



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B50896

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

September 26, 2018

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

We have reviewed the audit report of the Muncie Public Transportation Corporation which was opined on by Estep Burkey Simmons, LLC, Independent Public Accountants, for the period January 1, 2017 to December 31, 2017. Per the Independent Auditors' Report, the financial statements included in the report present fairly the financial condition of Muncie Public Transportation Corporation as of December 31, 2017, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Estep Burkey Simmons, LLC prepared all required independent auditor's reports in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States; Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and guidelines established by the State Board of Accounts.

The 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
INDEPENDENT AUDITORS' REPORT

MUNCIE PUBLIC TRANSPORTATION CORPORATION

December 31, 2017

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
REQUIRED SUPPLEMENTAL INFORMATION	
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	30
SCHEDULE OF CONTRIBUTIONS	31
BUDGETARY COMPARISON SCHEDULE	32
SUPPLEMENTAL INFORMATION	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	33
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	35
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	36
SCHEDULE OF GOVERNMENTAL FUNDING	37
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	38
REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE	40
EXIT CONFERENCE	42



Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Muncie Public Transportation Corporation (the Corporation) as of and for the year ended December 31, 2017, 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 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 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 Muncie Public Transportation Corporation as of December 31, 2017, 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, Schedule of Proportionate Share of the Net Pension Liability, Schedule of Contributions, and Budgetary Comparison Information, as listed in the Table of Contents, 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 sufficient evidence 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, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit requirements for Federal Awards* (Uniform Guidance), 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 11, 2018, 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 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 Muncie Public Transportation Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Muncie Public Transportation Corporation's internal control over financial reporting and compliance.

Estep Burkey Simmons, LLC

Muncie, Indiana
September 11, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Muncie Public Transportation Corporation

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2017

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, 2017. 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 2017

- Net position totaled \$4,275,958 at December 31, 2017.
- Net position decreased by \$707,329 in 2017, which compares to a decrease of \$938,210 in 2016.
- Current assets decreased to \$1,167,897, a decrease of \$132,775 from 2016.

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, 2017

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, 2017 and 2016:

Muncie Public Transportation Corporation
MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2017

Statement of Net Position - continued

Table 1

Summary of Assets, Liabilities and Net Position

December 31,

	2017	2016
Assets:		
Current assets	\$ 1,167,897	\$ 1,300,672
Restricted assets	654,145	653,681
Capital assets, net	5,983,181	6,143,016
Total assets	7,805,223	8,097,369
 Total deferred outflows of resources	 1,280,335	 1,344,882
Liabilities:		
Current liabilities	1,415,439	1,180,755
Long-term liabilities	2,867,865	2,730,347
Total liabilities	4,283,304	3,911,102
 Total deferred inflows of resources	 526,296	 547,862
Net Position:		
Invested in capital assets	5,983,181	6,143,016
Restricted by MPTC for future capital improvements	654,145	653,681
Unrestricted	(2,361,368)	(1,813,410)
 Total net position	 \$ 4,275,958	 \$ 4,983,287

Current assets decreased by \$132,775 primarily due to decreases in cash balances. Local share of capital acquisitions impacted the cash balance at year end.

Current liabilities increased \$234,684 primarily due to increased short-term borrowings at year end.

Net capital assets decreased 3% to \$5,983,181 due to depreciation taken on the capital assets.

Long-term liabilities have increased 5% due to an increase in net pension liability.

Net pension liability, deferred outflows and inflows are due to GASB 68 requirements.

Muncie Public Transportation Corporation

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2017

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 \$1,103,730.

Net position balances restricted for future capital improvements include Transit Improvement Reserve Funds which must be used for the purchase of capital assets.

Unrestricted net position, which represent assets available for operations, decreased by \$547,958 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, 2017 and 2016:

Table 2

Condensed Summary of Revenues, Expenses and Changes in Net Position

	Years ended December 31,	
	<u>2017</u>	<u>2016</u>
Operating revenues	\$ 3,514,635	\$ 3,634,509
Operating expenses:		
Operating expenses	7,109,884	6,782,835
Depreciation	1,103,730	1,154,077
Total operating expenses	<u>8,213,614</u>	<u>7,936,912</u>
Operating loss	(4,698,979)	(4,302,403)
Nonoperating revenues/expenses, net	3,372,450	3,364,193
Capital contributions	619,200	-
Change in net position	<u>(707,329)</u>	<u>(938,210)</u>
Net position - beginning of year	4,983,287	5,921,497
Net position - end of year	<u>\$ 4,275,958</u>	<u>\$ 4,983,287</u>

Muncie Public Transportation Corporation

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2017

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

Operating revenues decreased by \$119,874 or approximately 3%. The decrease is primarily a result of a 7% decrease in passenger fares and a 3% decrease in property tax revenue.

Total operating expenses increased 3% from the previous year. Fringe benefits expense increased \$353,510, primarily due to health insurance costs from the previous year, services increased 3% and miscellaneous expenses increased 6%.

Materials and supplies expenses decreased 5%, utilities decreased 3% and casualty and liability insurance decreased 7%.

Fringe benefits, services and miscellaneous expenses increased \$382,301. Labor, supplies, utilities and casualty and liability insurance decreased \$55,252.

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

Table 3

Operating Expenses

Years ended December 31,

	<u>2017</u>	<u>2016</u>
Labor	\$ 3,070,263	\$ 3,072,197
Fringe benefits	2,094,638	1,741,128
Contractual services	734,286	713,606
Materials and supplies	786,255	823,494
Utilities	98,911	102,184
Casualty and liability costs	181,728	194,534
Miscellaneous	143,803	135,692
Operating expenses before provision	<u>7,109,884</u>	<u>6,782,835</u>
Provision for depreciation	1,103,730	1,154,077
Total operating expenses	<u><u>\$ 8,213,614</u></u>	<u><u>\$ 7,936,912</u></u>

Muncie Public Transportation Corporation**MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2017

Capital Asset and Debt Administration*Capital Assets*

The Muncie Public Transportation Corporation invested \$27,427,408 (not adjusted for inflation) in capital assets, including buildings, vehicles and other equipment as of December 31, 2017. Net of accumulated depreciation, the Muncie Public Transportation Corporation's capital assets at December 31, 2017 totaled \$5,983,181. This amount represents a net decrease (including additions and disposals, net of depreciation) of \$159,835 from 2016. The year-over-year net decrease in capital assets resulted primarily from depreciation expense. Additional information on Muncie Public Transportation Corporation's capital assets can be found in Note E on page 23 of this report.

Debt Administration

Short-term debt consists of a line of credit. Interest on the line of credit in the amount of \$69,046 was incurred during 2017. The line of credit balance was \$875,000 at December 31, 2017 and was paid in full at the beginning of January 2018.

Long-term debt consisted of a capital lease obligation. At December 31, 2017, the Muncie Public Transportation Corporation had \$9,096 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 2018 Annual Budget October 2, 2017. This budget provides for operating expenses of \$8,519,468. The operating budget is increased by 4.0% from the 2017 Annual Budget.

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, 2017

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS

Cash	\$ 689,231
Accounts receivable	16,616
Materials and supplies inventory	319,876
Prepaid expenses	142,174
Total current assets	<u>1,167,897</u>

NON-CURRENT ASSETS

Investments - cash	654,145
Capital assets, net of accumulated depreciation	5,983,181
Total non-current assets	<u>6,637,326</u>

TOTAL ASSETS

7,805,223

DEFERRED OUTFLOWS OF RESOURCES

Defined benefit pension items	1,280,335
-------------------------------	-----------

TOTAL DEFERRED OUTFLOWS OF RESOURCES

1,280,335

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

\$ 9,085,558

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

CURRENT LIABILITIES

Current maturities of long-term liabilities	\$ 5,988
Line of credit	875,000
Accounts payable	275,264
Accrued and withheld expenses	259,187
Total current liabilities	<u>1,415,439</u>

LONG-TERM LIABILITIES

Net pension liability	2,864,757
Lease payable, less current maturities	3,108
Total long-term liabilities	<u>2,867,865</u>

TOTAL LIABILITIES

4,283,304

DEFERRED INFLOWS OF RESOURCES

Defined benefit pension items	526,296
-------------------------------	---------

TOTAL DEFERRED INFLOWS OF RESOURCES

526,296

NET POSITION

Net investment in capital assets	5,983,181
Restricted by MPTC for future capital improvements	654,145
Unrestricted	(2,361,368)

TOTAL NET POSITION

4,275,958

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES
AND NET POSITION

\$ 9,085,558

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, 2017

Operating revenues	
Fares, tokens and tickets	\$ 213,287
Local tax revenue	3,228,425
Miscellaneous	70,417
	<u>3,512,129</u>
Operating expenses	
Labor	3,070,263
Fringe benefits	2,094,638
Services	734,286
Materials and supplies	786,255
Utilities	98,911
Casualty and liability costs	181,728
Miscellaneous	143,803
Depreciation	1,103,730
	<u>8,213,614</u>
Operating expenses in excess of operating revenues	(4,701,485)
Non-operating revenues (expenses)	
Operating grant revenue - federal	1,990,525
Operating grant revenue - state	1,446,784
Miscellaneous revenue	2,135
Investment income	883
Gain on disposal of assets	4,277
Interest expense	(69,648)
	<u>3,374,956</u>
Change in net position before capital contributions	(1,326,529)
Capital contributions	<u>619,200</u>
CHANGE IN NET POSITION	(707,329)
Net position - beginning of year	<u>4,983,287</u>
Net position - end of year	<u><u>\$ 4,275,958</u></u>

The accompanying notes are an integral part of this statement.

Muncie Public Transportation Corporation

STATEMENT OF CASH FLOWS

Year Ended December 31, 2017

Cash flows from operating activities:	
Local tax revenues	\$ 3,233,865
Cash received from customers	215,651
Cash received from special events/programs	70,417
Cash disbursed to employees	(5,003,336)
Cash disbursed to suppliers for goods and services	<u>(1,995,761)</u>
Net cash used in operating activities	(3,479,164)
Cash flows from noncapital financing activities:	
Grants	3,437,309
Miscellaneous revenue	<u>2,135</u>
Net cash provided by noncapital financing activities	3,439,444
Cash flows from capital and related financing activities:	
Capital grants	619,200
Capital acquisitions	(943,895)
Sale of capital assets	4,277
Payments for capital lease obligation	(5,386)
Proceeds from line of credit	2,175,000
Payments on line of credit	(1,895,000)
Interest expense	<u>(69,648)</u>
Net cash used in capital and related financing activities	(115,452)
Cash flows from investing activities:	
Investment income	<u>883</u>
Net cash provided by investing activities	883
Net decrease in cash	(154,289)
Cash at beginning of year	<u>1,497,665</u>
Cash at end of year	<u>\$ 1,343,376</u>

The accompanying notes are an integral part of this statement.

Muncie Public Transportation Corporation
STATEMENT OF CASH FLOWS - Continued
Year Ended December 31, 2017

Reconciliation of operating loss to net cash used in operating activities	
Operating expenses in excess of operating revenues	\$ (4,701,485)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation	1,103,730
Change in assets, deferred outflows of resource, deferred inflows of resources and liabilities:	
Decrease in accounts receivable	5,440
Decrease in inventory	2,364
Increase in prepaid expenses	(29,782)
Decrease in deferred outflows of resources - pensions	64,547
Decrease in accounts payable	(50,778)
Increase in accrued and withheld expenses	4,860
Increase in net pension liability	143,506
Decrease in deferred inflows of resources - pensions	(21,566)
	<hr/>
Net cash used in operating activities	<u><u>\$ (3,479,164)</u></u>

The accompanying notes are an integral part of this statement.

Muncie Public Transportation Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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 provides 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.

The accompanying financial statements comply with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. The statement 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.

2. Accounting Method and Financial Statement Presentation

The operations of the Corporation are accounted for in one business segment, public transportation, as an enterprise fund on an accrual basis in order to recognize the flow of economic resources. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, depreciation of assets is recognized, and all assets and liabilities associated with the operation of the Corporation are included in the Statement of Net Position.

For the purpose of presentation in the Statement of Revenues, Expenses and Changes in Net Position, operating revenues include fares, tokens and tickets; local tax revenue; and other miscellaneous revenues related to operations such as advertising revenue, voucher revenue, and miscellaneous refunds. Operating expenses include all labor and fringe benefits, services, materials and supplies, insurance and depreciation expense related to the operating revenues. Non-operating revenues are comprised of grant revenue, investment income, gains on disposal of assets and miscellaneous other non-operating sources of revenue. Non-operating expenses consist primarily of interest expense and losses on the disposal of assets.

When both restricted and unrestricted resources are available for use, it is Muncie Public Transportation Corporation’s policy to use restricted resources first, then unrestricted resources as they are needed.

Muncie Public Transportation Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

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.

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. Muncie Public Transportation Corporation's deposit policy does not specify custodial credit risk criteria. At December 31, 2017, Muncie Public Transportation Corporation had deposit balances in the amount of \$1,343,376, which includes the improvement reserve fund investments. Muncie Public Transportation Corporation had deposit balances in interest-bearing checking accounts at December 31, 2017, reported as cash and investments - cash.

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories. The insured bank balances include investments - cash, which is comprised of the improvement reserve fund.

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.

Statutory Authorization for Investments

Indiana Code 5-13-9 authorizes Muncie Public Transportation Corporation to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes Muncie Public Transportation Corporation to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Muncie Public Transportation Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

5. Investments - continued

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of or interest of or interest in an open-end, no-load, management-type investment company or investment trust registered under the provision of the Federal Investment Company Act of 1940, as amended. The investments shall be made through depositories designated by the State Board of Finance as depositories for state deposits under Indiana Code 5-13-9.5. The money market mutual fund must be rated as AAA, or its equivalent, by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Services, Inc. or its successor. The investment is considered to have a stated final maturity of one day.

Additionally, Muncie Public Transportation Corporation may enter into repurchase agreements (including standing repurchase agreements commonly known as sweep accounts) with depositories designated by the State Board of Finance as depositories for state investments involving Muncie Public Transportation Corporation's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States, a United States government agency, an instrumentality of the United States, or federal government-sponsored enterprise. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value. The repurchase agreement is considered to have a final maturity of one day.

Credit Risk and Custodial Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The custodial risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At December 31, 2017, Muncie Public Transportation Corporation did not hold any investments as defined above.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investment. Muncie Public Transportation Corporation must follow state statute and limit the stated final maturities of the investments per Indiana Code. Muncie Public Transportation Corporation's investment policy requires the Treasurer to structure the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity; and investment operating funds primarily in short-term securities, if applicable.

Foreign Currency Risk

Muncie Public Transportation Corporation's investment policy prohibits the purchase of foreign investments.

Muncie Public Transportation Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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 disclosure requirements. 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 net position section of the Statement of Net Position.

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, 2017

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 reports 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.

The defined benefit pension items, reported in both the deferred outflows and inflows of resources, results from differences between expected and actual experience which is amortized over the average expected remaining services lives of the plan, net differences between projected and actual investment earnings which is deferred and amortized over five years, changes in assumptions, and changes in an employer's proportionate share and the differences between and employers contributions and the proportionate share of the collective contributions which are both amortized over the average expected remaining services lives of the plan.

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. Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Public Employees Retirement Fund (PERF), administered by the Indiana Public Retirement System (INPRS), and the related additions to/deductions from PERF's fiduciary net position have been determined on the same basis as they are reported by PERF. For this purpose, the financial information have been prepared using the accrual basis of accounting in conformity with generally accepted accounting principles (GAAP) as applied to government units. INPRS applies all applicable GASB pronouncements in accounting and reporting for its operations. Investments are reported as follows: Pooled and non-pooled investments are reported at fair value. Short-term investments are reported at cost. Fixed income and equity securities are generally valued based on published market prices, quotations from national security exchanges and securities pricing services, or modeling techniques that include market observable inputs required to develop a fair value. Alternative investments are valued based on quoted market prices or using current estimates of fair value in the absence of readily determinable public market values. Derivative instruments are marked to market daily.

Muncie Public Transportation Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

14. Advertising Costs

Advertising costs are expensed as incurred and included in operating expenses. Advertising expenses totaled \$88,561 for the year ended December 31, 2017.

15. Risk Management

Muncie Public Transportation Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; natural disasters; and medical benefits to employees and dependents.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; natural disasters; and medical benefits to employees and dependents are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

16. Net Position Restricted for Transit Improvement Reserve Fund

The Statement of Net Position reports \$654,145 of restricted net position, which is restricted by Muncie Public Transportation Corporation for anticipated future capital improvements.

17. New Accounting Pronouncements

In 2017, the GASB issued the following statements which were adopted by the Corporation.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. This Statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The requirements of this Statement are effective for financial reporting periods beginning after June 15, 2017. This Statement will be implemented beginning with the year ending December 31, 2018.

GASB Statement No. 80, *Blending Requirements for Certain Component Units*. This Statement improves financial reporting by clarifying the financial statement presentation requirements for certain component units. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. No changes were required for the Corporation to implement this Statement.

GASB Statement No. 82, *Pension Issues*. This Statement improves the consistency in the application of pension accounting and financial reporting requirements by addressing certain issues that have been raised with respect to Statements 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement No. 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Management has evaluated this Statement and determined that it does not apply to the Corporation.

Muncie Public Transportation Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

18. 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.

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, 2017, the Corporation exceeded the federally insured limit by approximately \$1,094,412. The amount that exceeded the insured limit is fully insured by the State of Indiana Public Deposit Insurance Fund.

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, 2017, 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 \$654,145.

The following schedule summarizes the investment return for the year ended December 31, 2017.

Total investment return: Interest	<u>\$ 464</u>
-----------------------------------	---------------

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

Muncie Public Transportation Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE E - CAPITAL ASSETS

Changes in capital assets for the year ending December 31, 2017 were:

	<u>Jan. 1, 2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>Dec. 31, 2017</u>
Capital assets not being depreciated				
Land	\$ 268,647	\$ -	\$ -	\$ 268,647
Capital assets being depreciated				
Buildings and improvements	8,097,720	92,567	20,164	8,170,123
Buses and equipment	18,734,744	798,765	727,210	18,806,299
Other property and equipment	450,986	52,563	52,563	450,986
Total capital assets being depreciated	<u>27,283,450</u>	<u>943,895</u>	<u>799,937</u>	<u>27,427,408</u>
Less: Accumulated depreciation and amortization				
Buildings and improvements	6,713,612	135,932	20,164	6,829,380
Buses and equipment	14,270,049	904,571	727,210	14,447,410
Other property and equipment	425,420	63,227	52,563	436,084
Total accumulated depreciation and amortization	<u>21,409,081</u>	<u>1,103,730</u>	<u>799,937</u>	<u>21,712,874</u>
Total capital assets being depreciated, net	<u>5,874,369</u>	<u>(159,835)</u>	<u>-</u>	<u>5,714,534</u>
Total capital assets, net	<u>\$ 6,143,016</u>	<u>\$ (159,835)</u>	<u>\$ -</u>	<u>\$ 5,983,181</u>

NOTE F - LONG-TERM LIABILITIES

Long-term liabilities consist of the following at December 31, 2017.

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.

	9,096
Less current maturities	<u>5,988</u>
	<u>\$3,108</u>

Annual maturities of long-term liabilities are as follows.

Year ending December 31, 2018	\$ 5,988
2019	\$ 3,108
2020	\$ -0-
2021	\$ -0-
2022	\$ -0-

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

December 31, 2017

NOTE G - BANK LINE OF CREDIT

The Corporation has a line of credit with a commercial bank which provides borrowings up to \$4,208,341. Advances bear a variable interest rate which was 4.50% on December 31, 2017, and is unsecured. Outstanding borrowings under this arrangement at December 31, 2017 were \$875,000. The line of credit expired on December 31, 2017, but was renewed until December 31, 2018.

NOTE H - RETIREMENT PLAN**Public Employees' Retirement Fund**Plan Description

Muncie Public Transportation Corporation contributes to the Public Employees' Retirement Fund (PERF) Hybrid Plan - a cost-sharing multiple-employer defined benefit pension plan, which includes an annuity savings account provision, administered by the Indiana Public Retirement System (INPRS) based on Title 35 of IAC 21-1-1, 35 IAC 21-1-2 and amended by IC 5-10.2-2-11(b). The PERF Hybrid Plan was established by the Indiana Legislature in 1945 and is governed by the INPRS Board of Trustees in accordance with Indiana Code (IC) 5-10.2, IC 5-10.3, and IC 5-10.5. The Indiana Public Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for INPRS. This report may be reviewed online at www.in.gov/inprs/annualreports.htm, or by calling 1-888-526-1687, or by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204.

Benefits Provided

All employees of Muncie Public Transportation System are eligible and automatically enrolled in PERF if they work a full-time schedule (40 hours per week) or are regularly scheduled and working 20 or more hours per week or at least 1040 hours per year. PERF provides retirement, disability, and survivor benefits to plan members and beneficiaries. The PERF Hybrid Plan retirement benefit consist of the sum of a defined pension benefit provided by employer contributions plus the amount credited to the member's annuity savings account (ASA). Pension benefits (non ASA) vest after 10 years of creditable service. Members are immediately vested in their annuity savings account. A member who has reached age 65 and has at least 10 years of creditable service is eligible for normal retirement. Members with 15 years of service are eligible to retire at age 60. There are various retirement options available and for more information refer to the INPRS website at <http://www.in.gov/inprs/>. The annual pension benefit is equal to 1.1 percent times the average annual compensation times the number of years of creditable service. Average annual compensation is the highest 20 calendar quarters of salary in a covered position. The percentage of the pension benefit at retirement remains the same for the member's lifetime. The monthly pension benefits for members in pay status may be increased periodically as cost of living adjustments (COLA). Such increases are not guaranteed by statute and have historically been provided on an "ad hoc" basis and can only be granted by the Indiana General Assembly. There was no COLA for the year ended June 30, 2017.

Muncie Public Transportation Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE H - RETIREMENT PLAN - Continued

Contributions

Muncie Public Transportation Corporation is obligated by state statute to make contributions to the plan. The required contributions are determined by the INPRS Board of Trustees based on actuarial investigation and valuation in accordance with IC 5-10.2-2-11. The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to fund the pension benefits when they become due. During the year 2017, Muncie Public Transportation Corporation was required to contribute 11.2% of covered payroll to the defined benefit pension. Muncie Public Transportation Corporation's actual and required contribution to the plan for the fiscal year ended June 30, 2017 was \$340,649. A contribution of 3% of covered payroll is required into the annuity savings account portion. Muncie Public Transportation Corporation elected to make this contribution on behalf of its members in 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2017, Muncie Public Transportation Corporation reported a liability of \$2,864,757 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Muncie Public Transportation Corporation's proportion of the net pension liability was based on a projection of Muncie Public Transportation Corporation's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, Muncie Public Transportation Corporation's proportion was 0.06%, which was not a significant increase from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, Muncie Public Transportation Corporation recognized pension expense of \$542,448. At December 31, 2017, Muncie Public Transportation Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 54,405	\$ 2,223
Net difference between projected and actual investment	453,154	143,629
Change of assumptions	45,996	
Changes in proportion and differences between employer contributions and proportionate share of contributions	114,529	39,795
Pension expense	612,251	
Contributions		340,649
	<u> </u>	<u> </u>
Total	<u>\$ 1,280,335</u>	<u>\$ 526,296</u>

Muncie Public Transportation Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE H - RETIREMENT PLAN - Continued

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

Year ending December 31, 2018	\$ 195,759
2019	233,507
2020	68,582
2021	256,191
2022	<u>-0-</u>
	<u>\$ 754,039</u>

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using member census data as of June 30, 2016 and adjusted, where appropriate, to reflect changes between June 30, 2016 and June 30, 2017. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2016 to June 30, 2017. Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation are presented below:

Experience study date	Period of 4 years ended June 30, 2016
Inflation	2.25%
Cost of living increase	1.00%
Future salary increases	2.50% - 4.25%, including inflation
Investment rate of return	6.75%, net of investment expense, including inflation
Mortality rates	Based on the RP-2014 Total Data Set Mortality Table, with Social Security Administration generational improvement scale from 2006

The long-term return expectation on investments for the INPRS defined benefit retirement plan was determined by using a building-block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and long-term expected real rate of return for each major asset class are summarized in the following table:

Muncie Public Transportation Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE H - RETIREMENT PLAN - Continued

Asset Class	Target Allocation	Geometric Basis
		Long-Term Expected Real Rate of Return
Public Equity	22.0%	4.9%
Private Equity	14.0%	5.7%
Fixed Income - Ex Inflation-Linked	20.0%	2.3%
Fixed Income - Inflation-Linked	7.0%	0.6%
Commodities	8.0%	2.2%
Real Estate	7.0%	3.7%
Absolute Return	10.0%	3.9%
Risk Parity	12.0%	5.1%
	100.0%	

Discount Rate. The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and where applicable from the members, would at the minimum be made at the actuarially determined required rates computed in accordance with the current funding policy adopted by the INPRS Board, and contributions required by the State of Indiana (the non-employer contributing entity) would be made as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (6.75%). Based on those assumptions, the defined benefit pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Muncie Public Transportation Corporation's share of the net pension liability to changes in the discount rate. The following table presents Muncie Public Transportation Corporation's proportionate share of the net pension liability calculated using the discount rate of 6.75%, as well as what Muncie Public Transportation Corporation's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
Muncie Public Transportation Corporation's share of the net pension liability	\$ 4,178,133	\$ 2,864,757	\$ 1,772,976

Muncie Public Transportation Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE H - RETIREMENT PLAN - Continued

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued INPRS 2017 Comprehensive Annual Financial Report found at <http://www.in.gov/inprs/annualreports.htm>.

NOTE I - 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 J - 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 significant.

NOTE K - 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, 2017, 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 L - OPERATING LEASE COMMITMENTS

The Corporation leases tires under a noncancelable operating lease with unrelated parties, which expired on June 30, 2017. The Corporation exercised an option for two additional years. The operating lease expense for the year ended December 31, 2017 totaled \$38,528.

Anticipated future minimum rental payments required under the above noncancelable operating lease:

Year ending December 31, 2018	\$	77,877
2019		80,988
2020		-0-
2021		-0-
2022		-0-
		<hr/>
	\$	<u>158,865</u>

Muncie Public Transportation Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE M - CAPITAL LEASE COMMITMENTS

Property held under capital lease, included with owned property on the balance sheet at December 31, 2017, consists of the following.

Classification: Equipment	
Copiers	\$ 26,552
Less accumulated depreciation	<u>17,456</u>
Equipment under capital leases, net	<u><u>\$ 9,096</u></u>

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, 2017, are as follows.

Year ending December 31, 2018	\$ 5,988
2019	3,493
2020	-0-
2021	-0-
2022	<u>-0-</u>
Total minimum lease payments	9,481
Amount representing interest	<u>385</u>
Present value of minimum lease payments	<u><u>\$ 9,096</u></u>

NOTE N - SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events through September 11, 2018, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2017, have been incorporated into these financial statements herein.

REQUIRED SUPPLEMENTAL INFORMATION

Muncie Public Transportation Corporation

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of the Net Pension Liability
Public Employees' Retirement Fund

Last 10 Fiscal Years*

	2017	2016	2015	2014	2013
Proportion of the net pension liability	0.06%	0.06%	0.06%	0.06%	0.06%
Proportionate share of the net pension liability	2,864,757	2,721,251	2,477,139	1,516,056	2,082,350
Covered-employee payroll	3,185,436	2,873,651	2,913,394	2,816,762	2,697,964
Proportionate share of the net pension liability as a percentage of covered-employee payroll	89.93%	94.70%	85.03%	53.82%	77.18%
Plan fiduciary net position as a percentage of the total pension liability	76.65%	75.35%	77.35%	84.29%	78.79%

Notes: The amounts presented for each calendar year were determined as of the June 30 fiscal year-end that occurred within the calendar year.

- (1) Asset valuation date - June 30, 2017
- (2) Liability valuation date - June 30, 2016 - Member census data as of June 30, 2016 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2016 and June 30, 2017. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2016 to the June 30, 2017 measurement date.
- (3) Actuarial cost method (accounting) - Entry age normal (level percent of payroll)
- (4) Experience study date - Period of 4 years ended June 30, 2014
- (5) Investment rate of return - 6.75%
- (6) COLA - 1.0%
- (7) Future salary increases, including inflation - 2.50% - 4.25%
- (8) Inflation - 2.25%
- (9) Mortality - RP-2014 (with MP-2014 improvement removed) Total Data Set mortality table, with Social Security Administration generational improvement scale from 2006.

*This schedule is presented to illustrate the requirement to show information for 10 years. Until a 10-year trend is compiled, the schedule is presenting information from those years for which information is available.

Measurement date: Actuarial valuation reports from the prior fiscal year.

Muncie Public Transportation Corporation

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Contributions
Public Employees' Retirement Fund

Last 10 Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 340,649	\$ 331,326	\$ 312,786	\$ 297,889
Contributions in relation to the statutorily required contribution	<u>340,649</u>	<u>331,326</u>	<u>312,786</u>	<u>297,889</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 3,185,436	\$ 2,873,651	\$ 2,913,394	\$ 2,816,762
Contributions as a percentage of covered-employee payroll	10.69%	11.53%	10.74%	10.58%

*This schedule is presented to illustrate the requirement to show information for 10 years. Until a 10-year trend is compiled, the schedule is presenting information for those years for which information is available.

- Valuation date: June 30, 2017
- Actuarial cost method: Entry age normal (Level Percent of Payroll)
- Amortization method: Level dollar
- Remaining amortization period: 20 years, closed
- Asset valuation method: 4 year smoothing of gains and losses on the market value of assets subject to a 20% corridor.
- Inflation: 2.25%
- Salary increases: 2.50% - 4.25%
- Investment rate of return: 6.75%
- Mortality: RP-2014 Total Data Set Mortality Table, with Social Security Administration generational improvement scale from 2006

Other information:

The INPRS Board sets, at its discretion, the State's employer contribution rate upon considering the results of the actuarial valuation and other analysis as appropriate. The actuarially determined contribution rate for the State for the fiscal year ended 6/30/16 was 9.80%; however, the INPRS Board approved a State employer contribution rate of 11.20%. The actuarially determined contribution rate for the State for the fiscal year ended 6/30/17 was 10.11%; however, the INPRS Board approved a State employer contribution rate of 11.2%. The actual dollar amount of the State's contributions depends on the actual payroll for the fiscal year.

Member census data as of June 30, 2016 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2016 and June 30, 2017. Standard actuarial roll forward techniques were then used to project the liabilities computed as of June 30, 2016 to June 30, 2017.

Muncie Public Transportation Corporation
BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual - Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
Operating revenues				
Fares, tokens and tickets	\$ 230,000	\$ 230,000	\$ 213,287	\$ (16,713)
Local tax revenues	3,131,823	3,131,823	3,228,425	96,602
Operating assistance - federal	2,097,499	2,097,499	1,990,525	(106,974)
Operating assistance - state	1,437,516	1,437,516	1,446,784	9,268
Miscellaneous	1,000	1,000	70,417	69,417
	<u>6,897,838</u>	<u>6,897,838</u>	<u>6,949,438</u>	<u>51,600</u>
Operating expenses				
Operators' salaries and wages	1,911,800	1,911,800	1,770,026	141,774
Other salaries and wages	1,259,987	1,259,987	1,300,237	(40,250)
Fringe benefits	1,990,076	1,990,076	2,094,638	(104,562)
Contractual services	547,482	547,482	734,286	(186,804)
Fuel and lubricants	700,000	700,000	510,166	189,834
Tires and tubes	31,982	31,982	42,234	(10,252)
Other materials and supplies	320,395	320,395	233,855	86,540
Utilities	128,750	128,750	98,911	29,839
Casualty and liability costs	266,231	266,231	181,728	84,503
Miscellaneous	139,450	139,450	143,803	(4,353)
	<u>7,296,153</u>	<u>7,296,153</u>	<u>7,109,884</u>	<u>186,269</u>
Change in net position - budgetary basis	<u>\$ (398,315)</u>	<u>\$ (398,315)</u>	(160,446)	<u>\$ 237,869</u>
Reconciliation of budgetary basis to GAAP basis				
Provision for depreciation			(1,103,730)	
Capital contributions			619,200	
Investment income			883	
Miscellaneous revenue			2,135	
Gain on disposal of assets			4,277	
Interest expense on leasing transactions			(69,648)	
Change in net position - GAAP basis			<u>\$ (707,329)</u>	

SUPPLEMENTAL INFORMATION

Muncie Public Transportation Corporation

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2017

CFDA Number	Agency/Pass-Through	Federal Contract Number	Pass-Through Entity Identifying Number
<u>Department of Transportation - Federal Transit Administration</u>			
Direct Program			
Federal Transit Cluster:			
20.507	Federal Transit - Formula Grants (Urbanized Area Formula Program)	IN-2017-001-00	N/A
20.507	Federal Transit - Formula Grants (Urbanized Area Formula Program)	IN-2017-021-00	N/A
20.526	Federal Transit - Formula Grants (Bus and Bus Facilities Formula Program)	IN-2016-003-00	N/A
Total Federal Transit Cluster			
Transit Services Program Cluster:			
20.513	Federal Transit - Formula Grants (Enhanced Mobility of Seniors & Individuals with Disabilities)	IN-2016-022-00	N/A
20.521	New Freedom Program	IN-57-X008-00	N/A
Total Transit Services Program Cluster			
Total Department of Transportation - FTA - Direct			
Total Department of Transportation - Federal Transit Administration			
Total Expenditures of Federal Awards			

<u>Passed-Through to Subrecipients</u>	<u>Federal Expenditures</u>	<u>Total Expenditures</u>
\$ -	\$ 20,200	\$ 20,200
-	1,954,757	1,954,757
-	360,000	360,000
-	2,334,957	2,334,957
-	259,200	259,200
-	15,568	15,568
-	274,768	274,768
-	2,609,725	2,609,725
-	2,609,725	2,609,725
<u>\$ -</u>	<u>\$ 2,609,725</u>	<u>\$ 2,609,725</u>

Muncie Public Transportation Corporation**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS****Year Ended December 31, 2017****NOTE A - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of expenditures of federal awards (the Schedule) has been prepared from Muncie Public Transportation Corporation's accounting records and is presented on the accrual basis of accounting in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The purpose of the Schedule is to present a summary of those activities of Muncie Public Transportation Corporation for the year ended December 31, 2017, which have been partially financed by the U.S. government (federal awards). Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Muncie Public Transportation Corporation has not elected to use the 10% de minimis indirect cost rate. For purposes of the Schedule, federal awards include all assistance entered into directly between Muncie Public Transportation Corporation and the federal government and between Muncie Public Transportation Corporation and other primary recipients of federal government funding (pass-through). Amounts included in the Schedule include the federal portions of the awards. Because the Schedule presents only a selected portion of the activities of Muncie Public Transportation Corporation, it is not intended to, and does not, present either the statement of net position, changes in net position, or cash flows of Muncie Public Transportation Corporation.

NOTE B - NON-CASH FEDERAL AWARDS

Muncie Public Transportation Corporation did not receive any non-cash assistance for federal awards for the year ended December 31, 2017.

NOTE C - SUBRECIPIENTS

The Uniform Guidance defines subrecipients as nonfederal entities that expend federal awards received from a pass-through entity to carry out a federal program, but do not benefit from that program. During the year ended December 31, 2017, Muncie Public Transportation Corporation provided \$-0- in expenditures to subrecipients.

Muncie Public Transportation Corporation

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2017

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 required to be reported.
7. The programs tested as major programs included:

<u>CFDA #</u>	<u>Name of Program</u>
20.507	Federal Transit - Formula Grants (Urbanized Area Formula Program)
20.526	Federal Transit - Formula Grants (Bus and Bus Facilities Formula Program)

8. The threshold for distinguishing Types A and B programs was \$750,000.
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, 2017

DEPARTMENT OF TRANSPORTATION - FEDERAL TRANSIT ADMINISTRATION

The audit for the year ended December 31, 2016 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, 2017

CFDA Number	Agency/Pass-Through	Federal Contract Number	Pass-Through Entity Identifying Number
<u>Department of Transportation - Federal Transit Administration</u>			
Direct Program			
Federal Transit Cluster:			
20.507	Federal Transit - Formula Grants (Urbanized Area Formula Program)	IN-2017-001-00	N/A
20.507	Federal Transit - Formula Grants (Urbanized Area Formula Program)	IN-2017-021-00	N/A
20.526	Federal Transit - Formula Grants (Bus and Bus Facilities Formula Program)	IN-2016-003-00	N/A
Total Federal Transit Cluster			
Transit Services Program Cluster:			
20.513	Federal Transit - Formula Grants (Enhanced Mobility of Seniors & Individuals with Disabilities)	IN-2016-022-00	N/A
20.521	New Freedom Program	IN-57-X008-00	N/A
Total Transit Services Program Cluster			
Total Department of Transportation - FTA - Direct			
Total Department of Transportation - Federal Transit Administration			
Total Expenditures of Federal Awards			
<u>Indiana Department of Transportation</u>			
Public Mass Transportation Fund			
	Operating Assistance	9017MUFO	N/A
Total governmental funding			

<u>Passed-Through to Subrecipients</u>	<u>Federal Expenditures</u>	<u>Total Expenditures</u>
\$ -	\$ 20,200	\$ 20,200
-	1,954,757	1,954,757
-	360,000	360,000
-	2,334,957	2,334,957
-	259,200	259,200
-	15,568	15,568
-	274,768	274,768
-	2,609,725	2,609,725
-	2,609,725	2,609,725
\$ -	\$ 2,609,725	\$ 2,609,725
-	1,446,784	1,446,784
\$ -	\$ 4,056,509	\$ 4,056,509

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, 2017, and the related notes to the financial statements, and have issued our report thereon dated September 11, 2018.

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 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 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 over financial report 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 11, 2018



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

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 *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, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its 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 the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2017.

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 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 the Uniform Guidance, 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 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 were not 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Estep Burkey Simmons, LLC

Muncie, Indiana
September 11, 2018

Muncie Public Transportation Corporation

EXIT CONFERENCE

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

DATE: October 11, 2018

TIME: 8:45 a.m.