



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

B46071

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

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

March 31, 2016

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

We have reviewed the audit report prepared by Estep Burkey Simmons, LLC, Independent Public Accountants, for the period January 1, 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 Muncie 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 blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA  
State Examiner

FINANCIAL STATEMENTS AND AUDITORS' REPORT  
MUNCIE PUBLIC TRANSPORTATION CORPORATION

December 31, 2014

## CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	6
FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	12
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	13
STATEMENT OF CASH FLOWS	14
NOTES TO FINANCIAL STATEMENTS	16
SUPPLEMENTAL INFORMATION	
BUDGETARY COMPARISON SCHEDULE	25
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	26
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	27
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	28
SCHEDULE OF GOVERNMENTAL FUNDING	29
SPECIAL REPORTS	
REPORT ON INTERNAL CONTROL AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	30
REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	32
EXIT CONFERENCE	34



## Independent Auditors' Report

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

### **Report on the Financial Statements**

We have audited the accompanying statement of net position of the Muncie Public Transportation Corporation as of and for the year ended December 31, 2014, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

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

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

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

## **Opinion**

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information on pages 6 through 11 and page 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

### *Other Information*

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

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2015, on our consideration of the Muncie Public Transportation Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Muncie Public Transportation Corporation's internal control over financial reporting and compliance.

*Estep Burkey Simmons, LLC*

Muncie, Indiana  
September 30, 2015

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## Muncie Public Transportation Corporation

### MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2014

This section of the annual report of the Muncie Public Transportation Corporation presents a discussion and analysis of Muncie Public Transportation Corporation's financial performance during the year ended December 31, 2014. Please read it in conjunction with the introductory section of the report and Muncie Public Transportation Corporation's financial statements and accompanying notes, which immediately follow this section.

#### Financial Highlights for 2014

- Net position totaled \$8,871,339 at December 31, 2014.
- Net position decreased by \$420,767 in 2014, which compares to an increase of \$564,461 in 2013.
- Current liabilities decreased 20% at the end of the year.

#### Overview of the Financial Statements

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

#### Statement of Net Position

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

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

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

**Muncie Public Transportation Corporation****MANAGEMENT'S DISCUSSION AND ANALYSIS****December 31, 2014****Statement of Revenues, Expenses and Changes in Net Position**

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

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

**Statement of Cash Flows**

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

**Notes to Financial Statements**

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

**Financial Analysis of the Muncie Public Transportation Corporation*****Statement of Net Position***

The following table reflects a condensed summary of assets, liabilities and net position of the Muncie Public Transportation Corporation as of December 31, 2014 and 2013:

Muncie Public Transportation Corporation  
MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2014

*Statement of Net Position - continued*

Table 1

Summary of Assets, Liabilities and Net Position

December 31,

	2014	2013
<b>Assets:</b>		
Current assets	\$ 583,568	\$ 1,096,773
Restricted assets	652,564	651,947
Capital assets, net	8,124,246	8,131,493
Total assets	\$ 9,360,378	\$ 9,880,213
<b>Liabilities:</b>		
Current liabilities	\$ 469,433	\$ 588,107
Long-term liabilities	19,606	-
Total liabilities	489,039	588,107
<b>Net Position:</b>		
Invested in capital assets	8,124,246	8,131,493
Retricted by MPTC for future capital improvements	652,564	651,947
Unassigned	94,529	508,666
Total net position	8,871,339	9,292,106
Total liabilities and net position	\$ 9,360,378	\$ 9,880,213

Current assets decreased by 48% to \$583,568. The change in current assets is primarily due to a 91% decrease in accounts receivable, as the previous year balance contained receivables for federal capital assistance. The cash balance also decreased by 71% due to using temporary cash investments rather than borrowing from a line of credit.

Restricted assets increased by \$617 to \$652,564 due to interest earned.

Current liabilities decreased by 20% primarily due to a decrease in accounts payable of \$127,856.

Long-term liabilities have increased by \$19,606 due to capital lease agreements for updated copy/scan equipment. Monthly payments of \$499 are required, and the lease will mature in August 2019.

## Muncie Public Transportation Corporation

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2014

*Statement of Net Position - continued*

Net position invested in capital assets consist of capital assets, net of accumulated depreciation and amortization after disposal of assets that have outlasted useful life. This category includes asset acquisitions during the year that were funded by capital grants, disposals that have outlasted useful life, offset by depreciation expense of \$1,326,655.

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

Unassigned net position, which represent assets available for operations, decreased by \$414,137 from the prior year.

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

The following table reflects a condensed summary of the revenues, expenses and changes in net position for the years ended December 31, 2014 and 2013:

Table 2

## Condensed Summary of Revenues, Expenses and Changes in Net Position

	Years ended December 31,	
	<u>2014</u>	<u>2013</u>
Operating revenues	\$ 3,388,311	\$ 3,368,886
Operating expenses:		
Operating expenses	6,590,559	6,618,218
Depreciation	1,326,655	1,203,644
Total operating expenses	<u>7,917,214</u>	<u>7,821,862</u>
Operating loss	(4,528,903)	(4,452,976)
Nonoperating revenues/expenses, net	3,104,485	2,915,529
Capital contributions	1,003,651	2,101,908
Change in net position	<u>(420,767)</u>	<u>564,461</u>
Net position - beginning of year	9,292,106	8,727,645
Net position - end of year	<u>\$ 8,871,339</u>	<u>\$ 9,292,106</u>

## Muncie Public Transportation Corporation

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2014

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

Operating revenues increased slightly by \$19,425 or approximately 1%. The increase is primarily due to increased advertising revenue. System ridership increased by 11,423 from the previous year.

Total operating expenses increased \$95,352. This increase is attributed to increases in fringe benefits, depreciation and labor, and decreases in casualty and liability and materials and supplies costs.

Fringe benefits, depreciation and labor increased \$352,148. Casualty and liability and materials and supplies decreased by \$221,822. Casualty and liability expenses were offset by recoveries of PL/PD losses.

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

Table 3

## Operating Expenses

Years ended December 31,

	<u>2014</u>	<u>2013</u>
Labor	\$ 2,930,098	\$ 2,859,029
Fringe benefits	1,754,941	1,596,874
Contractual services	639,875	645,921
Materials and supplies	986,911	1,072,048
Utilities	105,586	100,380
Casualty and liability costs	37,714	186,763
Miscellaneous	135,434	157,203
Operating expenses before provision	<u>6,590,559</u>	<u>6,618,218</u>
Provision for depreciation	1,326,655	1,203,644
Total operating expenses	<u><u>\$ 7,917,214</u></u>	<u><u>\$ 7,821,862</u></u>

**Muncie Public Transportation Corporation****MANAGEMENT'S DISCUSSION AND ANALYSIS****December 31, 2014****Capital Asset and Debt Administration***Capital Assets*

The Muncie Public Transportation Corporation invested \$27,451,199 (not adjusted for inflation) in capital assets, including buildings, vehicles and other equipment as of December 31, 2014. Net of accumulated depreciation, the Muncie Public Transportation Corporation's capital assets at December 31, 2014 totaled \$8,124,246. This amount represents a net decrease (including additions and disposals, net of depreciation) of \$7,247 from 2013.

The year-over-year net decrease in capital assets resulted primarily from depreciation expense.

*Debt Administration*

Short-term debt consists of a line of credit. Interest on the line of credit in the amount of \$0 was paid during 2014. The line of credit was not utilized during 2014.

Long-term debt consisted of a capital lease obligation. At December 31, 2014, the Muncie Public Transportation Corporation had \$24,481 in capital lease obligations outstanding. The capital lease obligation relates to copier equipment with monthly payments of \$499 required through August 2019.

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

The Muncie Public Transportation Corporation adopted the 2015 Annual Budget October 6, 2014. This budget provides for operating expenses of \$7,893,509. The operating budget increase of 2% from the 2014 Annual Budget is primarily due to projections of rising labor and utility costs needed to support ridership.

Budget revenues for 2015 are more than the 2014 Annual Budget by \$528,168, or 7%. This increase from 2014 operating revenues is expected as a result of increased federal and state operating assistance.

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

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

## FINANCIAL STATEMENTS

## Muncie Public Transportation Corporation

## STATEMENT OF NET POSITION

December 31, 2014

## ASSETS

## CURRENT ASSETS

Cash	\$ 178,187
Accounts receivable	14,006
Materials and supplies inventory	284,887
Prepaid expenses	<u>106,488</u>
Total current assets	583,568
Investments - cash	652,564
Capital assets, net of accumulated depreciation	<u>8,124,246</u>
	<u>8,776,810</u>
	<u><u>\$ 9,360,378</u></u>

## LIABILITIES

## CURRENT LIABILITIES

Current maturities of long-term liabilities	\$ 4,875
Accounts payable	302,795
Accrued and withheld expenses	<u>161,763</u>
Total current liabilities	469,433

## LONG-TERM LIABILITIES

Lease payable, less current maturities	<u>19,606</u>
	489,039

## NET POSITION

Net investment in capital assets	8,124,246
Restricted by MPTC for future capital improvements	652,564
Unrestricted	<u>94,529</u>
	<u>8,871,339</u>
	<u><u>\$ 9,360,378</u></u>

The accompanying notes are an integral part of this statement.

## Muncie Public Transportation Corporation

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

Year Ended December 31, 2014

Operating revenues	
Fares, tokens and tickets	\$ 227,814
Local tax revenue	3,123,236
Miscellaneous	37,261
	<u>3,388,311</u>
Operating expenses	
Labor	2,930,098
Fringe benefits	1,754,941
Services	639,875
Materials and supplies	986,911
Utilities	105,586
Casualty and liability costs	37,714
Miscellaneous	135,434
Depreciation	1,326,655
	<u>7,917,214</u>
Operating expenses in excess of operating revenues	(4,528,903)
Nonoperating revenues (expenses)	
Operating grant revenue - federal	1,687,995
Operating grant revenue - state	1,423,464
Miscellaneous revenue	8,552
Investment income	1,470
Gain on disposal of assets	9,636
Interest expense	(26,632)
	<u>3,104,485</u>
Change in net position before capital contributions	(1,424,418)
Capital contributions	<u>1,003,651</u>
<b>CHANGE IN NET POSITION</b>	<b>(420,767)</b>
Net position - beginning of year	<u>9,292,106</u>
Net position - end of year	<u><u>\$ 8,871,339</u></u>

The accompanying notes are an integral part of this statement.

## Muncie Public Transportation Corporation

## STATEMENT OF CASH FLOWS

Year Ended December 31, 2014

Cash flows from operating activities:	
Local tax revenues	\$ 3,122,268
Cash received from customers	336,432
Cash received from special events/programs	37,261
Cash disbursed to employees	(4,700,337)
Cash disbursed to suppliers for goods and services	<u>(2,033,376)</u>
Net cash used in operating activities	(3,237,752)
Cash flows from noncapital financing activities:	
Grants	3,111,459
Miscellaneous revenue	<u>8,552</u>
Net cash provided by noncapital financing activities	3,120,011
Cash flows from capital and related financing activities:	
Capital grants	1,003,651
Capital acquisitions	(1,322,110)
Sale of capital assets	9,322
Proceeds from capital lease obligation	26,553
Payments for capital lease obligation	(5,013)
Interest expense	<u>(26,632)</u>
Net cash used in capital and related financing activities	(314,229)
Cash flows from investing activities:	
Purchases of investments	(617)
Investment income	<u>1,470</u>
Net cash provided by investing activities	853
Net decrease in cash	(431,117)
Cash at beginning of year	<u>609,304</u>
Cash at end of year	<u><u>\$ 178,187</u></u>

The accompanying notes are an integral part of this statement.

Muncie Public Transportation Corporation  
STATEMENT OF CASH FLOWS - Continued  
Year Ended December 31, 2014

Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (4,528,903)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation	1,326,655
Change in assets and liabilities:	
Decrease in accounts receivable	135,843
Increase in inventory	(28,193)
Increase in prepaid expenses	(25,562)
Decrease in accounts payable	(127,856)
Increase in accrued and withheld expenses	10,264
	<hr/>
Net cash used in operating activities	<u><u>\$ (3,237,752)</u></u>

The accompanying notes are an integral part of this statement.

## Muncie Public Transportation Corporation

## NOTES TO FINANCIAL STATEMENTS

December 31, 2014

## NOTE A - SUMMARY OF ACCOUNTING POLICIES

1. Reporting Entity

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

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

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

2. Accounting Method

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

3. Cash Equivalents

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

4. Inventories

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

5. Investments

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

## Muncie Public Transportation Corporation

## NOTES TO FINANCIAL STATEMENTS

December 31, 2014

## NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

6. Accounts Receivable

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

7. Property and Depreciation

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

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

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

8. Revenue Recognition

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

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

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

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

9. Income Tax

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

## Muncie Public Transportation Corporation

## NOTES TO FINANCIAL STATEMENTS

December 31, 2014

## NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

10. Budget

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

11. Deferred Outflows/Inflows of Resources

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

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

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

12. Compensated Absences

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

13. Advertising Costs

Advertising costs are expensed as incurred and included in operating expenses. Advertising expenses totaled \$76,808 for the year ended December 31, 2014.

14. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Muncie Public Transportation Corporation**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2014**

**NOTE B - OPERATING GRANT**

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

**NOTE C - CASH AND CONCENTRATION OF CREDIT RISK**

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

The Corporation maintains its cash in bank deposit accounts at high credit quality financial institutions. The balances, at times, may exceed federally insured limits. At December 31, 2014, the Corporation exceeded the insured limit by approximately \$586,008.

**NOTE D - INVESTMENTS**

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

As of December 31, 2014, the Corporation held the investment in a transit improvement reserve fund (T.I.R.F.) consisting of a time deposit account. The fair value of the investment approximated cost at year end and totaled \$652,564.

The following schedule summarizes the investment return for the year ended December 31, 2014.

Total investment return: Interest	<u>\$ 652</u>
-----------------------------------	---------------

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

**NOTE E - FAIR VALUE MEASUREMENTS**

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

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

## Muncie Public Transportation Corporation

## NOTES TO FINANCIAL STATEMENTS

December 31, 2014

## NOTE E - FAIR VALUE MEASUREMENTS - Continued

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

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

The following tables set forth financial assets measured at fair value in the Statement of Financial Position and the respective levels to which the fair value measurements are classified within the fair value hierarchy as of December 31, 2014, respectively:

	<u>Fair Value</u>	<u>Level 1</u>
Assets:		
Investments	\$ 652,564	\$ 652,564
Liabilities:		
Long-term liabilities	\$ 24,481	\$ 24,481

Fair values for investments and long-term liabilities are determined by reference to quoted market prices and other relevant information generated by market transactions.

## NOTE F - CAPITAL ASSETS

Changes in capital assets for the year ending December 31, 2014 were:

## Muncie Public Transportation Corporation

## NOTES TO FINANCIAL STATEMENTS

December 31, 2014

## NOTE F - CAPITAL ASSETS - Continued

	<u>Jan. 1, 2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>Dec. 31, 2014</u>
Capital assets not being depreciated				
Land	\$ 268,647	\$ -	\$ -	\$ 268,647
Capital assets being depreciated				
Buildings and improvements	7,855,702	17,586	-	7,873,288
Buses and equipment	19,343,393	1,290,657	1,507,125	19,126,925
Other property and equipment	437,119	13,867	-	450,986
Total capital assets being depreciated	<u>27,636,214</u>	<u>1,322,110</u>	<u>1,507,125</u>	<u>27,451,199</u>
Less: Accumulated depreciation and amortization				
Buildings and improvements	6,351,549	116,879	-	6,468,428
Buses and equipment	13,030,100	1,197,807	1,504,423	12,723,484
Other property and equipment	391,719	11,969	-	403,688
Total accumulated depreciation and amortization	<u>19,773,368</u>	<u>1,326,655</u>	<u>1,504,423</u>	<u>19,595,600</u>
Total capital assets being depreciated, net	<u>7,862,846</u>	<u>(4,545)</u>	<u>2,702</u>	<u>7,855,599</u>
Total capital assets, net	<u>\$ 8,131,493</u>	<u>\$ (4,545)</u>	<u>\$ 2,702</u>	<u>\$ 8,124,246</u>

## NOTE G - LONG-TERM LIABILITIES

Long-term liabilities consist of the following at December 31, 2014.

Obligations under capital lease payable to De Lage Landen Public Finance, LLC, at a fixed interest rate of 5%. Monthly payments of \$499 are required and matures in August 2019. The obligation is secured by four copiers.

\$ 24,481

Less current maturities

4,875

\$ 19,606

Annual maturities of long-term liabilities are as follows.

Year ending December 31, 2015	\$ 4,875
2016	\$ 5,124
2017	\$ 5,386
2018	\$ 5,662
2019	\$ 3,434

## Muncie Public Transportation Corporation

## NOTES TO FINANCIAL STATEMENTS

December 31, 2014

## NOTE H - BANK LINE OF CREDIT

The Corporation has a line of credit with a commercial bank which provides borrowings up to \$1,900,000. Advances bear a variable interest rate which was 5.00% on December 31, 2014, and is unsecured. Outstanding borrowings under this arrangement at December 31, 2014 were \$-0-. The line of credit expired on December 31, 2014, but was renewed until December 31, 2015.

## NOTE I - RETIREMENT PLAN

Substantially all Muncie Public Transportation Corporation full-time employees participate in the following statewide retirement system administered by the Indiana Public Retirement System (INPRS), under a cost-sharing multiple-employer public employee defined benefit retirement plan. INPRS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plan. The INPRS CAFR may be obtained by writing to: INPRS, One North Capitol, Suite 001, Indianapolis, IN 46204. The following disclosures are made pursuant to GASB Statement 27, *Accounting for Pensions by State and Local Government Employers* and GASB Statement 50, *Pension Disclosures, an Amendment of GASB Statements 25 and 27*.

Plan Description

PERF members are fully vested after the completion of five years of eligible service.

PERF members are eligible for normal retirement at age 55 with the sum of age and vesting service equal to 85 or more, at age 60 with 15 or more years of vesting service, or at age 65 with 10 or more years of vesting service. PERF members retiring at age 50 with 15 or more years of vesting service may receive actuarially reduced benefits.

The normal retirement benefit is a pension payable for life with 60 months guaranteed and is equal to 1.1 percent of average monthly earnings multiplied by years of creditable service earned.

PERF provides disability retirement benefits. The disability retirement benefit is the accrued retirement benefit determined as of the disability date and payable commencing the month following the disability date without reduction for early commencement.

Funding Policy

Plan members are required to contribute 3% of their gross earnings and Muncie Public Transportation Corporation is required to contribute at an actuarially determined rate. The current rate is 10.5% of the employees' gross earnings. The contribution requirements of plan members and Muncie Public Transportation Corporation are established and may be amended by PERF Board of Trustees. Muncie Public Transportation Corporation's contributions to PERF for the year ending December 31, 2014, 2013, and 2012 were \$297,889, \$246,517, and \$281,586, respectively, which is equal to the required contributions for each year.

**Muncie Public Transportation Corporation**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2014**

**NOTE J - LITIGATION**

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

**NOTE K - FEDERAL GRANTS**

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

**NOTE L - POLLUTION REMEDIATION OBLIGATION**

The Corporation is subject to laws and regulations relating to the protection of the environment. In accordance with GASB 49, the Corporation's policy is to accrue environmental and cleanup-related costs when certain recognition triggers occur. Under GASB 49, liabilities and expenses would be estimated using an "expected cash flows" measurement technique. As of December 31, 2014, Muncie Public Transportation Corporation had not identified any recognition triggers that would require the recording of a liability and an expense. Muncie Public Transportation Corporation continually monitors its environmental obligations for any potential recognition triggers.

**NOTE M - OPERATING LEASE COMMITMENTS**

The Corporation leases tires under a noncancelable operating lease with unrelated parties, which expires on June 30, 2017, with an option for two additional years. The operating lease expense for the year ended December 31, 2014 totaled \$85,188.

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

Year ending December 31, 2015	\$	70,618
2016		73,443
2017		37,442
2018		-0-
2019		-0-
		-
	\$	181,503

## Muncie Public Transportation Corporation

## NOTES TO FINANCIAL STATEMENTS

December 31, 2014

## NOTE N - CAPITAL LEASE COMMITMENTS

Property held under capital lease, included with owned property on the balance sheet at December 31, 2014, consists of the following.

Classification: Equipment	
Copiers	\$ 26,552
Less accumulated depreciation	<u>2,071</u>
Equipment under capital leases, net	<u><u>\$ 24,481</u></u>

The Corporation had leased copiers under an agreement which had been classified as a capital lease. The lease was noncancelable and was terminated in June 2014.

The Corporation has leased copiers under an agreement which has been classified as a capital lease. The lease is noncancelable and expires in August 2019. The future minimum lease payments under the capital leases and the net present value of the future minimum lease payments at December 31, 2014, are as follows.

Year ending December 31, 2015	\$ 5,988
2016	5,988
2017	5,988
2018	5,988
2019	<u>3,493</u>
Total minimum lease payments	27,445
Amount representing interest	<u>2,964</u>
Present value of minimum lease payments	<u><u>\$ 24,481</u></u>

## NOTE O - SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events through September 30, 2015, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2014, have been incorporated into these financial statements herein.

SUPPLEMENTAL INFORMATION

**Muncie Public Transportation Corporation**  
**BUDGETARY COMPARISON SCHEDULE**  
Year Ended December 31, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual - Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
Operating revenues				
Fares, tokens and tickets	\$ 200,000	\$ 200,000	\$ 227,814	\$ 27,814
Local tax revenues	3,154,683	3,154,683	3,123,236	(31,447)
Operating assistance - federal	1,685,356	1,685,356	1,687,995	2,639
Operating assistance - state	1,423,405	1,423,405	1,423,464	59
Miscellaneous	1,000	1,000	37,261	36,261
	<u>6,464,444</u>	<u>6,464,444</u>	<u>6,499,770</u>	<u>35,326</u>
Operating expenses				
Operators' salaries and wages	1,729,500	1,729,500	1,725,323	4,177
Other salaries and wages	1,214,200	1,214,200	1,204,775	9,425
Fringe benefits	1,882,965	1,882,965	1,754,941	128,024
Contractual services	617,321	617,321	639,875	(22,554)
Fuel and lubricants	840,000	840,000	688,050	151,950
Tires and tubes	31,982	31,982	47,914	(15,932)
Other materials and supplies	397,688	397,688	250,947	146,741
Utilities	150,250	150,250	105,586	44,664
Casualty and liability costs	266,231	266,231	37,714	228,517
Miscellaneous	148,400	148,400	135,434	12,966
	<u>7,278,537</u>	<u>7,278,537</u>	<u>6,590,559</u>	<u>687,978</u>
Change in net position - budgetary basis	<u>\$ (814,093)</u>	<u>\$ (814,093)</u>	(90,789)	<u>\$ 723,304</u>
Reconciliation of budgetary basis to GAAP basis				
Provision for depreciation			(1,326,655)	
Capital contributions			1,003,651	
Investment income			1,470	
Miscellaneous revenue			8,552	
Gain on disposal of assets			9,636	
Interest expense on leasing transactions			(26,632)	
Change in net position - GAAP basis			<u>\$ (420,767)</u>	

## Muncie Public Transportation Corporation

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2014

<u>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Grant Identification #</u>	<u>Federal Expenditures</u>
<u>Department of Transportation</u>			
Federal Transit Administration Operating Assistance	20.507	IN-90-X663-00	\$ 1,685,356
	20.521	IN-57-X008-00	2,639
Federal Transit Administration Capital Assistance	20.507	IN-90-X663-00	54,076
	20.507	IN-90-X625-01	13,575
Federal Transit Administration Pass-through program from Indiana Department of Transportation	20.526	5339002C	<u>936,000</u>
Total Department of Transportation			<u>\$ 2,691,646</u>
Total expenditures of federal awards			<u>\$ 2,691,646</u>

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

## NOTE A - BASIS OF PRESENTATION

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

## NOTE B - SUBRECIPIENTS

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

## NOTE C - NON-CASH ASSISTANCE

Muncie Public Transportation Corporation did not receive any non-cash assistance for federal awards for the year ended December 31, 2014.

## NOTE D - LOANS

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

**Muncie Public Transportation Corporation**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Year Ended December 31, 2014**

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

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

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

**Muncie Public Transportation Corporation**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**Year Ended December 31, 2014**

**DEPARTMENT OF TRANSPORTATION**

The audit for the year ended December 31, 2013 did not contain any findings. Accordingly, there are no prior findings listed in this schedule.

**Muncie Public Transportation Corporation**  
**SCHEDULE OF GOVERNMENTAL FUNDING**

Year Ended December 31, 2014

<u>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Grant Identification #</u>	<u>Program or Award Amount</u>
Federal Transit Administration			
Operating Assistance	20.507	IN-90-X663-00	\$ 1,685,356
	20.521	IN-57-X008-00	2,639
Federal Transit Administration			
Capital Assistance	20.507	IN-90-X663-00	54,076
	20.507	IN-90-X625-01	13,575
Federal Transit Administration			
Pass-through program from Indiana Department of Transportation	20.526	5339002C	936,000
Indiana Department of Transportation			
Public Mass Transportation Fund			
Operating Assistance	N/A	9014MUNO	<u>1,423,464</u>
Total governmental funding			<u>\$ 4,115,110</u>

## SPECIAL REPORTS



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

Independent Auditors' Report

Board of Directors  
Muncie Public Transportation Corporation  
Muncie, Indiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Muncie Public Transportation Corporation as of and for the year ended December 31, 2014, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Muncie Public Transportation Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Muncie Public Transportation Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Muncie Public Transportation Corporation's internal control.

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

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

---

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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.

*Estep Burkey Simmons, LLC*

Muncie, Indiana  
September 30, 2015



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

**Independent Auditors' Report**

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

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

We have audited Muncie Public Transportation Corporation's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Muncie Public Transportation Corporation's major federal programs for the year ended December 31, 2014. Muncie Public Transportation Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

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

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

### **Report on Internal Control over Compliance**

Management of Muncie Public Transportation Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Muncie Public Transportation Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing 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 Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Muncie Public Transportation Corporation's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*Estep Burkey Simmons, LLC*

Muncie, Indiana  
September 30, 2015

**Muncie Public Transportation Corporation**

**EXIT CONFERENCE**

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

DATE: October 8, 2015

TIME: 8:45 a.m.