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August 18, 2021

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

We have reviewed the audit report of the South Bend Public Transportation Corporation (Corporation) which was opined upon by Crowe LLP, Independent Public Accountants, for the period January 1, 2020 to December 31, 2020. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of the Corporation as of December 31, 2020, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

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

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

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

FINANCIAL STATEMENTS
December 31, 2020

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
South Bend, Indiana

FINANCIAL STATEMENTS
December 31, 2020

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INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of the South Bend Public Transportation Corporation (the Corporation), a component unit of the City of South Bend, as of and for the year ended December 31, 2020, 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 opinion on these financial statements based on our audit. We did not audit the financial statements of the South Bend Public Transportation Corporation Pension Trust, which is a fiduciary activity of the Corporation. Those statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for fiduciary activities, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the fiduciary fund were not audited in accordance with *Government Auditing Standards*.

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

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

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and fiduciary activities of the Corporation as of December 31, 2020, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Corporation has adopted GASB Statement No. 84, *Fiduciary Activities*, for the year ended December 31, 2020. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 8, the Schedule of Changes in the Corporation's Net Pension Liability and Related Ratios on page 28, and the Schedule of the Corporation's Contributions on page 29, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corporation's basic financial statements. The accompanying schedule of expenditures of federal awards as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements or Federal Awards* and other supplementary information on page 32 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and other supplementary information on page 32 are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2021 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.


Crowe LLP

South Bend, Indiana
July 23, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended December 31, 2020

As management of the South Bend Public Transportation Corporation (the "Corporation"), we offer the following discussion and analysis as insight into the financial performance of the Corporation for the fiscal year ended December 31, 2020. The Corporation's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Corporation's financial activity, and (c) identify changes in the Corporation's financial position (its ability to address the next and subsequent year challenges).

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

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

With a fleet of forty-seven (47) buses and a work force of one hundred twelve (112) employees, the Corporation operates an extensive system of bus routes that serve the twin cities six days a week. The Corporation services approximately 68 square miles with a population of more than 155,000.

In addition to an extensive fixed route system, the Corporation offers paratransit (Access) services to individuals unable to use the fixed route service. The Access service consists of nineteen (19) vehicles providing curb-to-curb service six days a week. The Corporation actively participates in Transit Watch and Safe Place programs dedicated to providing safety and information to those in need.

FINANCIAL HIGHLIGHTS

- Corporation's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at December 31, 2020 by \$29.2 million (net position).
- Fare revenues for 2020 decreased by 36% over that of the prior year.
- FTA capital contributions for 2020 increased 12% from that of the prior year.
- Operating expenses before depreciation decreased by 10% from the prior year.
- Net position decreased approximately \$0.2 million, or 1%.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended December 31, 2020

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

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

Financial statements. The financial statements are designed to provide readers with a broad overview of the Corporation's finances, in a manner similar to a private-sector business.

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

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

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

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended December 31, 2020

FINANCIAL ANALYSIS

Net position. Net position may serve, over time, as a useful indicator of a corporation's financial position. At December 31, 2020, the Corporation's total assets decreased by \$1,093,255 to \$31,511,764 or approximately 3% from the prior year, primarily due to depreciation expense on capital assets outpacing current year additions. Total liabilities amounted to \$1,184,833. This represents a decrease of \$1,356,351 or approximately 53% from the prior year. The decrease is mainly attributed to a decrease in net pension liability of \$828,980 due to positive investment returns on plan assets in 2020 which also resulted in an increase to deferred inflows of resources and deferred outflows of resources related to pension compared to prior year. The Corporation's debt balances decreased by \$470,114. Consequently, net position changed to \$29,192,258. This represents a decrease of \$193,397 or approximately 1%.

TABLE 1 - NET POSITION

	<u>2020</u>	<u>2019</u>	Percentage Change <u>2020 vs. 2019</u>
Assets:			
Current assets	\$ 2,254,282	\$ 1,262,464	79 %
Noncurrent assets	745,205	945,205	(21) %
Capital assets (net)	<u>28,512,277</u>	<u>30,397,350</u>	<u>(6) %</u>
Total assets	<u>31,511,764</u>	<u>32,605,019</u>	<u>(3) %</u>
Deferred outflows of resources	<u>416,492</u>	<u>137,947</u>	<u>202 %</u>
Liabilities:			
Current liabilities	1,042,057	1,213,649	(14) %
Noncurrent liabilities	<u>142,776</u>	<u>1,327,535</u>	<u>(89) %</u>
Total liabilities	<u>1,184,833</u>	<u>2,541,184</u>	<u>(53) %</u>
Deferred inflows of resources	<u>1,551,165</u>	<u>816,127</u>	<u>90 %</u>
Net position:			
Net investment in capital assets	28,508,842	30,351,397	(6) %
Unrestricted	<u>683,416</u>	<u>(965,742)</u>	<u>(171) %</u>
Total net position	<u>\$ 29,192,258</u>	<u>\$ 29,385,655</u>	<u>(1) %</u>

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended December 31, 2020

Changes in net position. The change in net position at December 31, 2020, was a decrease of \$193,397. The Corporation's total operating revenues decreased by \$388,129 or approximately 27% as a result of reduced ridership from the COVID-19 pandemic. The Corporation's total non-operating revenues increased by \$1,933,727 compared to the preceding fiscal year or approximately 22%. Total operating expenses decreased by \$1,102,265 or approximately 8% which is mostly attributed to decreases in labor, fringe benefits, professional services, and material and supplies expense in 2020 compared to 2019. The changes in net position are detailed in Table 2.

TABLE 2 - CHANGES IN NET POSITION

	<u>2020</u>	<u>2019</u>	<u>Percentage Change 2020 vs. 2019</u>
Operating revenues:			
Passenger fares	\$ 833,334	\$ 1,297,248	(36) %
Advertising	183,860	111,990	64 %
Miscellaneous	32,067	28,152	14 %
Total operating revenues	<u>1,049,261</u>	<u>1,437,390</u>	<u>(27) %</u>
Operating expenses:			
Labor	5,628,932	5,881,356	(4) %
Fringe benefits	2,130,046	2,477,494	(14) %
Services	749,685	998,836	(25) %
Materials and supplies	873,272	1,311,120	(33) %
Utilities	281,396	255,804	10 %
Insurance	433,512	279,121	55 %
Dues and subscriptions	22,779	18,377	24 %
Travel and meetings	3,589	16,424	(78) %
Advertising and promotion	66,941	36,867	82 %
Depreciation	2,463,740	2,481,849	(1) %
Other	10,206	9,115	12 %
Total operating expenses	<u>12,664,098</u>	<u>13,766,363</u>	<u>(8) %</u>
Operating loss	(11,614,837)	(12,328,973)	6 %
Net non-operating revenues (expenses):			
Investment interest	7,996	15,773	(49) %
Local government assessments and taxes	3,979,559	4,220,655	(6) %
State operating grants	2,029,842	2,016,701	1 %
Federal grants and reimbursements	3,303,879	2,512,500	31 %
Other federal assistance	1,512,366	-	100 %
Other	(241,886)	(57,704)	319 %
Total non-operating revenues	<u>10,591,756</u>	<u>8,707,925</u>	<u>21 %</u>
Net loss before capital contributions	(1,023,081)	(3,621,048)	(72) %
Capital contributions	<u>829,684</u>	<u>740,759</u>	<u>12 %</u>
Change in net position	(193,397)	(2,880,289)	(93) %
Net position, beginning of year	<u>29,385,655</u>	<u>32,265,944</u>	<u>(9) %</u>
Net position, end of year	<u>\$ 29,192,258</u>	<u>\$ 29,385,655</u>	<u>(1) %</u>

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended December 31, 2020

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. As of December 31, 2020, the Corporation had invested \$28,512,277 in capital assets net of accumulated depreciation. As compared to the prior year, this amount represents a decrease (including additions and disposals) of \$1,885,073 or 6% (see Table 3). The most significant capital addition in 2020 was related to the purchase of vehicles. See Note 3 for further disclosures on capital assets.

TABLE 3 - CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)

	<u>2020</u>	<u>2019</u>	Percentage Change <u>2020 vs. 2019</u>
Land	\$ 1,479,703	\$ 1,622,941	(9) %
Land improvements	110,099	113,788	(3) %
Buildings and improvements	17,825,751	18,533,156	(4) %
Revenue vehicles and equipment	6,396,898	7,143,409	(10) %
Other service vehicles equipment	42,418	63,334	(33) %
Shop and garage equipment	748	1,648	(55) %
Furniture and office equipment	48,245	74,451	(35) %
CNG Facility	2,582,273	2,844,623	(9) %
Construction in Process	<u>26,885</u>	<u>-</u>	<u>100</u> %
Total capital assets, net	<u>\$ 28,512,277</u>	<u>\$ 30,397,350</u>	<u>(6)</u> %

Long-term debt. As of December 31, 2020, the Corporation had \$386,243 in outstanding loan payable compared to \$856,357 at December 31, 2019. The decrease in debt is attributed to additional cash being on hand used to pay down on notes payable acquired in 2019 and 2020 for working capital. See Note 4 for further information.

CURRENTLY KNOWN FACTS

The COVID-19 pandemic has had a significant impact on the Corporation in 2020. The Corporation temporarily ceased the Sweep route serving the campus of Notre Dame, Saint Mary's College and Holy Cross College in March 2020 (service to resume in August 2020) and a system-wide service reduction was implemented in April 2020 in response to COVID-19. Up to one-third of the Corporation's workforce was out on various leaves March through June due to COVID-19. The Corporation was able to avoid layoffs and furloughs as a recipient of the Paycheck Protection Program. Significant costs were incurred in preventative measures, increased cleaning/disinfecting protocols and ensuring Personal Protective Equipment (PPE) remains available for all employees and the general public utilizing the Corporation's services.

Prior to COVID-19, the Corporation experienced five (5) consecutive months of increasing ridership. COVID-19 had an immediate and significant impact on the Corporation's ridership (compared to 2019 monthly ridership) as noted below:

- March 2020 – Fixed Route ridership decreased 25%; Access ridership decreased 31%
- April 2020 – Fixed Route ridership decreased 70%; Access ridership decreased 47%
- May 2020 – Fixed Route ridership decreased 69%; Access ridership decreased 73%
- June 2020 – Fixed Route ridership decreased 57%; Access ridership decreased 63%

The Corporation resumed the regular service schedule on July 6, 2020. While ridership is slowly increasing, it continues to be down 50% compared to the same time in 2019.

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended December 31, 2020

CURRENTLY KNOWN FACTS (Continued)

In 2020, the Corporation received \$8,505,079 in CARES Act funding which will be allocated as follows:

Replacement Fixed Route Vehicles	\$2,155,079
Rehab/Renovate Bus Terminal (security camera)	\$200,000
Fixed Route CAD/AVL Technology	\$400,000
Replacement Access Vehicles	\$600,000
Preventative Maintenance	\$500,000
Paratransit Operating Assistance	\$650,000
Fixed Route Operating Assistance	\$4,000,000

The Corporation spent approximately \$2.7 million of this funding in 2020 mostly for operating assistance.

REQUESTS FOR INFORMATION

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

FINANCIAL STATEMENTS

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
STATEMENT OF NET POSITION
December 31, 2020

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current assets	
Cash and cash equivalents (Note 1)	\$ 1,486,781
Lease receivable - current portion (Note 2)	200,224
Grants and accounts receivable	50,610
Inventory (Note 1)	<u>516,667</u>
Total current assets	<u>2,254,282</u>
Noncurrent assets	
Lease receivable (Note 2)	745,205
Non-depreciable capital assets (Note 3)	1,506,588
Depreciable capital assets, net of accumulated depreciation (Note 3)	<u>27,005,689</u>
Total capital assets	<u>28,512,277</u>
Total noncurrent assets	<u>29,257,482</u>
Total assets	<u>31,511,764</u>
Deferred outflows of resources	
Pension (Note 8)	<u>416,492</u>
Total assets and deferred outflows of resources	<u>\$ 31,928,256</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

Current liabilities	
Accounts payable	\$ 265,503
Accrued payroll	58,879
Accrued compensated absences (Note 1)	171,000
Other current liabilities	108,869
Unearned revenue	51,563
Loans payable (Note 4)	<u>386,243</u>
Total current liabilities	<u>1,042,057</u>
Noncurrent liabilities	
Accrued compensated absences (Note 1)	96,696
Net pension liability (Note 8)	<u>46,080</u>
Total noncurrent liabilities	<u>142,776</u>
Total liabilities	<u>1,184,833</u>
Deferred inflows of resources	
Pension (Note 8)	<u>1,551,165</u>
Net position	
Net investment in capital assets	28,508,842
Unrestricted	<u>683,416</u>
Total net position	<u>29,192,258</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 31,928,256</u>

See accompanying notes to financial statements.

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year ended December 31, 2020

Operating revenue	
Passenger fares	\$ 833,334
Advertising	183,860
Miscellaneous	<u>32,067</u>
Total operating revenue	<u>1,049,261</u>
Operating expenses	
Labor	5,628,932
Fringe benefits	2,130,046
Services	749,685
Materials and supplies	873,272
Utilities	281,396
Insurance	433,512
Dues	22,779
Travel	3,589
Advertising	66,941
Depreciation	2,463,740
Other operating expenses	<u>10,206</u>
Total operating expenses	<u>12,664,098</u>
Operating loss	<u>(11,614,837)</u>
Non-operating revenues (expense)	
Investment interest	7,996
Interest expense	(54,807)
Local government assessments and taxes (Note 5)	3,979,559
State operating grants (Note 5)	2,029,842
Federal grants (Note 5)	3,303,879
Other federal assistance (Note 5)	1,512,366
Loss on disposal of capital assets	<u>(187,079)</u>
Total non-operating revenues (expense)	<u>10,591,756</u>
Net loss before capital contributions	(1,023,081)
Capital contributions - grants (Note 5)	<u>829,684</u>
Change in net position	(193,397)
Net position, beginning of year	<u>29,385,655</u>
Net position, end of year	<u>\$ 29,192,258</u>

See accompanying notes to financial statements.

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
STATEMENT OF CASH FLOWS
Year ended December 31, 2020

Cash flows from operating activities	
Receipts from customers	\$ 921,643
Receipts from leased operations	199,766
Receipts from other operations	183,860
Payments to employees	(5,652,744)
Payments for fringe benefits	(2,509,783)
Payments for services	(1,501,404)
Payments for materials and supplies	(948,555)
Net cash used by operating activities	<u>(9,307,207)</u>
Cash flows from noncapital financing activities	
Proceeds from tax anticipation warrants	1,100,000
Repayment of tax anticipation warrants	(1,125,604)
Receipts of local government assessments and taxes	3,979,559
Receipts of federal and state government grants	5,333,721
Receipts from other federal assistance	1,512,366
Proceeds from loans payable	500,000
Interest payments on loans payable	(29,203)
Principal payments on loans payable	(970,115)
Net cash provided by noncapital financing activities	<u>10,300,724</u>
Cash flows from capital and related financing activities	
Purchases of capital assets	(791,349)
Capital grant receipts	762,389
Receipts from notes receivable	242,750
Net cash provided by capital and related financing activities	<u>213,790</u>
Cash flows from investing activities	
Interest income	<u>7,996</u>
Net change in cash and cash equivalents	1,215,303
Cash and cash equivalents at beginning of year	<u>271,478</u>
Cash and cash equivalents at end of year	<u>\$ 1,486,781</u>

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
STATEMENT OF CASH FLOWS
Year ended December 31, 2020

Reconciliation of operating loss to net cash used by operating activities

Adjustments to reconcile loss from operations to net cash used by operating activities:	\$ (11,614,837)
Depreciation	2,463,740
Change in assets and liabilities	
Accounts receivable	56,242
Lease receivable	199,776
Inventory	(75,283)
Deferred outflows of resources – pension	(278,545)
Accounts payable	4,963
Accrued payroll and compensated absences	11,456
Other liabilities	19,223
Net pension liability	(828,980)
Deferred inflows of resources – pension	<u>735,038</u>
Net cash used by operating activities	<u>\$ (9,307,207)</u>

Supplemental schedule of noncash capital and related financing activity:

Capital assets in accounts payable	\$ 3,435
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See accompanying notes to financial statements.

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
STATEMENT OF FIDUCIARY NET POSITION
December 31, 2020

Pension Trust Fund

ASSETS

Investments – at fair value (Note 9)

U.S. government and government agencies obligations	\$ 706,171
Municipal bonds	144,291
Corporate obligations	1,183,887
Preferred stock	81,930
Mutual funds – equity	7,210,435
Mutual funds – fixed income	461,065
Money market fund	<u>352,663</u>
Total investments – at fair value	<u>10,140,442</u>

Receivables

Employer contributions	26,169
Employee contributions	15,077
Interest and dividends	<u>15,228</u>
Total receivables	<u>59,474</u>

Total assets 10,199,916

**PLAN NET POSITION HELD IN TRUST RESTRICTED
FOR PENSION BENEFITS**

Net position \$ 10,199,916

See accompanying notes to financial statements.

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year ended December 31, 2020

	<u>Pension Trust Fund</u>
ADDITIONS	
Employer contributions	\$ 292,881
Employee contributions	142,135
Investment income:	
Net appreciation in fair value of investments	1,676,785
Interest and dividends	<u>119,294</u>
Net investment income	<u>1,796,079</u>
Total additions	<u>2,231,095</u>
DEDUCTIONS	
Benefits	593,056
Refunds of contributions	50,227
Administrative expenses:	
Actuarial fees	29,300
Audit fees	17,500
Legal fees	175
Management fees	<u>29,83</u>
Total deductions	<u>720,093</u>
NET INCREASE	<u>1,511,002</u>
PLAN NET POSITION HELD IN TRUST RESTRICTED FOR PENSION BENEFITS	
Beginning of year	<u>8,688,914</u>
End of year	<u>\$ 10,199,916</u>

See accompanying notes to financial statements.

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Proprietary Fund Type: The Corporation operates as an enterprise fund, a type of proprietary fund. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

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

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

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

Cash and cash equivalents: The Corporation had a \$1,649,929 bank balance deposited in local banks at December 31, 2020, which is fully insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposits Insurance Fund. For presentation in the statement of cash flows, cash and cash equivalents includes unrestricted cash deposits and other investments with original maturities of three months or less. The difference in the carrying amount of cash and the bank balance is caused by items in transit and outstanding checks at December 31, 2020.

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

Note Receivable: In January 2016, the Corporation entered an agreement to sell a piece of land for a purchase price of \$1,050,000. The sales agreement includes an \$850,000 promissory note payable to the Corporation due in full by January 2020. As of December 31, 2020, the Corporation had received the remaining outstanding balance.

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

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

Buildings and improvements	5 - 25 years
Revenue vehicles and equipment	7 - 12 years
Service vehicles and equipment	3 - 6 years
Shop and garage equipment	3 - 10 years
Furniture and office equipment	3 - 10 years

Accrued Compensated Absences: Substantially all employees receive compensation for vacations, holidays, and certain other qualifying absences such as sick leave. Compensated absences, which have been earned but not paid as of December 31, 2020, are accrued on the statement of net position.

Unearned revenue: This amount relates to Federal Transit Administration advance payments received but not yet expended on eligible costs as of December 31, 2020.

Property Tax Calendar: Property taxes for the 2019 tax levy were attached as an enforceable lien on properties as of March 1, 2020; these taxes were levied in January 2020, by passage of a tax ordinance. Tax bills were prepared by St. Joseph County and were issued in April 2020 and October 2020 and payable in May 2020 and December 2020.

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

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

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

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

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

Business Disruption: In March 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak to be a global pandemic. COVID-19 has impacted economic activity and financial markets globally. The operations and business results of the Corporation continue to be materially adversely affected. The extent to which the coronavirus may impact business activity or investment results will depend on the impact of vaccines and public following various health and safety protocols. Management continues to follow a conservative strategy regarding use of resources and continues to pursue additional grants such as the CARES Act relief funding from the Public Health and Social Services Emergency Fund which the Corporation utilized \$2,709,295 of the approximately \$8.5 million award in 2020 to assist with funding operations. The remaining award will be utilized in 2021 and beyond.

Adoption of New Accounting Pronouncements: For the year ended December 31, 2020, the Corporation adopted the following accounting pronouncements.

- GASB Statement No. 83, *Certain Asset Retirement Obligations*, was adopted with no impact.
- GASB Statement No. 84, *Fiduciary Activities*. Upon adoption, the Corporation added the presentation of fiduciary fund financial statements for the defined benefit pension plan disclosed in Note 8 and Note 9.
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, was adopted with no financial impact.
- GASB Statement No. 90, *Majority Equity Interests*, was adopted with no impact.
- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans (paragraphs 4-5)*, was adopted with no impact.

Subsequent Events: We have performed an analysis of the activities and transactions subsequent to December 31, 2020, to determine the need for any adjustments or disclosures to the audited financial statements for the year ended December 31, 2020. This analysis was performed through July 23, 2021, the date the financial statements were available to be issued.

NOTE 2 - LEASE RECEIVABLES

Under two of its federal capital assistance grants, the Corporation was awarded \$4,000,000 of funding during 2005 to purchase an additional parking garage in downtown South Bend. The Corporation purchased a garage from the City of South Bend (the City), a related party, that was renovated with certain modifications to accommodate the Corporation's needs. The Corporation entered into a \$4,000,000 direct financing lease with the City to lease the garage to the City for 20 years, until 2025. The City performs all management functions and pays the Corporation \$200,000 per year, with no interest and a percentage of the parking revenues over expenses. There were no additional payments for excess parking revenues to the Corporation for year ended December 31, 2020.

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 2 - LEASE RECEIVABLES (Continued)

At December 31, 2020, the outstanding balance of the lease receivable was \$945,205. Future minimum lease payments to be received under both leases are as follows:

2021	\$	200,224
2022		200,000
2023		200,000
2024		200,000
2025		<u>145,205</u>
		945,429
Less: Current portion		<u>(200,224)</u>
Noncurrent position	\$	<u>745,205</u>

NOTE 3 - CAPITAL ASSETS

Following are the changes in capital assets for the year ended December 31, 2020:

<u>Description</u>	<u>Balance Jan. 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 31, 2020</u>
Non-depreciable capital assets:				
Construction in Process	\$ -	\$ 26,885	\$ -	\$ 26,885
Land	<u>1,622,941</u>	<u>-</u>	<u>(143,238)</u>	<u>1,479,703</u>
Total Non-depreciable capital assets	1,622,941	26,885	(143,238)	1,506,588
Depreciable capital assets:				
Land improvements	147,570	-	-	147,570
Buildings and improvements	31,675,008	364,762	(358,407)	31,681,363
Revenue vehicles and equipment	21,267,645	373,605	(381,939)	21,259,311
Service vehicles and equipment	408,648	-	(27,031)	381,617
Shop and garage equipment	1,556,103	-	-	1,556,103
Transit studies	566,611	-	-	566,611
Furniture and office equipment	1,254,131	2,238	(2,946)	1,253,423
CNG Station	<u>4,192,235</u>	<u>-</u>	<u>-</u>	<u>4,192,235</u>
Total depreciable capital assets	61,067,951	740,605	(770,323)	61,038,233
Less accumulated depreciation:				
Land improvements	(33,782)	(3,688)	-	(37,470)
Buildings and improvements	(13,141,852)	(1,038,787)	324,283	(13,856,356)
Revenue vehicles and equipment	(14,124,236)	(1,108,655)	370,478	(14,862,413)
Service vehicles and equipment	(345,314)	(20,916)	27,031	(339,199)
Shop and garage equipment	(1,554,455)	(900)	-	(1,555,355)
Transit studies	(566,611)	-	-	(566,611)
Furniture and office equipment	(1,179,680)	(28,444)	2,946	(1,205,178)
CNG Station	<u>(1,347,612)</u>	<u>(262,350)</u>	<u>-</u>	<u>(1,609,962)</u>
Total accumulated depreciation	<u>(32,293,542)</u>	<u>(2,463,740)</u>	<u>724,738</u>	<u>(34,032,544)</u>
Total depreciable capital assets, net of accumulated depreciation	<u>28,774,409</u>	<u>(1,723,135)</u>	<u>(45,585)</u>	<u>27,005,689</u>
Total capital assets	<u>\$ 30,397,350</u>	<u>\$ (1,696,250)</u>	<u>\$ (188,823)</u>	<u>\$ 28,512,277</u>

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 4 – LONG TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2020 is as follows:

	<u>Balance at</u> <u>January 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u> <u>December 31, 2020</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
2019 operating note	\$ 605,137	\$ -	\$ (337,724)	\$ 267,413	\$ 267,413
2019 term loan	251,220	-	(251,220)	-	-
2020 promissory note	-	500,000	(381,170)	118,830	118,830
Compensated absences	<u>274,946</u>	<u>163,750</u>	<u>(171,000)</u>	<u>267,696</u>	<u>171,000</u>
Total long-term liabilities	<u>\$ 1,131,303</u>	<u>\$ 663,750</u>	<u>\$ (1,141,114)</u>	<u>\$ 653,939</u>	<u>\$ 557,243</u>

In February 2019, the Corporation obtained a \$750,000 operating note for working capital. The loan requires monthly principal and interest payments of \$26,131 beginning in July 2019 and maturing on December 28, 2021. The note has a fixed interest rate of 3.40%. The outstanding balance on the loan is \$267,412 at December 31, 2020. The operating note is a direct borrowing from a financial institution. The operating note agreement includes events of default which allow for an increase of the interest rate by 5% upon default including failure to pay upon final maturity.

In May 2019, the Corporation obtained a non-revolving term loan for up to \$600,000 to assist with working capital. The loan requires monthly, principal and interest payments and has a fixed interest rate of 4.75%. In 2019, the Corporation drew down \$300,000 and began making principal and interest payments in October 2019. The loan had a maturity date of March 31, 2021. The outstanding balance on the loan is \$0 as the loan was paid in full as of December 31, 2020.

In April 2020, the Corporation obtained a \$500,000 promissory note for working capital. The loan requires monthly principal and interest payments of \$28,628 beginning in May 2020 and maturing on October 31, 2021. The note has a fixed interest rate of 3.75%. The outstanding balance on the loan is \$118,830 at December 31, 2020. The promissory note is a direct borrowing from a financial institution. The promissory note includes events of default including subjective acceleration of the outstanding balance of the loan and an increase of the interest rate of 3% in the event of default.

The Corporation's future maturities of long-term debt are as follows:

<u>Years ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	<u>\$ 386,243</u>	<u>\$ 6,300</u>	<u>\$ 392,543</u>

Interest expense was \$23,854 for the year ended December 31, 2020.

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 5 - STATE, LOCAL AND FEDERAL ASSISTANCE

State, local and federal assistance is as follows:

Non-operating:

Local government assessments and taxes:	
Property tax appropriation	\$ 2,981,134
Other tax appropriations	<u>998,425</u>
Total	3,979,559
Federal grants and reimbursement:	
Federal preventive maintenance assistance grant	252,000
Federal preventive maintenance assistance grant – CARES Act	76,295
Federal operating assistance grant – CARES Act	2,633,000
Federal operating assistance grant	<u>342,648</u>
Total FTA grants	3,303,879
Other federal assistance	<u>1,512,366</u>
State operating assistance grant	<u>2,029,842</u>
Total state, local and federal assistance	<u>\$ 10,825,646</u>

The Corporation is the designated recipient of funds under the Urban Mass Transportation Act of 1964. The preventative maintenance assistance grants and federal operating assistance grants are awarded to the Corporation and funds may be earned and disbursed generally over a two-year period. The Corporation received assistance under these grants for the year ended December 31, 2020 of \$3,303,879.

On April 13, 2020, the Corporation was approved for a \$1,223,100 promissory note through the Small Business Administration's (SBA) Paycheck Protection Program with proceeds received in two installments in April and May 2020. The Corporation applied for forgiveness on the loan and received a notice of forgiveness from the SBA on November 2, 2020.

In 2020, the Corporation received \$289,266 from the federal government in the form of CNG tax credits.

The Corporation is also a designated recipient of operating assistance funds from the State of Indiana. The state makes distributions of funds to transit systems, which have been appropriated for mass transit operating assistance. The total operating grant earned for the year ended December 31, 2020 was \$2,029,842.

Capital: The Corporation received \$829,684 of capital contributions from both federal and local sources for the year ended December 31, 2020. Capital grants are earned as the Corporation expends funds in accordance with its federal and state grants. Generally, the Corporation receives an 80% federal match on all funds spent for budgeted items included in the grant agreements.

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 6 - CONTINGENT LIABILITIES

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

The Corporation is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters and employee health and accident benefits. For the year ended December 31, 2020, the Corporation has purchased commercial insurance policies covering risks of loss related to the above-mentioned events. There were no significant reductions in insurance coverage during 2020 and there were no settlements that exceeded insurance coverage during the previous three years for those risks that the Corporation purchased insurance. In addition, various claims and lawsuits arising from the normal course of business are pending against the Corporation. In the opinion of management, the potential loss on all claims should not have a material effect on the financial statements.

NOTE 7 - TEMPORARY LOAN TAX ANTICIPATION WARRANTS

On January 4, 2020, the Corporation issued \$1,100,000 of tax anticipation warrants to provide short-term operating cash at an interest rate of 2.36%. The warrants are due December 31, 2020 and are to be paid with property tax revenue received during the year. The tax warrants were issued to improve operating cash until the property tax revenue is received later in the year.

On January 4, 2021, the Corporation issued \$1,100,000 of tax anticipation warrants to provide short-term operating cash at an interest rate of 1.25%. The warrants are due December 31, 2021 and are to be paid with property tax revenue received during the year. The tax warrants were issued to improve operating cash until the property tax revenue is received later in the year.

NOTE 8 - EMPLOYEE PENSION PLAN

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

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

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

Benefits provided: The Plan provides retirement as well as death and disability benefits. Plan participants who retire at or after age 65 (or at age 60 with reduced benefits) are entitled to a retirement benefit payable monthly for life, in an amount based upon each year of credited service. The Plan also provides for automatic 100% vesting in the accrued benefit if the participant terminates employment with the employer

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2020

NOTE 8 - EMPLOYEE PENSION PLAN (Continued)

as the result of a “total and permanent disability”. Employees who retire at the normal retirement date (or active employees who die either before or after attaining age 55 with reduced death benefits) are entitled to death benefits payable to a designated beneficiary or spouse upon death of the retiree.

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

At January 1, 2020, the following employees were covered by the benefit terms:

Active plan members	79
Inactive plan members and beneficiaries currently receiving benefits	64
Inactive plan members entitled to but not yet receiving benefits	17
	160

Contributions: The South Bend Public Transportation Corporation and the Amalgamated Transit Union AFL-CIO Local #996 continue to operate under their collective bargaining agreement, effective November 1, 2018 through October 31, 2019. On August 17, 2020, the Corporation and the Union renewed the terms of their collective bargaining agreement, effective August 17, 2020 through August 16, 2022. The Corporation’s and participant’s contributions are fixed amounts payable weekly. The Corporations’ weekly contribution is \$74.63 per participant. The participant’s contribution increased from \$34.56 to \$39.16 per week effective August 18, 2020. A participant is fully vested once the individual has five years or more of credited service. A participant has a nonforfeitable right to their employee contributions with accumulated interest and is at all times 100% vested in such amounts.

Net Pension Liability: The Corporation’s net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. At December 31, 2020, the Plan’s fiduciary net position, or fair value of Plan assets, was \$10,199,916 compared to a total pension liability of \$10,245,996, resulting in a net pension liability of \$46,080.

Actuarial assumptions. The total pension liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Measurement date	December 31, 2020, based on valuation date of January 1, 2020
Actuarial cost method	Entry Age Method
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.00%
Salary increases	Not applicable
Investment rate of return	6.50%
Retirement rate	100% retirement at age 65
Mortality	Healthy: PubG-2010 with fully generational improvements from 2010, based on SOA Scale MP-20; Disabled: PBGC mortality for disabled participants receiving Social Security benefits
Cost of living adjustment	Not applicable

The mortality tables used in the actuarial valuation were updated from the prior year. No other changes to actuarial assumptions were noted from the prior year.

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 8 - EMPLOYEE PENSION PLAN (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflations. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2020, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Money market funds	22%	2%
Domestic equity	24%	10%
International equity	6%	6%
Alternatives/bonds	<u>48%</u>	3%
Total	<u>100%</u>	

Discount rate. The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed the plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in net pension liability:

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u> <u>(a)</u>	<u>Plan Fiduciary Net Pension</u> <u>(b)</u>	<u>Net Pension Liability</u> <u>(a) – (b)</u>
Balances at December 31, 2019	\$ 9,563,974	\$ 8,688,914	\$ 875,060
Changes for the year:			
Service cost	199,342	-	199,342
Interest	613,709	-	613,709
Changes in benefit terms	49,105	-	49,105
Differences between expected and actual experience	54,691	-	54,691
Changes of assumptions	408,458	-	408,458
Benefit payments, including refunds of member contributions	(643,283)	(643,283)	-
Contributions – employer		292,881	(292,881)
Contributions – employee	-	142,135	(142,135)
Net investment income		1,796,079	(1,796,079)
Administrative expense	-	(76,810)	76,810
Net changes	<u>682,022</u>	<u>1,511,002</u>	<u>(828,980)</u>
Balances at December 31, 2020	<u>\$ 10,245,996</u>	<u>\$ 10,199,916</u>	<u>\$ 46,080</u>

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 8 - EMPLOYEE PENSION PLAN (Continued)

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

	1% Decrease (5.50%)	Current Discount Rate (6.5%)	1% Increase (7.50%)
Net pension liability	\$ 1,147,222	\$ 46,080	\$ (866,687)

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position at December 31, 2020 is below:

Investments	\$ 10,140,442
Contributions receivable	59,474
	\$ 10,199,916

Pension expense and deferred outflows of resources and deferred inflows of resources related to pension: For the year ended December 31, 2020, the Corporation recognized pension expense of \$(79,606). At December 31, 2020, the Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 89,726	\$ 89,159
Changes of assumptions	326,766	43,105
Net difference between projected and actual earnings on pension plan investments	-	1,418,901
Total	\$ 416,492	\$ 1,551,165

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

Year ended December 31:	Amount
2021	\$ (333,209)
2022	(221,147)
2023	(399,579)
2024	(180,738)

Payable to the Pension Plan: The Corporation had \$44,246 in contributions payable to the plan for the year ended December 31, 2020.

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 9 – FIDUCIARY FUND

Summary of Significant Accounting Policies

The Corporation's pension trust fund is presented as a fiduciary fund. The pension plan is audited separately. Information regarding the pension plan is included in Note 8. The following is a summary of the more significant policies:

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

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

Contributions Receivable: Contributions receivable represents amounts due from the employer and employees but not yet received by the Plan as of December 31, 2020, and as such are not allocated to an investment category until received and applied.

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

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

Investments

Pension trust fund investments consist of the following holdings as of December 31, 2020:

U.S. government and government agencies obligations	\$ 706,171
Municipal bonds	144,291
Corporate obligations	1,183,887
Preferred stock	81,930
Mutual funds – equity	7,210,435
Mutual funds – fixed income	461,065
Money market fund	<u>352,663</u>
Total investments – at fair value	<u>\$ 10,140,442</u>

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

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 9 – FIDUCIARY FUND (Continued)

Interest Rate Risk: Interest rate risk is the risk that the changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Plan's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The following table presents a summarization of the Plan's debt investments (weighted average maturity is as of December 31, 2020 or closest available month):

<u>Type of Investment</u>	<u>Maturity (Years)</u>	<u>2020</u>
U.S Governmental and governmental agencies obligations	5 – 30 years	\$ 706,171
Municipal bonds	10 – 14 years	144,291
Corporate bonds	1- 19 years	1,183,887
Mutual funds – fixed income	2 – 10 years	461,065
Money market fund	< 1 year	<u>352,663</u>
Total		<u>\$ 2,848,077</u>

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. U.S. Government obligations or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk and do not require disclosure of credit quality. The following table presents a summarization of the Plan's average credit quality ratings of debt investments as valued by Standard & Poor's, Moody's or A.M. Best at December 31, 2020 or closest available month.

<u>Type of Investment</u>	<u>Rating</u>	<u>2020</u>
U.S Governmental and governmental agencies obligations	AAA	\$ 487,692
U.S. Governmental agency obligations	Not rated	218,479
Municipal bonds	AA-	50,466
	Not rated	93,825
Corporate bonds	A	734,928
	AA	181,686
	BBB	267,273
Mutual funds – fixed income	AA	66,450
	A	158,827
	BB	93,347
	B	142,441
Money market fund	Not rated	<u>352,663</u>
Total		<u>\$ 2,848,077</u>

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 9 – FIDUCIARY FUND (Continued)

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

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

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

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

The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Plan has the following recurring fair value measurements as of December 31, 2020:

	Fair Value Measurements as of December 31, 2020		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments at fair value level			
U.S. government and government agency obligation	\$ 90,004	\$ 616,167	\$ -
Corporate obligation	-	1,183,887	-
Municipal bonds	-	144,291	-
Preferred stock	81,930	-	-
Mutual funds – equity	7,210,435	-	-
Mutual funds – fixed income	461,065	-	-
Money market fund	<u>-</u>	<u>352,663</u>	<u>-</u>
Total investments by fair value level	<u>\$ 7,843,434</u>	<u>\$ 2,297,008</u>	<u>\$ -</u>

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CORPORATION'S NET PENSION
LIABILITY AND RELATED RATIOS
December 31, 2020

	2020	2019	2018	2017	2016	2015
Total pension liability						
Service cost	\$ 199,342	\$ 204,283	\$ 184,035	\$ 190,177	\$ 188,699	\$ 140,374
Interest	613,709	610,649	595,524	589,499	572,403	539,643
Change of benefit terms	49,105	-	561	-	-	-
Differences between expected and actual experience	54,691	(113,266)	61,335	(68,249)	128,624	349,625
Changes of assumptions	408,458	(38,278)	(21,761)	(14,079)	(36,407)	(5,525)
Benefit payments, including refunds of member contributions	(643,283)	(579,452)	(635,072)	(561,934)	(621,636)	(515,258)
Net change in total pension liability	682,022	83,936	184,622	135,414	231,683	508,859
Total pension liability—beginning	9,563,974	9,480,038	9,295,416	9,160,002	8,928,319	8,419,460
Total pension liability—ending (a)	\$ 10,245,996	\$ 9,563,974	\$ 9,480,038	\$ 9,295,416	\$ 9,160,002	\$ 8,928,319
Plan fiduciary net position						
Contributions—employer	\$ 292,881	\$ 306,955	\$ 240,438	\$ 201,242	\$ 199,517	\$ 202,068
Contributions—member	142,135	141,065	124,647	116,509	115,168	116,837
Net investment income	1,796,079	1,564,362	(341,559)	1,021,652	671,261	(142,820)
Benefit payments, including refunds of member contributions	(643,283)	(579,452)	(635,072)	(561,934)	(621,636)	(515,258)
Administrative expense	(76,810)	(86,530)	(85,720)	(82,635)	(67,163)	(67,818)
Net change in plan fiduciary net position	1,511,002	1,346,400	(697,266)	694,834	297,147	(406,991)
Plan fiduciary net position—beginning	8,688,914	7,342,514	8,039,780	7,344,946	7,047,799	7,454,790
Plan fiduciary net position—ending (b)	\$ 10,199,916	\$ 8,688,914	\$ 7,342,514	\$ 8,039,780	\$ 7,344,946	\$ 7,047,799
Corporation's net pension liability—ending (a) – (b)	\$ 46,080	\$ 875,060	\$ 2,137,524	\$ 1,255,636	\$ 1,815,056	\$ 1,880,520
Plan fiduciary net position as a percentage of the total pension liability	99.55%	90.85%	77.45%	86.49%	80.18%	78.94%
Covered payroll	\$ 4,617,522	\$ 4,389,892	\$ 4,259,785	\$ 3,997,402	\$ 3,902,470	\$ 3,761,624
Corporation's net pension liability as a percentage of covered payroll	1.00%	19.93%	50.18%	31.41%	46.51%	49.99%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Corporation is presenting information for those years for which information is available.

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE CORPORATION'S CONTRIBUTIONS
 December 31, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 258,507	\$ 354,807	\$ 281,872	\$ 311,813	\$ 327,950	\$ 231,195
Contributions in relation to the actuarially determined contribution	<u>(292,594)</u>	<u>(340,458)</u>	<u>(197,434)</u>	<u>(201,418)</u>	<u>(203,005)</u>	<u>(202,068)</u>
Contribution deficiency (excess)	<u>\$ (34,087)</u>	<u>\$ 14,349</u>	<u>\$ 84,438</u>	<u>\$ 110,395</u>	<u>\$ 124,945</u>	<u>\$ 29,127</u>
Covered payroll	\$ 4,617,522	\$ 4,389,892	\$ 4,259,785	\$ 3,997,402	\$ 3,902,470	\$ 3,761,624
Contributions as a percentage of covered payroll	6.34%	7.76%	4.63%	5.04%	5.20%	5.37%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Corporation is presenting information for those years for which information is available.

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

Actuarial cost method: Entry age method

Amortization method: Open 20-year amortization of unfunded actuarial accrued liability

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

Inflation: 2.00%

Salary increases: Not applicable

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

Retirement age: 100% retirement at age 65

Disability rates: 1963 Category II

Mortality: 2020 – PubG-2010 with fully generational improvements from 2010, based on SOA Scale MP-20
 2019 - RP-2014 Blue Collar fully generational improvements from 2006, based on assumptions from the Social Security Administration's 2020 trustee report.

Cost of living increases: Not applicable

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

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

We have audited the financial statements of South Bend Public Transportation Corporation (the Corporation) as of and for the years ended December 31, 2020, 2019, 2018, 2017, 2016, 2015, 2014, 2013, 2012, and 2011 and our reports thereon dated July 23, 2021, July 28, 2020, August 19, 2019, August 20, 2018, August 21, 2017, August 18, 2016, July 20, 2015, July 9, 2014, June 17, 2013, and May 30, 2012, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of operating revenues, expenses, and nonoperating revenues is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Crowe LLP
Crowe LLP

South Bend, Indiana
July 23, 2021

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
SCHEDULE OF OPERATING REVENUES, EXPENSES AND NONOPERATING REVENUES
For the ten years ended December 31, 2020

<u>Year</u>	<u>Passenger Revenue</u>	<u>Other Revenue</u>	<u>Non-operating Revenue</u>	<u>Total Revenues</u>	<u>Operating Expenses Before Depreciation</u>	<u>Excess of Expenses Before Depreciation</u>	<u>Depreciation</u>	<u>Net Loss Before Capital Contributions</u>
2011	\$ 1,401,657	\$ 259,121	\$ 7,260,767	\$ 8,921,545	\$ 10,635,365	\$ (1,713,820)	\$ 2,516,648	\$ (4,230,468)
2012	1,427,740	249,165	7,856,032	9,532,937	10,325,963	(793,026)	3,268,620	(4,061,646)
2013	1,432,235	266,390	7,355,105	9,053,730	9,996,139	(942,409)	2,993,727	(3,936,136)
2014	1,418,049	267,194	7,579,590	9,264,833	10,138,068	(873,235)	2,853,410	(3,726,645)
2015	1,408,767	265,714	7,593,189	9,267,670	10,438,116	(1,170,446)	2,771,647	(3,942,093)
2016	1,364,468	353,010	8,099,313	9,816,791	10,233,408	(416,617)	2,698,506	(3,115,123)
2017	1,341,274	325,439	8,251,724	9,918,437	10,357,759	(439,322)	2,447,611	(2,886,933)
2018	1,367,764	179,846	9,078,844	10,626,454	10,514,877	111,577	2,396,070	(2,284,493)
2019	1,297,248	140,142	8,707,925	10,145,315	11,284,514	(1,139,199)	2,481,849	(3,621,048)
2020	833,334	505,193	10,591,756	11,641,017	10,200,358	1,440,659	2,463,740	(1,023,081)

The 2011 through 2014 financial information has not been adjusted for the impact of the implementation of GASB 68/71 which occurred in 2015 because information was not available to adjust expenses.

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended December 31, 2020

<u>Federal Grantor/ Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Award Number</u>	<u>Federal Expenditure</u>
Department of Transportation			
Federal Transportation Administration			
Direct:			
Federal Transit Cluster:			
Bus and Bus Facilities Formula Program	20.526	IN-34-0042	\$ 192,498
Bus and Bus Facilities Formula Program	20.526	IN-34-0037	11,098
Bus and Bus Facilities Formula Program	20.526	IN-34-0046	70,544
Federal Transit Formula Grants	20.507	IN-90-X714	118,418
Federal Transit Formula Grants	20.507	IN-90-X731	30,792
Federal Transit Formula Grants	20.507	IN-90-X741	542,179
COVID-19 - Federal Transit Formula Grants	20.507	IN-90-X756	2,709,295
Federal Transit Formula Grants	20.507	IN-16-X35	52,505
Federal Transit Capital Investment Grants	20.500	IN-04-0053	<u>71,607</u>
Total Federal Transit Cluster			3,798,936
Transit Services Program Cluster:			
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	IN-16-X035	<u>287,578</u>
Total Expenditures of Federal Awards			<u>\$ 4,086,514</u>

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

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended December 31, 2020

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Corporation under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Corporation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Corporation.

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

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

NOTE 2 – OTHER INFORMATION

The Corporation did not have any subrecipient activity during the year.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business type activities and fiduciary activities of the South Bend Public Transportation Corporation ("Corporation"), a component unit of the city of South Bend, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated July 23, 2021. Our report includes a reference to other auditors who audited the financial statements of the South Bend Public Transportation Corporation Trust Fund, a fiduciary activity of the Corporation, as described in our report on the Corporation's financial statements. The financial statements of the fiduciary activity was not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

(Continued)

Compliance and Other Matters

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

Purpose of this Report

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


Crowe LLP

South Bend, Indiana
July 23, 2021

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

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

Report on Compliance for Each Major Federal Program

We have audited the South Bend Public Transportation Corporation's (Corporation), a component unit of the City of South Bend, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Corporation's major federal program for the year ended December 31, 2020. The Corporation's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and 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 the 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 Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and 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 the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 the Corporation's internal control over compliance.

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

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

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


Crowe LLP

South Bend, Indiana
July 23, 2021

