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October 20, 2021

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 upon by Estep Burkey Simmons, LLC, Independent Public Accountants, for the period January 1, 2020 to December 31, 2020. 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, 2020, 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 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

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT

MUNCIE PUBLIC TRANSPORTATION CORPORATION

December 31, 2020

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## 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, 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 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, 2020, 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 and Schedule of Contributions, 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.

### *Supplemental Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Corporation's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by 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 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 September 29, 2021, on our consideration of the Muncie Public Transportation Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 29, 2021

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## Muncie Public Transportation Corporation

### MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2020

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, 2020. 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 2019

- Net position totaled \$3,788,664 at December 31, 2020.
- Net position increased by \$627,207 in 2020, which compares to a decrease of \$528,672 in 2019.
- Total fixed assets decreased to \$5,688,956, a decrease of \$61,950 from 2019.

#### 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.

#### 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.

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

December 31, 2020

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

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***

Current assets decreased by \$550,336 primarily due to decreases in cash balances. Unexpended draws from a line of credit were reflected in cash balances at the end of 2019.

Restricted assets decreased by \$190,641 due to the use of Transit Improvement Reserve Funds for capital purchases in March 2020.

Current liabilities decreased \$1,452,251 primarily due to reduced borrowings on a line of credit at year end.

Net capital assets decreased 1.1% to \$5,688,956 due to accumulated depreciation exceeding capital acquisitions.

Long-term liabilities have decreased \$293,845 primarily due to a decrease in net pension liability.

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

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 \$1,253,705.

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, increased by \$879,798 from the prior year, which is a significant improvement from 2019.

## Muncie Public Transportation Corporation

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2020

*Statement of Net Position – continued*

The following table reflects a condensed summary of assets, liabilities and net position of the Muncie Public Transportation Corporation as of December 31, 2019 and 2018:

Table 1

Summary of Assets, Liabilities and Net Position  
December 31,

	<u>2020</u>	<u>2019</u>
Assets:		
Current assets	\$ 693,374	\$ 1,243,710
Restricted assets	202,848	393,489
Capital assets, net	5,688,956	5,750,906
Total assets	<u>6,585,178</u>	<u>7,388,105</u>
Total deferred outflows of resources	398,658	553,413
Liabilities:		
Current liabilities	375,542	1,827,793
Long-term liabilities	1,918,016	2,211,861
Total liabilities	<u>2,293,558</u>	<u>4,039,654</u>
Total deferred inflows of resources	901,614	740,407
Net Position:		
Invested in capital assets	5,688,956	5,750,906
Retricted by MPTC for future capital improvements	202,848	393,489
Unrestricted	<u>(2,103,140)</u>	<u>(2,982,938)</u>
Total net position	<u>\$ 3,788,664</u>	<u>\$ 3,161,457</u>

*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, 2020 and 2019:

## Muncie Public Transportation Corporation

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2020

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

Table 2

Condensed Summary of Revenues, Expenses and Changes in Net Position  
Years ended December 31,

	<u>2020</u>	<u>2019</u>
Operating revenues	\$ 3,665,467	\$ 3,711,523
Operating expenses:		
Operating expenses	7,491,642	7,123,279
Depreciation	<u>1,253,705</u>	<u>1,411,572</u>
Total operating expenses	<u>8,745,347</u>	<u>8,534,851</u>
Operating loss	(5,079,880)	(4,823,328)
Nonoperating revenues/expenses, net	4,821,990	3,412,932
Capital contributions	<u>885,097</u>	<u>881,724</u>
Change in net position	627,207	(528,672)
Net position - beginning of year	<u>3,161,457</u>	<u>3,690,129</u>
Net position - end of year	<u>\$ 3,788,664</u>	<u>\$ 3,161,457</u>

Operating revenues decreased by \$46,056 or approximately 1%. The decrease is primarily due to a decrease in fares, tokens and tickets.

Passenger fares decreased 29%. The decrease in fares is due to an increase in free student transportation as well as the impact from decreased ridership due to COVID-19.

Total operating expenses increased by 2.5% from the previous year. Labor expense increased 5%, services increased 8%, fringe benefits expense increased 4% and casualty and liability insurance expenses increased 44%. Materials and supplies expense decreased 3%, utilities decreased 3% and miscellaneous expense was essentially unchanged.

Labor, fringe benefits, services, and casualty and liability costs increased \$402,057 while materials and supplies, utilities and miscellaneous expenses decreased \$33,694, for a net increase of \$368,363.

## Muncie Public Transportation Corporation

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2020

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

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

Table 3

Operating Expenses  
Years ended December 31,

	<u>2020</u>	<u>2019</u>
Labor	\$ 3,384,431	\$ 3,214,917
Fringe benefits	1,917,232	1,842,922
Contractual services	911,879	848,325
Materials and supplies	754,626	783,812
Utilities	105,687	109,407
Casualty and liability costs	308,247	213,568
Miscellaneous	<u>109,540</u>	<u>110,328</u>
Operating expenses before provision	7,491,642	7,123,279
Provision for depreciation	<u>1,253,705</u>	<u>1,411,572</u>
Total operating expenses	<u><u>\$ 8,745,347</u></u>	<u><u>\$ 8,534,851</u></u>

**Capital Asset and Debt Administration***Capital Assets*

The Muncie Public Transportation Corporation invested \$29,322,962 (not adjusted for inflation) in capital assets, including buildings, vehicles and other equipment as of December 31, 2020. Net of accumulated depreciation, the Muncie Public Transportation Corporation's capital assets at December 31, 2020 totaled \$5,688,956. This amount represents a net decrease (including additions and disposals, net of depreciation) of \$61,950 from 2019.

The year-over-year net decrease in capital assets resulted primarily from depreciation expense in excess of capital additions. 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 \$66,767 was incurred during 2020. The line of credit balance was \$0 at December 31, 2020.

## Muncie Public Transportation Corporation

### MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2020

#### *Debt Administration - continued*

Long-term debt, including current maturities, consisted of a capital lease obligation. At December 31, 2020, the Muncie Public Transportation Corporation had \$12,341 in capital lease obligations outstanding. The capital lease obligation relates to copier equipment with monthly payments of \$315 required through July 2024.

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

The Muncie Public Transportation Corporation adopted the 2021 Annual Budget October 5, 2020. This budget provides for operating expenses of \$8,769,750. The operating budget remains the same as the 2020 Annual Budget.

#### **Currently Known Facts**

The COVID-19 pandemic has had a significant impact on the Corporation in 2020. A system-wide service reduction was implemented in March 2020 in response to COVID-19. Up to thirteen percent of the Corporation's workforce has been out on various leaves beginning in March due to COVID-19. The Corporation was able to avoid layoffs and furloughs. 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.

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 34.55%; Demand Response ridership decreased 37.14%
April 2020 - Fixed Route ridership decreased 78.75%; Demand Response ridership decreased 76.01%
May 2020 - Fixed Route ridership decreased 72.09%; Demand Response ridership decreased 65.69%
June 2020 - Fixed Route ridership decreased 46.59%; Demand Response ridership decreased 43.77%
July 2020 - Fixed Route ridership decreased 45.62%; Demand Response ridership decreased 41.16%

The Corporation resumed the regular service schedule on May 18, 2020. While ridership is slowly increasing, it continues to be down 45% compared to the same time in 2019.

In 2020, the Corporation received \$5,687,073 in CARES Act funding which will be allocated as follows:

Replacement of seven Fixed Route Vehicles	\$3,743,402
Replacement of three support vehicles	\$ 79,369
Operating Assistance	\$1,864,302

#### **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, 2020

## ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

## CURRENT ASSETS

Cash	\$ 259,788
Accounts receivable	16,810
Materials and supplies inventory	354,384
Prepaid expenses	62,392
Total current assets	<u>693,374</u>

## NON-CURRENT ASSETS

Investments - cash	202,848
Capital assets, net of accumulated depreciation	5,688,956
Total non-current assets	<u>5,891,804</u>

## TOTAL ASSETS

	<u>6,585,178</u>
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## DEFERRED OUTFLOWS OF RESOURCES

Defined benefit pension items	398,658
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## TOTAL DEFERRED OUTFLOWS OF RESOURCES

	<u>398,658</u>
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## TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u><u>\$ 6,983,836</u></u>
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## LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

## CURRENT LIABILITIES

Accounts payable	\$ 324,378
Accrued and withheld expenses	47,950
Current maturities of long-term liabilities	3,214
Line of credit	-
Total current liabilities	<u>375,542</u>

## NONCURRENT LIABILITIES

Net pension liability	1,908,889
Lease payable, less current maturities	9,127
Total long-term liabilities	<u>1,918,016</u>

## TOTAL LIABILITIES

	<u>2,293,558</u>
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## DEFERRED INFLOWS OF RESOURCES

Defined benefit pension items	901,614
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## TOTAL DEFERRED INFLOWS OF RESOURCES

	<u>901,614</u>
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## NET POSITION

Net investment in capital assets	5,688,956
Restricted by MPTC for future capital improvements	202,848
Unrestricted	(2,103,140)
TOTAL NET POSITION	<u>3,788,664</u>

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES  
AND NET POSITION

	<u><u>\$ 6,983,836</u></u>
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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, 2020

Operating revenues	
Fares, tokens and tickets	\$ 146,796
Local tax revenue	3,474,549
Miscellaneous	44,122
	<u>3,665,467</u>
Operating expenses	
Labor	3,384,431
Fringe benefits	1,917,232
Services	911,879
Materials and supplies	754,626
Utilities	105,687
Casualty and liability costs	308,247
Miscellaneous	109,540
Depreciation	1,253,705
	<u>8,745,347</u>
Operating expenses in excess of operating revenues	(5,079,880)
Non-operating revenues (expenses)	
Operating grant revenue - federal	3,349,427
Operating grant revenue - state	1,482,400
Miscellaneous revenue	53,168
Investment income	2,597
Gain on disposal of assets	1,900
Interest expense	(67,502)
	<u>4,821,990</u>
Change in net position before capital contributions	(257,890)
Capital contributions - federal grants	<u>885,097</u>
<b>CHANGE IN NET POSITION</b>	<b>627,207</b>
Net position - beginning of year	<u>3,161,457</u>
Net position - end of year	<u><u>\$ 3,788,664</u></u>

The accompanying notes are an integral part of this statement.

## Muncie Public Transportation Corporation

## STATEMENT OF CASH FLOWS

Year Ended December 31, 2020

Cash flows from operating activities:	
Local tax revenues	\$ 3,469,825
Cash received from customers	143,297
Cash received from special events/programs	44,122
Cash disbursed to employees	(5,331,369)
Cash disbursed to suppliers for goods and services	<u>(2,152,954)</u>
Net cash used in operating activities	(3,827,079)
Cash flows from noncapital financing activities:	
Grants	4,831,827
Miscellaneous revenue	<u>53,168</u>
Net cash provided by noncapital financing activities	4,884,995
Cash flows from capital and related financing activities:	
Capital grants	885,097
Capital acquisitions	(1,191,755)
Sale of capital assets	1,900
Payments for capital lease obligation	(3,050)
Proceeds from line of credit	1,520,000
Payments on line of credit	(2,894,331)
Interest expense	<u>(67,502)</u>
Net cash used in capital and related financing activities	(1,749,641)
Cash flows from investing activities:	
Investment income	<u>2,597</u>
Net cash provided by investing activities	2,597
Net decrease in cash	(689,128)
Cash at beginning of year	<u>1,151,764</u>
Cash at end of year	<u>\$ 462,636</u>

The accompanying notes are an integral part of this statement.

Muncie Public Transportation Corporation  
STATEMENT OF CASH FLOWS - Continued  
Year Ended December 31, 2020

Reconciliation of operating loss to net cash used in operating activities	
Operating expenses in excess of operating revenues	\$ (5,079,880)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation	1,253,705
Change in assets, deferred outflows of resource, deferred inflows of resources and liabilities:	
Increase in accounts receivable	(4,724)
Increase in inventory	(3,499)
Decrease in prepaid expenses	60,072
Decrease in deferred outflows of resources - pensions	154,755
Increase in accounts payable	37,025
Decrease in accrued and withheld expenses	(115,109)
Decrease in net pension liability	(290,631)
Increase in deferred inflows of resources - pensions	161,207
	<hr/>
Net cash used in operating activities	<u><u>\$ (3,827,079)</u></u>

The accompanying notes are an integral part of this statement.

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

December 31, 2020

**NOTE A - SUMMARY OF ACCOUNTING POLICIES****1. Reporting Entity**

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

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

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 organization's 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.

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

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

December 31, 2020

**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 it 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, 2020, Muncie Public Transportation Corporation had deposit balances in the amount of \$469,511, which includes the improvement reserve fund investments. Muncie Public Transportation Corporation had deposit balances in interest-bearing checking accounts at December 31, 2020, 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 or market.

**5. Investments**

Indiana statutes authorizes Muncie Public Transportation Corporation to invest in United States obligations of federal agencies, secured repurchase agreements, certificates of deposit, money market deposit accounts, passbook savings accounts, and negotiable order of withdrawal accounts.

The Muncie Public Transportation Corporation invests exclusively in money market deposit accounts.

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

## Muncie Public Transportation Corporation

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

## NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

5. Investments - Continued*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.

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, 2019, 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.

## Muncie Public Transportation Corporation

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

## NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

5. Investments - Continued*Foreign Currency Risk*

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

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 January 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.

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, 2020

## 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. Muncie Public Transportation Corporation's policy is to recognize the cost of compensated absences when actually paid to employees.

13. Advertising Costs

Advertising costs are expensed as incurred and included in operating expenses. Advertising expenses totaled \$73,421 for the year ended December 31, 2020.

14. 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.

## Muncie Public Transportation Corporation

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

## NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

14. Risk Management - Continued

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.

The spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Corporation for future periods.

15. 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.

16. Net Position Restricted for Transit Improvement Reserve Fund

The Statement of Net Position reports \$202,848 of restricted net position, which is restricted by Muncie Public Transportation Corporation for anticipated future capital improvements.

## Muncie Public Transportation Corporation

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

## NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

17. New Accounting Pronouncements

GASB Statement 87, *Leases*. This Statement provides a new framework for accounting for leases under the principle that leases are financings. No longer will leases be classified between capital and operating. Lessees will recognize an intangible asset and a corresponding liability. The requirements of this Statement are effective for financial reporting periods beginning after June 15, 2021.

For the year ended December 31, 2020, Muncie Public Transportation 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*, was adopted with no impact.
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, was adopted with no impact.
- GASB Statement No. 90, *Majority Equity Interests*, was adopted with no impact.

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, 2020, the Corporation exceeded the federally insured limit by approximately \$219,511. 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.

## Muncie Public Transportation Corporation

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

## NOTE D - INVESTMENTS - Continued

As of December 31, 2020, 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 \$202,848.

The following schedule summarizes the investment return for the year ended December 31, 2020.

Total investment return: Interest	<u>\$ 1,034</u>
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It is the Corporation's intent to hold the transit improvement reserve fund (T.I.R.F.) as a long-term investment.

## NOTE E - CAPITAL ASSETS

Changes in capital assets for the year ending December 31, 2020 were:

	<u>Jan. 1, 2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>Dec. 31, 2020</u>
Capital assets not being depreciated				
Land	\$ 711,581	\$ -	\$ -	\$ 711,581
Capital assets being depreciated				
Buildings and improvements	8,171,273			8,171,273
Buses and equipment	19,766,932	1,170,752	326,617	20,611,067
Other property and equipment	519,619	21,003		540,622
Total capital assets being depreciated	<u>28,457,824</u>	<u>1,191,755</u>	<u>326,617</u>	<u>29,322,962</u>
Less: Accumulated depreciation and amortization				
Buildings and improvements	7,116,228	160,028		7,276,256
Buses and equipment	15,840,704	1,080,028	326,617	16,594,115
Other property and equipment	461,567	13,649		475,216
Total accumulated depreciation and amortization	<u>23,418,499</u>	<u>1,253,705</u>	<u>326,617</u>	<u>24,345,587</u>
Total capital assets being depreciated, net	<u>5,039,325</u>	<u>(61,950)</u>	<u>-</u>	<u>4,977,375</u>
Total capital assets, net	<u>\$ 5,750,906</u>	<u>\$ (61,950)</u>	<u>\$ -</u>	<u>\$ 5,688,956</u>

## NOTE F - BANK LINE OF CREDIT

The Corporation has a line of credit with a commercial bank which provides borrowings up to \$4,238,228. Advances bear a variable interest rate which was 4.5% on December 31, 2020, and are unsecured. Outstanding borrowings under this arrangement at December 31, 2020 were \$-0-. The line of credit expired on December 31, 2020, but was renewed until December 31, 2021.

## Muncie Public Transportation Corporation

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

## NOTE G - LONG-TERM LIABILITIES

Long-term liabilities consist of the following at December 31, 2020.

Obligations under capital lease payable to Canon Financial Services, at a fixed interest rate of 5.25%. Monthly payments of \$315 are required and matures in July 2024. The obligation is secured by four copiers.	\$ 12,341
Less current maturities	<u>3,214</u>
	<u><u>\$ 9,127</u></u>

Annual maturities of long-term liabilities are as follows.

Year ending December 31, 2021	\$ 3,214
2022	\$ 3,387
2023	\$ 3,569
2024	\$ 2,171
2025	\$ 0

## 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](http://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).

## Muncie Public Transportation Corporation

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

## NOTE H - RETIREMENT PLAN - Continued

Benefits Provided - Continued

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.

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 2020, 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, 2020 was \$379,322. 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 2020.

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

At December 31, 2020, Muncie Public Transportation Corporation reported a liability of \$1,908,899 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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 wages reported by Muncie Public Transportation relative to the collective wages for all employees. At June 30, 2020, Muncie Public Transportation Corporation's proportion was 0.06%, which was a decrease of 0.01% from its proportion of 0.07% measured as of June 30, 2019.

For the year ended December 31, 2020, Muncie Public Transportation Corporation recognized pension expense of \$429,872. At December 31, 2020, Muncie Public Transportation Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

## Muncie Public Transportation Corporation

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

## NOTE H - RETIREMENT PLAN - Continued

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>          </u>	<u>          </u>
Differences between expected and actual experience	\$ 33,820	\$ 25,629
Net difference between projected and actual investment	163,370	-
Change of assumptions	.	397,733
Changes in proportion and differences between employer contributions and proportionate share of contributions	53,760	98,930
Pension expense	147,708	-
Contributions	<u>-</u>	<u>379,322</u>
Total	<u>\$ 398,658</u>	<u>\$ 901,614</u>

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, 2021	\$ (201,712)
2022	(80,947)
2023	(58,078)
2024	69,395
2025	<u>-0-</u>
	<u>\$ (271,342)</u>

*Actuarial assumptions.* The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement. Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation are presented below:

Experience study date	Period of 5 years ended June 30, 2019
Inflation	2.25%
Cost of living increase	2020 - 2021 - 13 <sup>th</sup> check Beginning January 1, 2022 - 0.4% Beginning January 1, 2034 - 0.5% Beginning January 1, 2039 - 0.6%
Future salary increases	2.75% - 8.75% based on service
Investment rate of return	6.75%, net of administrative and investment expense

## Muncie Public Transportation Corporation

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

## NOTE H - RETIREMENT PLAN - Continued

The actuarial assumptions and methods used in the June 30, 2020 valuation of the Public Employees' Defined Benefit Account were adopted by the INPRS Board in June 2020. The majority of the actuarial assumptions and methods are based on plan experience from July 1, 2014 through June 30, 2019 and were first used in the June 30, 2020 valuation. The INPRS Board adopted a funding policy in April 2014, and the policy was last updated in October 2018. In 2019, the PERF Defined Benefit was modified pursuant to HEA 1059. Previously, statute generally required PERF members to have 15 years of service to qualify for a survivor benefit prior to retirement. Statute now allows a qualifying spouse/dependent to receive a benefit if the deceased member had a minimum of 10 years of creditable service.

The long-term return expectation for the INPRS defined benefit retirement plans has been 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. In order to determine the expected long-term nominal rate of return, the asset class geometric real returns are projected for a 30-year time horizon. These returns are combined with a projected covariance matrix and the target asset allocations to create a range of expected long-term real rates of return for the portfolio. A range of possible expected long-term rates of return is created by adding the forecasted inflation to the expected long-term real rates of return. This range ultimately supports the long-term expected rate of return assumption of 6.75% selected by the Board as the discount rate. The assumption is a long-term assumption and is not expected to change with small fluctuations in the underlying inputs but may change with a fundamental shift in the underlying market factors or significant asset allocation change. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Geometric Basis Long-Term Expected Real Rate of Return
Public Equity	22.0%	4.4%
Private Equity	14.0%	7.6%
Fixed Income - Ex Inflation-Linked	20.0%	1.9%
Fixed Income - Inflation-Linked	7.0%	0.5%
Commodities	8.0%	1.6%
Real Estate	7.0%	5.8%
Absolute Return	10.0%	2.9%
Risk Parity	12.0%	5.5%
	100.0%	

## Muncie Public Transportation Corporation

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

## NOTE H - RETIREMENT PLAN - Continued

*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	\$ 3,112,139	\$ 1,908,889	\$ 901,070

At December 31, 2020, all required contributions had been paid to the retirement plan.

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued INPRS 2020 Comprehensive Annual Financial Report found at <http://www.in.gov/inprs/annualreports.htm>.

## NOTE I - 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, 2020, 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.

**Muncie Public Transportation Corporation**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2020**

**NOTE J - FEDERAL GRANTS**

The Corporation is the designated recipient of funds under the Urban Mass Transportation Act of 1964. The 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 \$3,349,427. Of this amount, \$1,336,767 was funded under the CARES Act.

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 \$1,482,400.

The Corporation received \$885,097 of capital contributions from federal sources for the year ended December 31, 2020. Capital grants are earned as the Corporation expends funds in accordance with its federal grants. Generally, the Corporation receives an 80% federal match on all funds spent for budgeted items included in the grant agreements.

**NOTE K - LITIGATION**

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 L - CAPITAL LEASE COMMITMENTS**

Property held under capital lease, included with owned property on the Statement of Net Position at December 31, 2020, consists of the following.

Classification: Equipment	
Copiers	\$ 16,688
Less accumulated depreciation	<u>3,576</u>
Equipment under capital leases, net	<u><u>\$ 13,112</u></u>

## Muncie Public Transportation Corporation

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

## NOTE L - CAPITAL LEASE COMMITMENTS - Continued

The Corporation has leased copiers under an agreement which has been classified as a capital lease. The lease is noncancelable and expires in July 2024. The future minimum lease payments under the capital leases and the net present value of the future minimum lease payments at December 31, 2020, are as follows.

Year ending December 31, 2021	\$ 3,785
2022	3,785
2023	3,785
2024	2,208
2025	<u>-0-</u>
Total minimum lease payments	13,563
Amount representing interest	<u>1,222</u>
Present value of minimum lease payments	<u><u>\$ 12,341</u></u>

## NOTE M - OPERATING LEASE COMMITMENTS

The Corporation leases tires under a noncancelable operating lease with unrelated parties, which expires on June 30, 2022. The Corporation has an option for two additional years. The operating lease expense for the year ended December 31, 2020 totaled \$116,439.

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

Year ending December 31, 2021	\$ 62,303
2022	31,612
2023	-0-
2024	-0-
2025	<u>-0-</u>
	<u><u>\$ 93,915</u></u>

## NOTE N - SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events through September 29, 2021, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2020, 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 (C)

	2020	2019	2018	2017	2016
Proportion of the net pension liability	0.06%	0.07%	0.06%	0.06%	0.06%
Proportionate share of the net pension liability	1,908,889	2,199,520	2,163,238	2,864,757	2,721,251
Covered-employee payroll	3,411,825	3,467,256	3,249,169	3,185,436	2,873,651
Proportionate share of the net pension liability as a percentage of covered-employee payroll	55.95%	63.44%	66.58%	89.93%	94.70%
Plan fiduciary net position as a percentage of the total pension liability**	81.45%	80.06%	78.89%	76.65%	75.35%
	2015	2014			
Proportion of the net pension liability	0.06%	0.06%			
Proportionate share of the net pension liability	2,477,139	1,516,056			
Covered-employee payroll	2,913,394	2,816,762			
Proportionate share of the net pension liability as a percentage of covered-employee payroll	85.03%	53.82%			
Plan fiduciary net position as a percentage of the total pension liability**	77.35%	84.29%			

\* The amounts presented for each fiscal year were determined as of June 30, 2020 (measurement date).

\*\* The amounts for 2015-2018 were restated to coincide with INPRS adjustments made to total pension liability for those years in the 2019 INPRS Annual Report.

## Muncie Public Transportation Corporation

## REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Contributions  
Public Employees' Retirement Fund  
Last 10 Fiscal Years (C)

	2020	2019	2018	2017
Statutorily required contribution	\$ 379,322	\$ 383,963	\$ 360,346	\$ 340,649
Contributions in relation to the statutorily required contribution	<u>379,322</u>	<u>383,963</u>	<u>360,346</u>	<u>340,649</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 3,411,825	\$ 3,467,256	\$ 3,249,169	\$ 3,185,436
Contributions as a % of covered payroll	11.12%	11.07%	11.09%	10.69%
	2016	2015	2014	
Statutorily required contribution	\$ 331,326	\$ 312,786	\$ 297,889	
Contributions in relation to the statutorily required contribution	<u>331,326</u>	<u>312,786</u>	<u>297,889</u>	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Covered-employee payroll	\$ 3,185,436	\$ 2,873,651	\$ 2,816,762	
Contributions as a % of covered payroll	10.40%	10.88%	10.58%	

\* The amounts presented for each fiscal year were determined as of June 30, 2020 (measurement date).

## Muncie Public Transportation Corporation

## REQUIRED SUPPLEMENTARY INFORMATION

## Notes to Schedules

**Note A** - Valuation Date: June 30, 2020

**Note B** - Changes of assumptions: As a result of the 2014-2019 Experience Study, there were changes to many assumptions in 2020. The future salary increase assumption changed from an age-based table ranging from 2.50% to 4.25% to a service-based table ranging from 2.75% to 8.75%. The mortality assumption changed from the RP-2014 (with MP-2014 improvement removed) Total Data Set Mortality Tables projected on a fully generational basis using the future mortality improvement scale inherent in the mortality projection included in the Social Security Administration's 2014 Trustee Report to the Pub-2010 Public Retirement Plans Mortality Tables with a fully generational projection of mortality improvements using SOA Scale MP-2019. Specific mortality table variants and adjustments are used for different subpopulations. The retirement assumption was updated based on recent experience and was updated from an age- and service-based table to an age based table dependent on eligibility for a reduced benefit or unreduced benefit. Additionally, for actives who are eligible for early retirement (reduced benefit), 30% are now assumed to commence benefits immediately and 70% are assumed to commence benefits at unreduced retirement eligibility. Previously 33% of actives were assumed to commence benefits with early retirement while 67% were assumed to wait for unreduced retirement eligibility. The termination assumption was updated based on recent experience. For state members the tables were combined from being split by salary and sex to being one unisex service-based table. For members in political subdivisions earning more than \$20,000, the sex-distinct tables were combined to one unisex service-based table. For members in political subdivisions earning less than \$20,000, the sex-distinct age-based table was maintained and the rates were updated based on experience. The disability assumption was updated based on recent experience. The marital assumption was updated based on recent experience. 80% of male members and 65% of female members are assumed to be married or to have a dependent beneficiary. Previously, 75% of male members and 60% of female members were assumed to be married or to have a dependent beneficiary. The load placed on the final average earnings to account for additional wages received upon termination, such as severance pay or unused sick leave, decreased from \$400 to \$200.

There were no changes in actuarial assumptions during 2019. In 2018, the COLA assumption was changed due to passage of the Senate Enrolled Act No. 373. In lieu of a 1.0% COLA beginning on January 1, 2020, INPRS now assumes that the COLA will be replaced by a thirteenth check for 2020 and 2021. The COLA assumption, thereafter, would be 0.4% beginning on January 1, 2022, changing to 0.5% beginning on January 1, 2034, and ultimately 0.6% beginning on January 1, 2039. In 2017, a second mortality table was added creating both the healthy and disabled mortality tables. Amounts reported in 2015 reflect an adjustment of retirement, termination, and disability rates to reflect recent experience. Demographic assumptions were updated as needed for June 30, 2015 actuarial valuation. The assumption for inflation decreased from 3% to 2.25%. The future salary increase rate decreased from a range of 3.25% to 4.5% to a range of 2.5% to 4.25%.

**Note C** - These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the requirements of GASB 68, the Corporation will present information for those years for which information is available.

**Note D** - Covered payroll is the payroll on which contributions to a pension plan are based.

SUPPLEMENTAL INFORMATION

Muncie Public Transportation Corporation

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2020

CFDA Number	Agency/Pass-Through	Federal Contract Number	Pass-Through Entity Identifying Number	Passed-Through to Subrecipients	Federal Expenditures	Total Expenditures
<u>Department of Transportation - Federal Transit Administration</u>						
Direct Program						
Federal Transit Cluster:						
20.526	Federal Transit - Formula Grants (Bus and Bus Facilities Formula Program)	IN-2019-024-01	N/A	\$ -	\$ 445,712	\$ 445,712
20.526	Federal Transit - Formula Grants (Bus and Bus Facilities Formula Program)	IN-2019-024-02	N/A	-	69,529	69,529
20.507	Federal Transit - Formula Grants (Urbanized Area Formula Program)	IN-2020-023-01	N/A	-	1,336,767	1,336,767
20.507	Federal Transit - Formula Grants (Urbanized Area Formula Program)	IN-2020-023-03	N/A	-	48,754	48,754
20.526	Federal Transit - Formula Grants (Bus and Bus Facilities Formula Program)	IN-2018-030-00	N/A	-	307,534	307,534
20.507	Federal Transit - Formula Grants (Urbanized Area Formula Program)	IN-2020-006-00	N/A	-	2,012,660	2,012,660
Total Federal Transit Cluster				-	4,220,956	4,220,956
Transit Services Program Cluster:						
20.513	Federal Transit - Formula Grants (Enhanced Mobility of Seniors & Individuals with Disabilities)	IN-2019-024-03	N/A	-	13,568	13,568
Total Transit Services Program Cluster				-	13,568	13,568
Total Department of Transportation - FTA - Direct				-	4,234,524	4,234,524
Total Department of Transportation - Federal Transit Administration				-	4,234,524	4,234,524
Total Expenditures of Federal Awards				\$ -	\$ 4,234,524	\$ 4,234,524

**Muncie Public Transportation Corporation****NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS****Year Ended December 31, 2020****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, 2020, 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, 2020.

**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, 2020, Muncie Public Transportation Corporation provided \$-0- in expenditures to subrecipients.

**Muncie Public Transportation Corporation**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Year Ended December 31, 2020**

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, 2020**

**DEPARTMENT OF TRANSPORTATION - FEDERAL TRANSIT ADMINISTRATION**

The audit for the year ended December 31, 2019 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, 2020

CFDA Number	Agency/Pass-Through	Federal Contract Number	Pass-Through Entity Identifying Number	Passed-Through to Subrecipients	Federal Expenditures	Total Expenditures
<u>Department of Transportation - Federal Transit Administration</u>						
Direct Program						
Federal Transit Cluster:						
20.526	Federal Transit - Formula Grants (Bus and Bus Facilities Formula Program)	IN-2019-024-01	N/A	\$ -	\$ 445,712	\$ 445,712
20.526	Federal Transit - Formula Grants (Bus and Bus Facilities Formula Program)	IN-2019-024-02	N/A	-	69,529	69,529
20.507	Federal Transit - Formula Grants (Urbanized Area Formula Program)	IN-2020-023-01	N/A	-	1,336,767	1,336,767
20.507	Federal Transit - Formula Grants (Urbanized Area Formula Program)	IN-2020-023-03	N/A	-	48,754	48,754
20.526	Federal Transit - Formula Grants (Bus and Bus Facilities Formula Program)	IN-2018-030-00	N/A	-	307,534	307,534
20.507	Federal Transit - Formula Grants (Urbanized Area Formula Program)	IN-2020-006-00	N/A	-	2,012,660	2,012,660
Total Federal Transit Cluster				-	4,220,956	4,220,956
Transit Services Program Cluster:						
20.513	Federal Transit - Formula Grants (Enhanced Mobility of Seniors & Individuals with Disabilities)	IN-2019-024-03	N/A	-	13,568	13,568
Total Transit Services Program Cluster				-	13,568	13,568
Total Department of Transportation - FTA - Direct				-	4,234,524	4,234,524
Total Department of Transportation - Federal Transit Administration				-	4,234,524	4,234,524
Total Expenditures of Federal Awards				\$ -	\$ 4,234,524	\$ 4,234,524
<u>Indiana Department of Transportation</u>						
Public Mass Transportation Fund						
Operating Assistance		9020MUNO	N/A	-	1,482,400	1,482,400
Total governmental funding				\$ -	\$ 5,716,924	\$ 5,716,924

## 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, which comprise the statement of net position as of December 31, 2020, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 29, 2021.

**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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 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.

*Estep Burkey Simmons, LLC*

Muncie, Indiana  
September 29, 2021



## REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

### 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, 2020. 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, 2020.

## 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 29, 2021

**Muncie Public Transportation Corporation**

**EXIT CONFERENCE**

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

DATE: October 7, 2021

TIME: 8:45 a.m.