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March 15, 2022

Board of Directors  
Gary Public Transportation Corporation  
200 West 4<sup>th</sup> Avenue  
Gary, IN 46402

We have reviewed the audit report of Gary Public Transportation Corporation, which was opined on 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 Gary 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.

We call your attention to the finding on page 24. Please see the Schedule of Findings and Questioned Costs for further detail. Management's Corrective Action Plan in response to the finding appears on pages 25-26.

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

**GARY PUBLIC TRANSPORTATION  
CORPORATION**

**FINANCIAL STATEMENTS**

December 31, 2020

GARY PUBLIC TRANSPORTATION CORPORATION  
Gary, Indiana

FINANCIAL STATEMENTS  
December 31, 2020

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Gary Public Transportation Corporation  
Gary, Indiana

**Report on the Financial Statements**

We have audited the accompanying financial statements of Gary 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 from material misstatement.

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 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.

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(Continued)

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

### *Supplementary Information*

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2022, 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 Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

*Crowe LLP*  
Crowe LLP

Indianapolis, Indiana  
February 14, 2022

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

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The management discussion and analysis of the financial performance of Gary Public Transportation Corporation ("the Corporation" or "GPTC") provides an overall review of the Corporation's financial activities for the year ended December 31, 2020 with comparative information for 2019. The Corporation's management encourages readers to consider the information presented herein in conjunction with the financial statements to enhance their understanding of the Corporation's financial performance. All amounts, unless otherwise indicated, are expressed in millions of dollars.

### **Financial Highlights**

- The Corporation's total assets were consistent year over year, from \$5.5 million in 2020 to \$5.5 million in 2019. Net position was \$5.2 million at December 31, 2020.
- The 2020 change in net position was (\$16,190), compared to \$201,639 for 2019.
  - Total 2020 operating and non-operating revenues were \$7.6 million, an increase of \$0.6 million, or 9%, from the 2019 revenues of \$7.0 million. The majority of the increase was due to an increase in federal funding assistance from COVID-relief funding offsetting the decrease in operating revenues impacted by the pandemic.
  - Total 2020 operating and non-operating expenses were \$7.6 million, an increase of \$0.8 million, or 12%, from 2019 costs of \$6.8 million. The majority of the increase was due to an increase in transportation and general and administrative expenses.

### **Overview of the Financial Statements**

The financial section of this report is comprised of three components:

- Management Discussion & Analysis (this section)
- Financial statements with corresponding note disclosures, and
- Supplementary information

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. The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the financial statements.

The statement of net position presents information on all of the Corporation's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating.

The statement of revenues, expenses, and changes in net position present information showing how the Corporations' net position changed during the year being reported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

The financial statements present the functions of the Corporation that are principally supported by operating and non-operating revenues/expenses. The Corporation has business-type activities; that is, functions that are intended to recover a portion of their costs through user fees and charges. These activities are reported in the financial statements as operating revenue that consist of passenger fares and advertising revenue.

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(Continued)

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

**Financial Analysis**

**Statement of Net Position:** The Corporation's total assets remained consistent compared to the prior year. Liabilities remained consistent compared to prior year as there were no significant outstanding invoices payable at year end.

<b>Table 1: Condensed Statement of Net Position (in millions)</b>				
	<b>2020</b>	<b>2019</b>	<b>Variance</b>	<b>% Variance</b>
<b>Assets</b>				
Current and other assets	\$ 3.0	\$ 2.4	\$ 0.6	25.0%
Capital assets	2.5	3.1	(0.6)	-19.4%
<b>Total assets</b>	<u>5.5</u>	<u>5.5</u>	<u>-</u>	<u>0.0%</u>
<b>Liabilities</b>				
Other current liabilities	0.3	0.3	-	0.0%
<b>Total liabilities</b>	<u>0.3</u>	<u>0.3</u>	<u>-</u>	<u>0.0%</u>
<b>Net Position</b>				
Net investment in capital assets	2.5	3.1	(0.6)	-19.4%
Unrestricted	2.7	2.1	0.6	28.6%
<b>Total net position</b>	<u>5.2</u>	<u>5.2</u>	<u>-</u>	<u>0.0%</u>
<b>Total liabilities and net position</b>	<u>\$ 5.5</u>	<u>\$ 5.5</u>	<u>\$ -</u>	<u>0.0%</u>

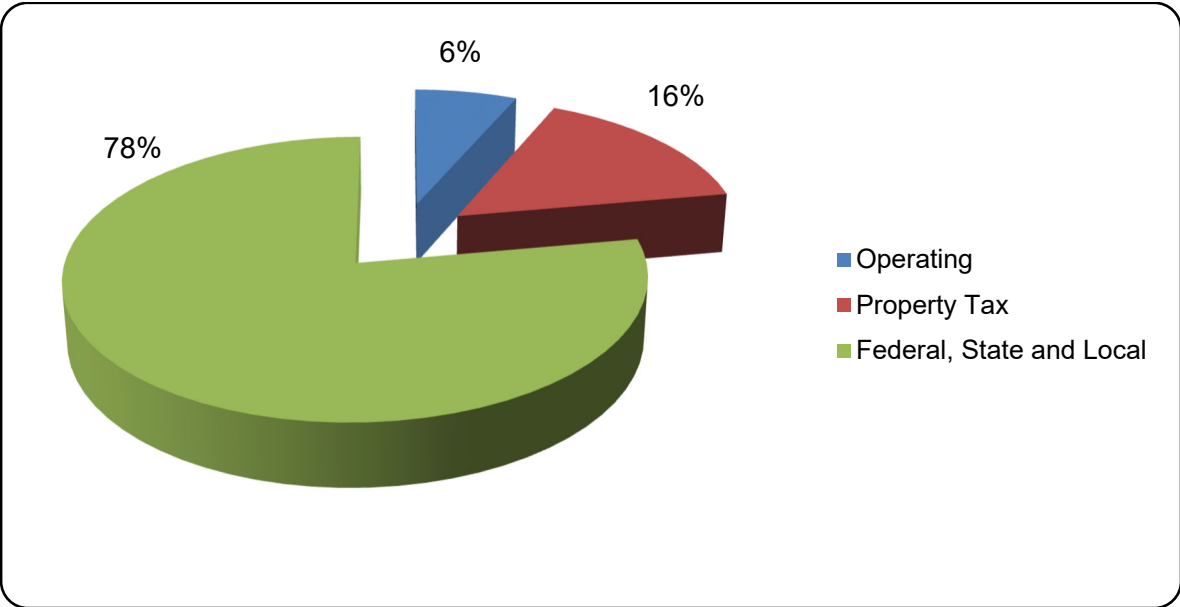
**Changes in Net Position:** For 2020 and 2019, revenue from GPTC activities was \$7.6 and \$7.0 million, respectively, with related 2020 and 2019 expenses of \$7.6 million and \$6.8 million. The increase in non-operating revenue was due to the increase in federal grant activity offsetting a decrease in operating revenues due to lower ridership during the pandemic. The increase in expenses was primarily due to transportation and general and administrative expenses.

<b>Table 2: Condensed Statement of Revenue, Expenses and Changes in Net Position</b>				
(in millions)				
	<b>2020</b>	<b>2019</b>	<b>Variance</b>	<b>% Variance</b>
<b>Revenues</b>				
Operating revenues	\$ 0.5	\$ 0.8	\$ (0.3)	-37.5%
Non-operating revenues	7.1	6.2	0.9	14.5%
<b>Total revenues</b>	<u>7.6</u>	<u>7.0</u>	<u>0.6</u>	<u>8.6%</u>
<b>Expenses</b>				
Operating expenses	7.6	6.8	0.8	11.8%
<b>Total expenses</b>	<u>7.6</u>	<u>6.8</u>	<u>0.8</u>	<u>11.8%</u>
<b>Change in net position</b>	<u>\$ -</u>	<u>\$ 0.2</u>	<u>\$ (0.2)</u>	<u>100.0%</u>

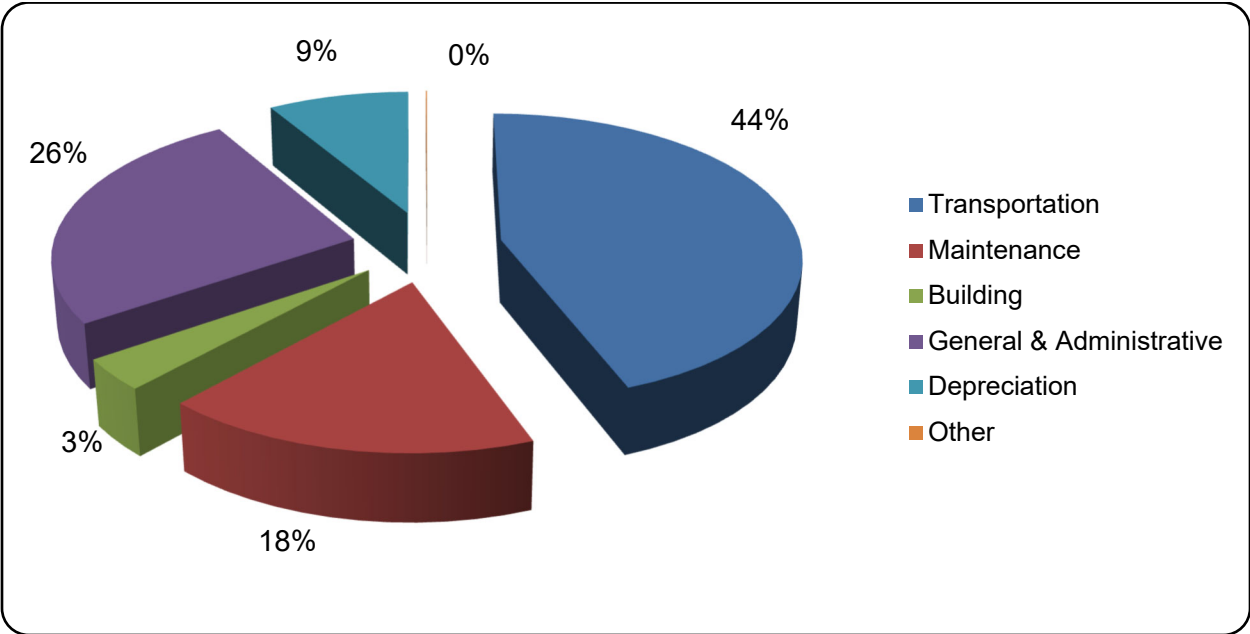
(Continued)

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

**2020 Revenues by Source:** The following represents the primary funding sources for the Corporation (both operating and non-operating) for the year:



**2020 Expenses by Function:** The following represents a breakdown of total expenses (both operating and non-operating) for the year:



(Continued)

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

**Capital Asset and Debt Administration**

**Capital assets**

At the end of 2020 and 2019, the Corporation had invested \$2.5 million and \$3.0 million, respectively, net of accumulated depreciation. The total depreciation expense for 2019 and 2018 was \$0.7 million and \$0.7 million, respectively. Refer to the financial statement Note 3 for further information on capital assets.

<b>Table 3: Capital Assets (in millions)</b>				
	<u>2020</u>	<u>2019</u>	<u>Variance</u>	<u>% Variance</u>
<b>Capital Assets</b>				
Land	\$ 0.6	\$ 0.6	\$ -	0.0%
Building and improvements	14.7	14.7	-	0.0%
Revenue vehicles and equipment	11.9	11.9	-	0.0%
Service Vehicles and equipment	2.5	2.5	-	0.0%
Office furniture and equipment	1.7	1.6	0.1	6.2%
Software	0.2	0.2	-	0.0%
<b>Total assets</b>	<u>\$ 31.6</u>	<u>\$ 31.5</u>	<u>\$ 0.1</u>	<u>0.3%</u>
Accumulated Depreciation	<u>29.1</u>	<u>28.5</u>	<u>0.6</u>	<u>2.1%</u>
<b>Capital Assets, net</b>	<u><u>\$ 2.5</u></u>	<u><u>\$ 3.0</u></u>	<u><u>\$ (0.5)</u></u>	<u><u>-16.7%</u></u>

**Short-term Debt**

The Corporation also issues tax warrants on an annual basis to manage its cash flow requirements in anticipation of receiving tax revenues for the operating funds.

In January 2019, the Corporation received tax warrants in the amount of \$541,438 which was payable from the operating fund. The warrants were issued at a 2.91% interest rate and were repaid in December 2019 using property tax revenue and state operating assistance received during the year.

In January 2020, the Corporation received tax warrants in the amount of \$468,346 which was payable from the operating fund. The warrants were issued at a 2.91% interest rate and were repaid in December 2020 using property tax revenue and state operating assistance received during the year.

(Continued)

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

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**Factors Bearing on the Corporation's Future**

The most significant continuing financial challenges have been the complexity of maintaining operating revenue from local and state sources. The difficulty is due to lower than anticipated collection rates in property taxes of property owners, which has been affected by increased assessed valuations.

In addition to a full complement of federally funded capital equipment and infrastructure projects for Federal Fiscal Year 2020, GPTC is expected to receive grant revenue from the Congestion Mitigation and Air Quality (CMAQ) Improvement program in the following amounts for operating and capital expenses related to the Broadway corridor at a compensation rate of 80%:

FFY2020	\$446,036
FFY2021	\$446,036
FFY2022	\$446,036
FFY2023	\$446,036
FFY2024	\$446,036

CMAQ project funds will be used for operating assistance and rolling stock acquisition. GPTC's Broadway Rapid CMAQ operating grant is expected to begin in FFY2018 and expire in FFY2024. GPTC receives operating revenue of slightly over \$700,000 per year for general operating expenses and another \$700,000 per year for job access activities. GPTC will also supplement its Section 5307 capital program with Section 5339 funds for capital improvements, including \$230,000 related to the construction of a Bus Operator Relief Facility.

CMAQ project funds will also be used for Year 4 of the Lake Ridge Project. The period of performance for this round of funding is FFY2022 to FFY 2024.

FFY2022	\$140,625
FFY2023	\$140,625
FFY2024	\$140,625

On June 1, 2020, in response to the COVID-19 pandemic, GPTC received \$7,541,821 in FTA CARES Act funding at a compensation rate of 100%. The revenue will be used as follows:

Operating Assistance:	\$3,770,911
Preventive Maintenance	\$3,770,910

The Corporation utilized \$3,135,789 of the approximately \$7.5 million award in 2020 to assist with funding operations. The remaining award will be utilized in 2021 and beyond.

**Requests for Information**

This financial report is designed to provide the Corporation's citizens, taxpayers, and creditors with a general overview of the Corporation's finances and to demonstrate the Corporation's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the Finance Office at Gary Public Transportation Corporation, 100 West 4<sup>th</sup> Avenue, Third Floor, Gary, IN, 46402, (219) 885-7555.

GARY PUBLIC TRANSPORTATION CORPORATION  
STATEMENT OF NET POSITION  
Year ended December 31, 2020

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	<u>2020</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents (Note 2)	\$ 1,655,125
Federal and state grants receivable	965,895
Accounts receivable	38,542
Materials and supplies Inventory	215,897
Prepaid expenses	<u>86,678</u>
Total current assets	2,962,137
Capital assets: (Note 3)	
Capital assets not being depreciated:	
Land	<u>631,331</u>
Total capital assets not being depreciated	631,331
Depreciable capital assets:	
Building and improvements	14,669,931
Revenue vehicles and equipment	11,896,293
Service vehicles and equipment	2,549,199
Office furniture and equipment	1,665,821
Software	186,674
Less: Accumulated depreciation	<u>(29,122,879)</u>
Total depreciable capital assets, net	<u>1,845,039</u>
Total capital assets, net	<u>2,476,370</u>
Total assets	<u>\$ 5,438,507</u>
<b>LIABILITIES</b>	
Liabilities:	
Accounts and other payables	<u>\$ 241,840</u>
Net position	
Net investment in capital assets	2,476,370
Unrestricted net position	<u>2,720,297</u>
Total net position	<u>5,196,667</u>
Total liabilities and net position	<u>\$ 5,438,507</u>

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See accompanying notes to financial statements.

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

	<u>2020</u>
<b>Operating revenues</b>	
Passenger	\$ 423,295
Advertising	131,496
Total operating revenues	<u>554,791</u>
<b>Operating expenses</b>	
Transportation	3,365,786
Maintenance	1,344,115
Building	270,269
General and administrative	1,996,813
Depreciation and amortization	651,563
Total operating expenses	<u>7,628,546</u>
<b>Operating loss</b>	(7,073,755)
Nonoperating revenues (expenses)	
FTA federal grants	4,571,254
State operating assistance	903,407
Property tax	1,189,311
Local operating tax	89,920
Interest expense	(5,152)
Other income	308,825
Total nonoperating revenues (expenses)	<u>7,057,565</u>
<b>Net change before capital contributions</b>	(16,190)
Capital contributions	<u>-</u>
<b>Change in net position</b>	(16,190)
Total net position, beginning of year	<u>5,212,857</u>
<b>Total net position, end of year</b>	<u><u>\$ 5,196,667</u></u>

See accompanying notes to financial statements.

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

	<u>2020</u>
<b>Cash flows from operating activities</b>	
Cash received from fares	\$ 416,122
Payments to employees	(4,881,826)
Payments to suppliers and vendors	(1,910,257)
Net cash from operating activities	<u>(6,375,961)</u>
<b>Cash flows from noncapital financing activities</b>	
Repayment of tax anticipation warrants	(468,346)
Proceeds from tax anticipation warrants	468,346
Interest paid on tax anticipation warrants	(5,152)
Receipts of local government assessments and taxes	2,182,638
Other income	308,825
Receipts of federal and state government grants and reimbursements	4,077,547
Net cash from noncapital financing activities	<u>6,563,858</u>
<b>Cash flows from capital and related financing activities</b>	
Purchase of capital assets	(31,988)
Net cash from capital and related financing activities	<u>(31,988)</u>
<b>Net change in cash and cash equivalents</b>	155,909
Cash and cash equivalents, beginning of year	<u>1,499,216</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 1,655,125</u>
<b>Reconciliation of operating income to net cash from operating activities</b>	
Operating loss	\$ (7,073,755)
Adjustments to reconcile operating loss to net cash from operating activities	
Depreciation and amortization	651,563
(Increase) decrease due to changes in:	
Accounts receivable	(7,174)
Materials and supplies inventory	111,701
Prepaid expense	9,031
Accounts payable	98,795
Accrued payroll liabilities	(166,122)
<b>Net cash from operating activities</b>	<u>\$ (6,375,961)</u>
<b>Supplemental disclosure of cash flow information</b>	
Cash paid during the year for interest	\$ 5,152

See accompanying notes to financial statements.

GARY PUBLIC TRANSPORTATION CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Business: Gary Public Transportation Corporation ("GPTC" or the "Corporation") is a municipal corporation formed in 1975 under the provisions of IC 19-5-2-10. GPTC was formed for the purpose of providing and maintaining continuing public transportation through a publicly owned urban mass transportation system. GPTC's mission is to become an efficient transit system capable of meeting the employment, social and medical needs of the citizens of Gary, Indiana as well as Northwest Indiana, while stimulating economic development within the City of Gary.

Reporting Entity: The accompanying financial statements comply with the provisions of the Governmental Accounting Standards Board (GASB). GASB Statement No. 61 requires that financial statements of the reporting entity include all of the 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.

Budgetary Information: Annual budgets are adopted on the cash basis of accounting, which is not consistent with U.S. GAAP. All annual appropriations lapse at calendar year end. Prior to the first required publication, the Controller of the Corporation submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised, and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution, approves the budget for the next year. Copies of the budget resolution and the advertisements for funds for which property taxes are levied are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the Controller receives approval of the Indiana Department of Local Government Finance. The Corporation's management cannot transfer budgeted appropriations between classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund.

Basis of Accounting and Accounting Presentation: This summary of significant accounting policies is presented to assist in understanding GPTC's financial statements. The financial statements and accompanying notes are representations of GPTC's management who is responsible for their integrity and objectivity.

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Proprietary Fund Type: GPTC 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. GPTC's activities are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, net position, revenues, and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

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(Continued)

GARY PUBLIC TRANSPORTATION CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Use of Estimates in Preparation of Financial Statements: 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Operating and Non-operating Revenues and Expenses: The principal operating revenue of GPTC is passenger fares. GPTC also recognized as operating revenue the fees collected from advertisements of GPTC's property and miscellaneous operating revenues.

Operating expenses for GPTC include the costs of operating the transit system, administrative expenses, and depreciation on capital assets.

Non-operating revenues primarily include grants and tax revenue from federal, state, and local governments. On an accrual basis, revenue from grants is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements may include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, and expenditure requirements, in which the resources are provided to the GPTC on a reimbursement basis.

It is GPTC's policy to apply restricted resources first when an expense is incurred for which both with restricted and unrestricted net position are available.

Property Taxes: Property tax revenues are recognized in the year in which they are levied. Property taxes levied are collected by the County Treasurer and are distributed to the Corporation. The Corporation collects taxes after the due dates, usually within 45-90 days. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates are based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxes levied in one year become due and payable in two installments the following year. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively.

Fare Box and Passenger Revenues: Revenues are recognized at the time services are performed.

Capital and Operating Grants: Certain expenditures for capital acquisitions, improvements and development of an urban mass transportation system have received significant federal funding through the Federal Transit Administration (FTA). The balance of such expenditures is funded through state and local sources. Funds provided by governmental authorities for capital and operating assistance are recognized when earned.

Cash and Cash Equivalents: Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with maturities when purchased of three months or less. Restricted cash had represented funds remaining from insurance proceeds received during the previous years from the disposition of an FTA funded service vehicle. These funds were utilized for the restricted purpose during the year. No restricted cash balance remains at year end.

Grants and Accounts Receivable: No allowance for bad debts has been established because management considers all material receivables to be collectible.

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(Continued)

GARY PUBLIC TRANSPORTATION CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

Capital Assets: Capital assets are stated at cost and are defined as assets which (1) have a useful life of more than one year and a unit cost of more than \$5,000 (2) have a unit cost of \$5,000 or less, but which are part of a network or system conversion or (3) have a unit cost of \$1,000 and were purchased with grant money. The cost of maintenance and repairs is charged to operations as incurred. Depreciation is calculated under the straight-line method at amounts based on the respective estimated useful lives of major asset classifications, as follows:

Buildings and improvements	20 years
Revenue vehicles and equipment	7 - 12 years
Service vehicles and equipment	7 - 10 years
Office furniture and equipment	5 - 10 years
Software	5 years

Compensated Absences: Substantially all employees receive compensation for vacations, holidays, illness, and certain other qualifying absences. The number of days compensated for the various categories of absence is based generally on length of service and are earned the year before they can be used. Unused vacation hours do not carry over unless specifically approved, but payments for unused vacation are due at the end of the vacation year for administrative staff. At December 31, 2020, the amount accruable for administrative staff was not deemed to be individually material and is included in accrued payroll liabilities.

Self-Insurance: The Corporation has a self-funded workmen compensation insurance, dental and vision plan. As of December 31, 2020, there were no material accrued amounts for workers' compensation, dental or vision pending claims.

Net Position: The three components of net position include:

*Net Investment in Capital Assets* - This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted for capital projects* - This consists of assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. There were no restricted funds for capital projects at year end.

*Unrestricted* - This consists of assets that do not meet the definition of "restricted" or "Net investment in capital assets."

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 affected by reduced passenger traffic and fares. Management continues to follow a conservative budget strategy regarding use of resources and continues to pursue additional federal, state and local funding and grants which represents over 90% of overall revenue. An example is the CARES Act COVID relief funding from the Federal Transportation Administration. The Corporation utilized \$3,135,789 of the approximately \$7,500,000 grant award in 2020 to assist with funding operations. The remaining balance is available to support operations in 2021. The Corporation has a balanced budget with known dedicated funding of approximately \$10.2 million for 2021 and has a balanced budget approved for 2022.

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(Continued)

GARY PUBLIC TRANSPORTATION CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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*, was adopted with no impact.
- 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: Management has performed an analysis of the activities and transactions subsequent to December 31, 2020, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2020.

**NOTE 2 - CASH AND CASH EQUIVALENTS**

The Corporation maintains cash deposits with area financial institutions. A summary of these deposits at December 31, 2020 is as follows:

	<u>Carrying Value</u>	<u>Bank Balance</u>
Cash deposits:		
Insured by FDIC	\$ 750,000	\$ 750,000
Insured by Indiana Public Deposits Insurance Fund	<u>905,125</u>	<u>951,062</u>
	<u>\$ 1,655,125</u>	<u>\$ 1,701,062</u>

The Public Deposit Insurance Fund (PDIF) was created by the Acts of 1937 to protect the public funds of the state and its political subdivisions deposited in approved financial institutions. The PDIF insures those public funds deposited in approved financial institutions which exceed the limits of coverage provided by any federal deposit insurance. GPTC has funds deposited in PDIF approved financial institutions.

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(Continued)

GARY PUBLIC TRANSPORTATION CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020

**NOTE 3 - CAPITAL ASSETS, NET**

A summary of changes in capital assets is as follows:

	<u>1/1/2020</u>	<u>Additions</u>	<u>Transfers</u>	<u>Reductions</u>	<u>12/31/2020</u>
Capital assets not being depreciated:					
Land	\$ 631,331	-	-	-	\$ 631,331
Total capital assets not being depreciated	631,331	-	-	-	631,331
Capital assets being depreciated:					
Buildings and improvements	14,669,931	-	-	-	14,669,931
Revenue vehicles and equipment	11,896,293	-	-	-	11,896,293
Service vehicles and equipment	2,549,199	-	-	-	2,549,199
Office furniture and equipment	1,633,833	31,988	-	-	1,665,821
Software	186,674	-	-	-	186,674
Total capital assets being depreciated	30,935,930	31,988	-	-	30,967,918
Less accumulated depreciation:					
Buildings and improvements	(14,211,731)	(62,746)	-	-	(14,274,477)
Revenue vehicles and equipment	(10,316,049)	(433,410)	-	-	(10,749,459)
Service vehicles and equipment	(2,383,762)	(65,052)	-	-	(2,448,814)
Office furniture and equipment	(1,449,804)	(44,476)	-	-	(1,494,280)
Software	(109,970)	(45,879)	-	-	(155,849)
Total accumulated depreciation	(28,471,317)	(651,563)	-	-	(29,122,879)
Total capital assets being depreciated, net	2,464,613	(619,575)	-	-	1,845,039
Total capital assets, net	<u>\$ 3,095,944</u>	<u>\$ (619,575)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,476,370</u>

**NOTE 4 - DEFINED CONTRIBUTION PENSION PLAN**

The Corporation sponsors a defined contribution pension plan, covering all eligible salaried and hourly employees, known as the Gary Public Transportation Corporation Employee's Pension Plan and Trust. Latitude is the third-party administrator (the Plan Administrator) and Capital Bank and Trust is the custodian of the plan assets. The plan is part of an agreement with Division 517 of the Amalgamated Transit Union and the plan may be amended by mutual agreement of the parties, subject to approval by the Corporation. Under the terms of the plan, the Corporation is required to make monthly contributions, which vary depending on the length of service of employees as follows:

<u>Years of Service</u>	<u>Monthly Contribution</u>
Less than 10	\$ 30
10 - 15	40
15 - 19	45
20 - 24	50
25 or more	60

(Continued)

GARY PUBLIC TRANSPORTATION CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020

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**NOTE 4 - DEFINED CONTRIBUTION PENSION PLAN** (Continued)

Employees become vested after five years of continuous service with GPTC. Additionally, the Corporation contributes fifteen cents per payroll hour for full time employees with at least ten years of vested service. The Corporation's employer contributions were approximately \$32,700 for the year ended December 31, 2020, and employee contributions were approximately \$25,700.

The plan administrator invests the plan's assets in several types of mutual funds. At December 31, 2020, the investments of the plan, at fair value, amounted to approximately \$1,833,000. These assets are excluded from these financial statements. The plan is not audited.

**NOTE 5 - TEMPORARY LOAN TAX ANTICIPATION WARRANTS**

In January 2020, the Corporation received \$468,346 of funding under a Temporary Tax Anticipation Warrant program with the Indiana Bond Bank. The warrant has an interest rate of 1.65% and final payment was made by December 31, 2020. During the year ended December 31, 2020, the following changes occurred in temporary loan tax anticipation warrants:

	<u>1/1/2020</u>	<u>Additions</u>	<u>Payments</u>	<u>12/31/2020</u>
Tax Anticipation Warrants	\$ -	\$ 468,346	\$ (468,346)	\$ -

**NOTE 6 - FEDERAL, STATE AND LOCAL NON-OPERATING ASSISTANCE**

Reduced fare revenue subsidies received from the State of Indiana were \$903,407 for the year ended December 31, 2020 were used for discounted services provided to the elderly, disabled, or student riders.

GPTC receives federal funds from the Department of Transportation (via FTA) under the Urbanized Area Formula grant. The grant is cost reimbursement based on projects and budgets preapproved. Once funds have been spent on preapproved projects, GPTC requests reimbursement. The FTA reimburses GPTC its proportionate share of the monies spent while GPTC is responsible for a local match.

Property tax revenue for 2020 was from a Lake County property tax levy with distributions to GPTC of \$1,189,311 for operating assistance.

**NOTE 7 - OPERATING LEASES**

The Corporation leases tires and related services for its fleet of buses through Bridgestone. Amounts due on the lease are determined on an annual basis relative to actual usage. The agreement expires April 30, 2022 with a one-year option to renew. Expenses related to this lease were approximately \$36,496 in 2020.

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(Continued)

**NOTE 8 - RISK MANAGEMENT – CONTINGENCIES AND COMMITMENTS**

Contingencies: Various claims and lawsuits arising from the normal course of business are pending against GPTC. The nature of GPTC's operations sometimes subjects the Corporation to litigation. General Counsel for GPTC is of the opinion that ultimate settlement of such claims in excess of insurance coverage will not result in a material adverse effect on GPTC's financial statements as of December 31, 2020. The Corporation did not have settlements in excess of insurance coverage during the current or preceding years ending December 31, 2020, 2019, or 2018. No liability is recorded as of December 31, 2020.

GPTC maintains coverage for general liability, property and casualty, employee accidents, environmental, business interruption, terrorism, and automotive liability losses arising from automotive liability, property, property-related business interruption, terrorism, employment-related suits, including discrimination and sexual harassment, and management liability of board members, directors, and officers of GPTC.

Also included are risks of loss associated with providing insured and self-insured health, dental, and life insurance benefits to employees and retirees. Premiums have been recorded as expenses in the appropriate funds. GPTC provides health insurance benefits to employees through two fully insured health maintenance organizations PPO plan. GPTC provides dental insurance benefits through two fully insured dental maintenance organizations and a self-insured dental indemnity plan. GPTC does not purchase stop-loss insurance for its self-insured comprehensive indemnity/PPO plan. No material liabilities associated with the dental indemnity plan exist at December 31, 2020. Lastly, GPTC covers the cost of employee life insurance policies for both active and retired employees. Life insurance coverage limits are \$15,000 for active union employees and \$7,000 for retired employees, and GPTC is obligated to cover the cost of the associated premiums. For active nonunion employees, the coverage limit is based on salary.

Commitments: GPTC has reported that the Corporation has no material contractual commitments to fulfill as of December 31, 2020.

**NOTE 9 - OTHER MATTERS**

GPTC uses office space owned by the City of Gary. The use of the space is part of an operating agreement in exchange for GPTC services that includes collecting parking lot revenue and rent payments from the lessees at the Metro Center and making payments based on revenue collections to the various Metro Center vendors for utilities, security, janitorial and maintenance, and other related expenses. Any expense amounts in excess of the revenue collected from the Metro Center vendors are the responsibility of the City of Gary.

**SUPPLEMENTARY INFORMATION**

GARY 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>
<b>Department of Transportation</b>			
<b>Federal Transportation Administration</b>			
Direct:			
Federal Transit Cluster:			
Federal Transit Formula Grants	20.507	IN-90-X511	\$ 18,477
Federal Transit Formula Grants	20.507	IN-90-X585	449,336
Federal Transit Formula Grants	20.507	IN-90-X652	302,879
Federal Transit Formula Grants	20.507	IN-95-X016	107,842
Federal Transit Formula Grants	20.507	IN-2016-036	283,181
Federal Transit Formula Grants	20.507	IN-2019-028	273,750
COVID-19 - Federal Transit Formula Grants	20.507	IN-2020-015	<u>3,135,789</u>
Total Federal Transit Cluster			<u>4,571,254</u>
Total Expenditures of Federal Awards			<u>\$ 4,571,254</u>

Notes to the SEFA

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 statement of net position, statement of revenues, expenses and 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.

Other Information

The Corporation did not have any sub-recipient activity or noncash 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  
Gary Public Transportation Corporation  
Gary, 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 Gary Public Transportation Corporation ("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, and have issued our report thereon dated February 14, 2022.

### 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a material weakness.

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(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*.

## **The Corporation's Response to Finding**

The Corporation's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

## **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*  
Crowe LLP

Indianapolis, Indiana  
February 14, 2022

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

Board of Directors  
Gary Public Transportation Corporation  
Gary, Indiana

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

We have audited Gary Public Transportation Corporation's ("Corporation") 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 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 the Corporation's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 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 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 the major federal program. However, our audit does not provide a legal determination of the Corporation's compliance.

***Opinion on the Major Federal Program***

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

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(Continued)

## 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*  
Crowe LLP

Indianapolis, Indiana  
February 14, 2022

GARY PUBLIC TRANSPORTATION CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended December 31, 2020

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

Type of report the auditor issued on whether the financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Yes  No

Significant deficiencies identified?

Yes  None Reported

Noncompliance material to financial statements noted?

Yes  No

***Federal Awards***

Internal Control over major federal programs:

Material weakness(es) identified?

Yes  No

Significant deficiencies identified?

Yes  None Reported

Type of auditor's report issued on compliance for major federal program:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes  No

Identification of major programs:

CFDA Number(s) \_\_\_\_\_ Name of Federal Program or Cluster \_\_\_\_\_

20.507

Federal Transit Cluster – Formula Grants

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

Yes  No

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(Continued)

GARY PUBLIC TRANSPORTATION CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended December 31, 2020

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**SECTION II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS THAT ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**Finding 2020-001 - Controls Over Financial Reporting (Material Weakness)**

**Criteria:** Internal controls over financial reporting are a key component of an organization's control environment. Entities should have internal controls over financial reporting including policies and procedures surrounding the general journal entry process.

**Condition:** During our audit, we concluded that management did not have effective segregation of duties surrounding the manual journal entry process. In certain instances, manual entries were prepared and posted in the system by the same user.

**Context:** During the testing of manual journal entries posted during the year under audit, we noted instances where entries were prepared and posted by the same user within the system resulting in a lack of segregation of duties within the journal entry process.

**Effect:** Improper segregation of duties surrounding the journal entry process could result in authorized transactions being recorded to the financial reporting system where management would not be able to detect such activity timely.

**Cause:** Due to turnover within the accounting department during the year, there was not adequate staff resources to maintain proper segregation of duties.

**Recommendation:** We recommend, to the extent possible by the system, that the access to prepare and post journal entries be restricted so that personnel can only do one or the other, but not both. In instances where proper segregation of duties cannot be maintained, we recommend management formally document a secondary approval of entries posted by someone other than the preparer.

**Views of responsible officials and planned corrective actions:** Management agrees with the finding and has prepared a corrective action plan.

**SECTION III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS INCLUDING AUDIT FINDINGS AS DEFINED IN ACCORDANCE WITH 2 CFR 200.516(a)**

None noted.



Administration Facility  
100 West 4<sup>th</sup> Avenue  
(219) 885-7555

Transportation/Maintenance  
2101 West 35<sup>th</sup> Avenue  
(219) 884-6100

**Finding 2020-001 - Controls Over Financial Reporting:**

Internal controls over financial reporting are a key component of an organization's control environment. Entities should have internal controls over financial reporting including policies and procedures surrounding the general journal entry process. During our audit, we concluded that management did not have effective segregation of duties surrounding the manual journal entry process. In certain instances, manual entries were prepared and posted in the system by the same user. During the testing of manual journal entries posted during the year under audit, we noted instances where entries were prepared and posted by the same user within the system resulting in a lack of segregation of duties within the journal entry process. Improper segregation of duties surrounding the journal entry process could result in authorized transactions being recorded to the financial reporting system where management would not be able to detect such activity timely.

**Views of Responsible Officials and Planned Corrective Actions:**

Whereas, staffing was a contributor to the above finding; management believes that the appropriate segregation of duties could occur through the following procedures, training other Finance team members to create and enter journal entries and require another team member to review and posts journal entries. This would stringently reduce the possibilities of improper segregation of duties and the risks of unwanted or unsubstantiated activity being posted without detection in a timely fashion. The finance director has begun working with the software vendor to utilize security mechanisms within the financial package to limit self-posting of created journal entries. The Finance team has been apprised of the finding; and staff is being trained how to create and enter journal entries into the general ledger. After entering a journal entry, staff must inform either the accountant or finance director of the entry for review and posting. This should be done whether or not the software issues a notification to the accountant or finance director. By informing the accountant and/or finance director, this prevents a 'hanging' or unposted entry which could get reposted in error. The accountant and finance director shall review and post each other's created and entered journal entries. Like above, they must inform the other of the impending entry for review and posting. Furthermore, workflow models (SOP's) of Finance team members' responsibilities shall be developed to assist in monitoring the timing of cash receipts postings, expense postings and other journal entries so that they are posted in a timely fashion after review.

Due to the COVID-19 pandemic, the 2020 audit was delayed. We received our draft report on December 21, 2021. GPTC will begin closing its financial records on a monthly basis, per the software vendor's recommendation. These procedures will allow

management to see discrepancies and reported information on a regular basis. As a result of this timing, our plan is to have these necessary corrections into place by Tuesday, February 1, 2022. Per this audit, there were no other material weaknesses to be addressed and/or discussed.

**Contact Information:**

For more information, questions, and/or concerns, please contact Freddy McMillon, Director of Finance at Gary Public Transportation Corporation at (219)885-7555, ext. 201.

## **SCHEDULE OF PRIOR YEAR FINDINGS**

### **Finding 2019-001 – Controls over Financial Reporting**

**Condition:** During our audit, we concluded that management did not have effective internal controls over financial reporting. There were not adequate controls and business processes in place to prepare financial statements on an accrual basis of accounting in accordance with generally accepted accounting principles (GAAP) without material audit adjustments.

**Recommendation:** We recommend that management implement a period end closing checklist and prepare GAAP financial statements periodically and reinforce the use of standard protocol for periodic general ledger closing, account reconciliation process, monthly journal entries, in order to prepare accurate and timely internal financial statements and ensure timely backups are performed

**Status:** Partially resolved. See Finding 2020-001.