Passenger Revenue	Other Revenue	Non-operating Revenue	Total Revenues	Operating Expenses Before Depreciation	Excess of Expenses Before Depreciation	Depreciation	Net Loss Before Capital Contributions
2005	\$ 1,204,218	\$ 263,349	\$ 7,512,975	\$ 8,980,542	\$ 8,469,722	\$ 510,820	\$ 2,212,452	\$ (1,701,632)
2006	1,373,706	244,858	7,992,351	9,610,915	9,135,446	475,469	2,250,805	(1,775,336)
2007	1,347,746	252,728	7,996,088	9,596,562	10,103,418	(506,856)	2,261,505	(2,768,361)
2008	1,508,793	309,555	8,611,803	10,430,151	10,202,407	227,744	2,274,118	(2,046,374)
2009	1,210,020	238,553	7,996,359	9,444,932	9,634,518	(189,586)	2,251,127	(2,440,713)
2010	1,390,353	244,033	7,022,031	8,656,687	10,326,254	(1,669,567)	2,392,607	(4,062,174)
2011	1,401,657	259,121	7,260,767	8,921,545	10,635,365	(1,713,820)	2,516,648	(4,230,468)
2012	1,427,740	249,165	7,856,032	9,532,937	10,325,963	(793,026)	3,268,620	(4,061,646)
2013	1,432,235	266,390	7,355,105	9,053,730	9,996,139	(942,409)	2,993,727	(3,936,136)
2014	1,418,049	267,194	7,579,590	9,264,833	10,138,068	(873,235)	2,853,410	(3,726,645)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year ended December 31, 2014

<u>Federal Grantor/ Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Award Number</u>	<u>Federal Expenditure</u>
<b>Department of Transportation</b>			
<b>Federal Transportation Administration</b>			
Federal Transit Cluster:			
Federal Transit - Capital Investment Grants	20.500	IN-04-X044	\$ 3,387,086
Federal Transit - Formula Grants	20.507	IN-90-X591	23,322
Federal Transit - Formula Grants	20.507	IN-90-X621	85,193
Federal Transit - Formula Grants	20.507	IN-90-X628	252,983
Federal Transit - Formula Grants	20.507	IN-90-X650	2,327,124
Federal Transit - Formula Grants	20.507	IN-95-X048	<u>2,268,669</u>
Total Federal Transit Cluster			<u>8,344,377</u>
<b>Department of Energy</b>			
Conservation Research and Development	81.086	DE-EE0001972	<u>106,783</u>
Total Expenditures of Federal Awards			<u>\$ 8,451,160</u>

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

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year ended December 31, 2014

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**NOTE 1 - BASIS OF PRESENTATION**

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

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 South Bend Public Transportation Corporation ("Corporation") as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively compose the Corporation's basic financial statements, and have issued our report thereon dated July 20, 2015.

#### 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 may exist that have not been identified.

## Compliance and Other Matters

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

## Purpose of this Report

The purpose of this 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 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 Horwath LLP  
Crowe Horwath LLP

South Bend, Indiana  
July 20, 2015

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

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

**Report on Compliance for Each Major Federal Program**

We have audited the South Bend Public Transportation Corporation's (Corporation) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Corporation's major federal program for the year ended December 31, 2014. 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.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the Corporation's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Corporation's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2014.

### **Report on Internal Control Over Compliance**

Management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal controls over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP  
Crowe Horwath LLP

South Bend, Indiana  
July 20, 2015

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 Year ended December 31, 2014

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**SECTION I - SUMMARY OF AUDITORS' RESULTS:**

***Financial Statements***

Type of auditor's report issued: 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 Section 510(a) of OMB Circular A-133? \_\_\_\_\_ Yes \_\_\_\_\_ X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.500	Federal Transit Cluster:
20.507	Federal Transit - Capital Investment Grants
	Federal Transit - Formula Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ X Yes \_\_\_\_\_ No

**SECTION 2 - FINDINGS RELATED TO THE FINANCIAL STATEMENTS THAT ARE REQUIRED TO BE REPORTING IN ACCORDANCE WITH GAGAS.**

None reported

**SECTION 3 - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS INCLUDING AUDIT FINDINGS AS DEFINED ON OMB CIRCULAR A-133 SECTION 510(a).**

None reported

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SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
Year ended December 31, 2014

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**SECTION 4 - PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

No findings or questioned costs for federal awards including audit findings as defined by OMB Circular A-133 section 510(a) were reported in the prior year.