



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

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

June 29, 2022

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

We have reviewed the audit report of the South Bend Public Transportation Corporation (Corporation) which was opined upon by Crowe LLP, Independent Public Accountants, for the period January 1, 2021 to December 31, 2021. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of South Bend Public Transportation Corporation as of December 31, 2021, 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 in the report on page 39. Please see the Schedule of Findings and Questioned Costs for complete details related to the finding.

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 cursive script that reads "Tammy R. White".

Tammy R. White, CPA  
Deputy State Examiner

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

**FINANCIAL STATEMENTS**  
December 31, 2021

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
South Bend, Indiana

FINANCIAL STATEMENTS  
December 31, 2021

CONTENTS

INDEPENDENT AUDITOR'S REPORT .....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS .....	4
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION .....	9
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION.....	10
STATEMENT OF CASH FLOWS .....	11
STATEMENT OF FIDUCIARY NET POSITION .....	12
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION.....	13
NOTES TO FINANCIAL STATEMENTS .....	14
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF CHANGES IN THE CORPORATION'S NET PENSION LIABILITY AND RELATED RATIOS.....	27
SCHEDULE OF THE CORPORATION'S CONTRIBUTIONS.....	28
SUPPLEMENTARY INFORMATION	
INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION.....	29
SCHEDULE OF OPERATING REVENUES, EXPENSES, AND NONOPERATING REVENUES .....	30
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS .....	31
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	32
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 <i>GOVERNMENT AUDITING STANDARDS</i> .....	33
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROLS OVER COMPLIANCE .....	35
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	38

## INDEPENDENT AUDITOR'S REPORT

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

**Report on Financial Statements*****Opinion***

We have audited the financial statements of the business-type activities and fiduciary activities of the South Bend Public Transportation Corporation (the Corporation), a component unit of the City of South Bend, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the Corporation as of December 31, 2021, and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the South Bend Public Transportation Corporation Pension Trust, which is a fiduciary activity of the Corporation. Those statements were audited by other auditors whose reports has been furnished to us, and our opinion, insofar as it relates to the amounts included for fiduciary activities, is based solely on the report of the other auditors.

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The financial statements of the fiduciary fund were not audited in accordance with *Government Auditing Standards*.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

---

(Continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 8, the Schedule of Changes in the Corporation's Net Pension Liability and Related Ratios on page 27, and the Schedule of the Corporation's Contributions on page 28, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

---

(Continued)

### **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 schedule of expenditures of federal awards as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements or Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 June 24, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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

South Bend, Indiana  
June 24, 2022

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year ended December 31, 2021

---

As management of the South Bend Public Transportation Corporation (the "Corporation"), we offer the following discussion and analysis as insight into the financial performance of the Corporation for the fiscal year ended December 31, 2021. The Corporation's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Corporation's financial activity, and (c) identify changes in the Corporation's financial position (its ability to address the next and subsequent year challenges).

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

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

With a fleet of fifty (50) buses and a work force of one hundred twelve (112) employees, the Corporation operates an extensive system of bus routes that serve the cities of South Bend and Mishawaka six days a week. The Corporation services approximately 68 square miles with a population of more than 155,000.

In addition to an extensive fixed route system, the Corporation offers paratransit (Access) services for eligible riders who, because of a disability, may require an alternative to the regular fixed route service. The Access service consists of nineteen (19) vehicles providing curb to curb service six days a week. The Corporation actively participates in Transit Watch and Safe Place programs dedicated to providing safety and information to those in need.

## **FINANCIAL HIGHLIGHTS**

- Corporation's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at December 31, 2021 by \$34.2 million (net position).
- Fare revenues for 2021 increased by 18% over that of the prior year.
- FTA and local capital contributions for 2021 increased 5.3 million from the prior year.
- Operating expenses before depreciation increased by 2% from the prior year.
- Net position increased approximately \$5.0 million, or 17%.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

---

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year ended December 31, 2021

---

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

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

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

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

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

---

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year ended December 31, 2021

**FINANCIAL ANALYSIS**

**Net position.** Net position may serve, over time, as a useful indicator of a corporation's financial position. At December 31, 2021, the Corporation's total assets increased by \$4,545,274 to \$39,286,916 or approximately 13% from the prior year, primarily due to current year additions out pacing depreciation expense. Total liabilities amounted to \$538,622. This represents a decrease of \$646,211 or approximately 55% from the prior year. The decrease is mainly attributed to a decrease in net pension liability (asset) of \$802,710 due to positive investment returns on plan assets in 2021 and the repayment of outstanding notes payable of \$386,243 at December 31, 2020 was repaid in 2021. A change to the recording of property tax receivables increased the deferred inflows of resources in the current year and prior year by approximately \$3.2 million. Consequently, net position changed to \$34,229,852. This represents an increase of \$5,037,594 or approximately 17%.

**TABLE 1 - NET POSITION**

	<u>2021</u>	<u>2020</u>	Percentage Change <u>2021 vs. 2020</u>
<b>Assets:</b>			
Current assets	\$ 6,317,189	\$ 5,484,160	15 %
Noncurrent assets	1,301,835	745,205	75 %
Capital assets (net)	<u>31,667,892</u>	<u>28,512,277</u>	<u>11 %</u>
Total assets	<u>39,286,916</u>	<u>34,741,642</u>	<u>13 %</u>
<b>Deferred outflows of resources</b>	<u>386,550</u>	<u>416,492</u>	<u>(7) %</u>
<b>Liabilities:</b>			
Current liabilities	440,722	1,042,057	(58) %
Noncurrent liabilities	<u>97,900</u>	<u>142,776</u>	<u>(31) %</u>
Total liabilities	<u>538,622</u>	<u>1,184,833</u>	<u>(55) %</u>
<b>Deferred inflows of resources</b>	<u>4,904,992</u>	<u>4,781,043</u>	<u>3 %</u>
<b>Net position:</b>			
Net investment in capital assets	31,637,517	28,509,586	11 %
Unrestricted	<u>2,592,335</u>	<u>682,672</u>	<u>279 %</u>
Total net position	<u>\$ 34,229,852</u>	<u>\$ 29,192,258</u>	<u>17 %</u>

**Changes in net position.** The change in net position at December 31, 2021, was an increase of \$5,037,594. The Corporation's total operating revenues increased by \$104,537 or approximately 10%. The Corporation's total non-operating revenues increased by \$485,977 compared to the preceding fiscal year or approximately 5%. Total operating expenses increased by \$615,628 or approximately 5% which is mostly attributed to increase in labor, fringe benefits, and material and supplies expense in 2021 compared to 2020. Depreciation expense also increased by approximately \$439,000 or 18% due to new bus purchases in 2021. The changes in net position are detailed in Table 2.

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year ended December 31, 2021

**TABLE 2 - CHANGES IN NET POSITION**

	<u>2021</u>	<u>2020</u>	Percentage Change <u>2021 vs. 2020</u>
<b>Operating revenues:</b>			
Passenger fares	\$ 981,671	\$ 833,334	18 %
Advertising	134,308	183,860	(27) %
Miscellaneous	<u>37,819</u>	<u>32,067</u>	18 %
Total operating revenues	<u>1,153,798</u>	<u>1,049,261</u>	<u>10 %</u>
<b>Operating expenses:</b>			
Labor	5,785,882	5,628,932	3 %
Fringe benefits	1,861,647	2,130,046	(13) %
Services	728,421	749,685	(3) %
Materials and supplies	1,100,705	873,272	26 %
Utilities	319,768	281,396	14 %
Insurance	442,569	433,512	2 %
Dues and subscriptions	26,581	22,779	17 %
Travel and meetings	951	3,589	(74) %
Advertising and promotion	7,354	66,941	(89) %
Depreciation	2,902,755	2,463,740	18 %
Other	<u>103,093</u>	<u>10,206</u>	<u>910 %</u>
Total operating expenses	<u>13,279,726</u>	<u>12,664,098</u>	<u>5 %</u>
<b>Operating loss</b>	(12,125,928)	(11,614,837)	(4) %
<b>Net non-operating revenues:</b>			
Investment interest	2,127	7,996	(73) %
Local government assessments and taxes	4,198,981	3,979,559	6 %
Federal grants and reimbursements	5,185,990	3,303,879	57 %
State operating grants	1,760,578	2,029,842	(13) %
Other federal assistance	-	1,512,366	(100) %
Other	<u>(69,943)</u>	<u>(241,886)</u>	<u>71 %</u>
Total non-operating revenues	<u>11,077,733</u>	<u>10,591,756</u>	<u>5 %</u>
<b>Net loss before capital contributions</b>	(1,048,195)	(1,023,081)	2 %
Capital contributions	<u>6,085,789</u>	<u>829,684</u>	<u>634 %</u>
<b>Change in net position</b>	5,037,594	(193,397)	2705 %
Net position, beginning of year	<u>29,192,258</u>	<u>29,385,655</u>	<u>(1) %</u>
<b>Net position, end of year</b>	<u>\$ 34,229,852</u>	<u>\$ 29,192,258</u>	<u>17 %</u>

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year ended December 31, 2021

---

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** As of December 31, 2021, the Corporation had invested \$31,667,892 in capital assets net of accumulated depreciation. As compared to the prior year, this amount represents an increase (including additions and disposals) of \$3,155,615 or 11% (see Table 3). The most significant capital addition in 2021 was related to the purchase of vehicles. See Note 3 for further disclose on capital assets.

**TABLE 3 - CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)**

	<u>2021</u>	<u>2020</u>	Percentage Change <u>2021 vs. 2020</u>
Land	\$ 1,479,703	\$ 1,479,703	0 %
Land improvements	106,409	110,099	(3) %
Buildings and improvements	16,933,736	17,825,240	(5) %
Revenue vehicles and equipment	10,616,825	6,396,666	66 %
Other service vehicles equipment	21,499	42,418	(49) %
Shop and garage equipment	75,038	748	9932 %
Furniture and office equipment	28,023	48,245	(42) %
CNG Facility	2,325,171	2,582,273	(10) %
Construction in process	<u>81,488</u>	<u>26,885</u>	<u>203</u> %
Total capital assets, net	<u>\$ 31,667,892</u>	<u>\$ 28,512,277</u>	<u>11</u> %

**Long-term debt.** As of December 31, 2021 the Corporation paid in full the remaining \$386,243 in outstanding loan payable. The decrease in debt is attributed to additional cash being on hand used to pay down on notes payable acquired in 2019 and 2020 for working capital. See Note 4 for further information.

**CURRENTLY KNOWN FACTS**

The impact of the COVID-19 pandemic continued to impact the Corporation through 2021. The 2021 ridership was down 37% compared to pre-pandemic ridership levels. Ridership levels continue to slowly increase; however, it is unknown if pre-pandemic levels will be reached in the near future.

The Corporation is also challenged with an aging workforce, difficulties in attracting and retaining new talent and increasing operational costs.

**REQUESTS FOR INFORMATION**

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

## **FINANCIAL STATEMENTS**

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
STATEMENT OF NET POSITION  
December 31, 2021

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

**Current assets**

Cash and cash equivalents (Note 1)	\$ 1,566,000
Lease receivable - current portion (Note 2)	200,000
Grants and accounts receivable	881,493
Property tax receivable (Note 1)	3,229,878
Prepaid expense	8,147
Inventory (Note 1)	<u>431,671</u>
Total current assets	<u>6,317,189</u>

**Noncurrent assets**

Lease receivable (Note 2)	545,205
Net pension asset (Note 8)	756,630
Non-depreciable capital assets (Note 3)	1,561,191
Depreciable capital assets, net of accumulated depreciation (Note 3)	<u>30,106,701</u>
Total capital assets	<u>31,667,892</u>
Total noncurrent assets	<u>32,969,727</u>

Total assets 39,286,916

**Deferred outflows of resources**

Pension (Note 8)	<u>386,550</u>
------------------	----------------

Total assets and deferred outflows of resources \$ 39,673,466

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION**

**Current liabilities**

Accounts payable	\$ 74,906
Accrued payroll	155,578
Accrued compensated absences (Note 1)	73,834
Other current liabilities	112,005
Unearned revenue	<u>24,399</u>
Total current liabilities	<u>440,722</u>

**Noncurrent liabilities**

Accrued compensated absences (Note 1)	<u>97,900</u>
Total liabilities	<u>538,622</u>

**Deferred inflows of resources**

Property taxes (Note 1)	3,229,878
Pension (Note 8)	<u>1,675,114</u>
Total deferred inflows of resources	<u>4,904,992</u>

**Net position**

Net investment in capital assets	31,637,517
Unrestricted	<u>2,592,335</u>
Total net position	<u>34,229,852</u>

Total liabilities, deferred inflows of resources, and net position \$ 39,673,466

See accompanying notes to financial statements.

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
Year ended December 31, 2021

---

<b>Operating revenue</b>	
Passenger fares	\$ 981,671
Advertising	134,308
Miscellaneous	<u>37,819</u>
Total operating revenue	<u>1,153,798</u>
<b>Operating expenses</b>	
Labor	5,785,882
Fringe benefits	1,861,647
Services	728,421
Materials and supplies	1,100,705
Utilities	319,768
Insurance	442,569
Dues	26,581
Travel	951
Advertising	7,354
Depreciation	2,902,755
Other operating expenses	<u>103,093</u>
Total operating expenses	<u>13,279,726</u>
<b>Operating loss</b>	<u>(12,125,928)</u>
<b>Non-operating revenues (expense)</b>	
Investment interest	2,127
Interest on tax warrants	(17,641)
Local government assessments and taxes (Note 5)	4,198,981
State operating grants (Note 5)	1,760,578
Federal grants (Note 5)	5,185,990
Other assistance	(67,426)
Gain on disposal of capital assets	<u>15,124</u>
Total non-operating revenues (expense)	<u>11,077,733</u>
<b>Net loss before capital contributions</b>	(1,048,195)
Capital contributions - grants (Note 5)	<u>6,085,789</u>
<b>Change in net position</b>	5,037,594
Net position, beginning of year	<u>29,192,258</u>
<b>Net position, end of year</b>	<u>\$ 34,229,852</u>

---

See accompanying notes to financial statements.

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
STATEMENT OF CASH FLOWS  
Year ended December 31, 2021

<b>Cash flows from operating activities</b>	
Receipts from customers	\$ 988,607
Receipts from leased operations	200,224
Receipts from other operations	134,308
Payments to employees	(5,662,243)
Payments for fringe benefits	(2,606,428)
Payments for services	(1,837,686)
Payments for materials and supplies	<u>(1,015,709)</u>
Net cash used by operating activities	(9,798,927)
<b>Cash flows from noncapital financing activities</b>	
Proceeds from tax anticipation warrants	1,100,000
Repayment of tax anticipation warrants and interest	(1,113,599)
Receipts of local government assessments and taxes	4,198,981
Receipts of federal and state government grants	6,875,996
Interest payments on loans payable	(4,879)
Principal payments on loans payable	<u>(386,243)</u>
Net cash provided by noncapital financing activities	10,670,256
<b>Cash flows from capital and related financing activities</b>	
Purchases of capital assets	(6,052,862)
Capital grant receipts	<u>5,258,625</u>
Net cash provided by capital and related financing activities	(794,237)
<b>Cash flows from investing activities</b>	
Interest income	<u>2,127</u>
<b>Net change in cash and cash equivalents</b>	79,219
Cash and cash equivalents at beginning of year	<u>1,486,781</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 1,566,000</u>
<b>Reconciliation of operating loss to net cash used by operating activities</b>	
Adjustments to reconcile loss from operations to net cash used by operating activities:	\$ (12,125,928)
Depreciation	2,902,755
Change in assets and liabilities	
Accounts receivable	(30,883)
Lease receivable	200,224
Inventory	84,996
Prepaid expense	(8,147)
Deferred outflows of resources – pension	29,942
Accounts payable	(190,597)
Accrued payroll and compensated absences	737
Other liabilities	16,735
Net pension asset	(802,710)
Deferred inflows of resources – pension	<u>123,949</u>
Net cash used by operating activities	<u>\$ (9,798,927)</u>
<b>Supplemental schedule of noncash capital and related financing activity:</b>	
Capital assets in accounts payable	\$ 30,375

See accompanying notes to financial statements.

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
STATEMENT OF FIDUCIARY NET POSITION  
December 31, 2021

---

	<u>Pension Trust Fund</u>
<b>ASSETS</b>	
Investments – at fair value (Note 9)	
U.S. government and government agencies obligations	\$ 734,202
Municipal bonds	272,400
Corporate obligations	1,297,215
Preferred stock	80,460
Mutual funds – equity	8,140,806
Mutual funds – fixed income	619,766
Money market fund	<u>266,221</u>
Total investments – at fair value	<u>11,411,070</u>
Receivables	
Employer contributions	11,513
Employee contributions	21,980
Interest and dividends	<u>17,444</u>
Total receivables	<u>50,937</u>
Total assets	<u>11,462,007</u>
<b>LIABILITIES</b>	
Accounts payable	7,500
Due to broker	<u>87,306</u>
Total Liabilities	<u>94,806</u>
<b>PLAN NET POSITION HELD IN TRUST RESTRICTED FOR PENSION BENEFITS</b>	
Net position	<u>\$ 11,367,201</u>

---

See accompanying notes to financial statements.

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
Year ended December 31, 2021

---

	<u>Pension Trust Fund</u>
<b>ADDITIONS</b>	
Employer contributions	\$ 300,444
Employee contributions	157,423
Investment income:	
Net appreciation in fair value of investments	1,276,484
Interest and dividends	146,109
Less investment management fees	<u>(37,500)</u>
Net investment income	<u>1,385,093</u>
Total additions	<u>1,842,960</u>
<b>DEDUCTIONS</b>	
Benefits	607,606
Refunds of contributions	20,519
Administrative expenses	
Actuarial fees	30,050
Audit fees	<u>17,500</u>
Total deductions	<u>675,675</u>
<b>NET INCREASE</b>	<u>1,167,285</u>
<b>PLAN NET POSITION HELD IN TRUST RESTRICTED FOR PENSION BENEFITS</b>	
Beginning of year	<u>10,199,916</u>
End of year	<u>\$ 11,367,201</u>

---

See accompanying notes to financial statements.

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021

---

**NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

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

---

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021

---

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

Cash and cash equivalents: The Corporation had a \$1,706,320 bank balance deposited in local banks at December 31, 2021, which is fully insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposits Insurance Fund. For presentation in the statement of cash flows, cash and cash equivalents includes unrestricted cash deposits and other investments with original maturities of three months or less. The difference in the carrying amount of cash and the bank balance is caused by items in transit and outstanding checks at December 31, 2021.

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

Property Tax Calendar and Receivable: Property taxes for the 2021 tax levy were attached as an enforceable lien on properties as of March 1, 2021; these taxes were levied in January 2021, by passage of a tax ordinance. Tax bills were prepared by St. Joseph County and were issued in April 2021 and October 2021 and payable in May 2021 and December 2021.

Property taxes levied are collected by the St. Joseph County Treasurer and are scheduled to be distributed to the Corporation in January subsequent to year end; however, situations can arise which would delay the distributions. 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 were based upon the preceding year's lien date and assessed valuations are adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). As of December 31, 2021 the Corporation had an outstanding property tax receivable balance of \$3,229,878.

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

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

Buildings and improvements	5 - 40 years
Revenue vehicles and equipment	7 - 12 years
Service vehicles and equipment	3 - 6 years
Shop and garage equipment	3 - 10 years
Furniture and office equipment	3 - 10 years

Accrued Compensated Absences: Substantially all employees receive compensation for vacations, holidays, and certain other qualifying absences such as sick leave. Compensated absences, which have been earned but not paid as of December 31, 2021, are accrued on the statement of net position.

Unearned revenue: This amount relates to Federal Transit Administration advance payments received but not yet expended on eligible costs as of December 31, 2021.

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

---

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021

---

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

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

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

Business Disruption: In March 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak to be a global pandemic. COVID-19 has impacted economic activity and financial markets globally. The operations and business results of the Corporation, specifically passenger fares, continue to be adversely affected by the pandemic. Management continues to follow a conservative strategy regarding use of resources and continues to pursue additional grants such as the CARES Act relief funding from the Public Health and Social Services Emergency Fund which the Corporation utilized \$6,452,073 of the approximately \$8.5 million award through 2021 to assist with funding operations. The remaining award will be utilized in 2022 and beyond.

Adoption of New Accounting Pronouncements: For the year ended December 31, 2021, the Corporation adopted the following accounting pronouncements.

- GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, was adopted with no impact.
- GASB Statement No. 98, *The Annual Comprehensive Financial Report*, was adopted with no impact.

Subsequent Events: We have performed an analysis of the activities and transactions subsequent to December 31, 2021, to determine the need for any adjustments or disclosures to the audited financial statements for the year ended December 31, 2021. This analysis was performed through June 24, 2022, the date the financial statements were available to be issued.

**NOTE 2 - LEASE RECEIVABLES**

Under two of its federal capital assistance grants, the Corporation was awarded \$4,000,000 of funding during 2005 to purchase an additional parking garage in downtown South Bend. The Corporation purchased a garage from the City of South Bend (the City), a related party, that was renovated with certain modifications to accommodate the Corporation's needs. The Corporation entered into a \$4,000,000 direct financing lease with the City to lease the garage to the City for 20 years, until 2025. The City performs all management functions and pays the Corporation \$200,000 per year, with no interest and a percentage of the parking revenues over expenses. There were no additional payments for excess parking revenues to the Corporation for year ended December 31, 2021.

---

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021

**NOTE 2 - LEASE RECEIVABLES (Continued)**

At December 31, 2021, the outstanding balance of the lease receivable was \$745,205. Future minimum lease payments to be received under both leases are as follows:

2022		\$	200,000
2023			200,000
2024			200,000
2025			<u>145,205</u>
			745,205
Less: Current portion			<u>(200,000)</u>
Noncurrent position		\$	<u>545,205</u>

**NOTE 3 - CAPITAL ASSETS**

Following are the changes in capital assets for the year ended December 31, 2021:

<u>Description</u>	<u>Balance Jan. 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 31, 2021</u>
<b>Non-depreciable capital assets:</b>				
Construction in process	\$ 26,885	\$ 54,603	\$ -	\$ 81,488
Land	<u>1,479,703</u>	<u>-</u>	<u>-</u>	<u>1,479,703</u>
Total Non-depreciable capital assets	1,506,588	54,603	-	1,561,191
<b>Depreciable capital assets:</b>				
Land improvements	147,570	-	-	147,570
Buildings and improvements	31,681,363	196,999	(1,604)	31,876,758
Revenue vehicles and equipment	21,259,311	5,709,206	(1,053,854)	25,914,663
Service vehicles and equipment	381,617	-	(23,160)	358,457
Shop and garage equipment	1,556,103	92,289	(107,229)	1,541,163
Transit studies	566,611	-	-	566,611
Furniture and office equipment	1,253,423	5,273	(153,145)	1,105,551
CNG Station	<u>4,192,235</u>	<u>-</u>	<u>-</u>	<u>4,192,235</u>
Total depreciable capital assets	61,038,233	6,003,767	(1,338,992)	65,703,008
<b>Less accumulated depreciation:</b>				
Land improvements	(37,470)	(3,689)	-	(41,159)
Buildings and improvements	(13,856,356)	(1,088,502)	1,604	(14,943,254)
Revenue vehicles and equipment	(14,862,413)	(1,489,046)	1,053,854	(15,297,605)
Service vehicles and equipment	(339,199)	(20,916)	23,160	(336,955)
Shop and garage equipment	(1,555,355)	(18,001)	107,229	(1,466,127)
Transit studies	(566,611)	-	-	(566,611)
Furniture and office equipment	(1,205,178)	(25,498)	153,145	(1,077,531)
CNG Station	<u>(1,609,962)</u>	<u>(257,103)</u>	<u>-</u>	<u>(1,867,065)</u>
Total accumulated depreciation	<u>(34,032,544)</u>	<u>(2,902,755)</u>	<u>1,338,992</u>	<u>(35,596,307)</u>
Total depreciable capital assets, net of accumulated depreciation	<u>27,005,689</u>	<u>3,101,012</u>	<u>-</u>	<u>30,106,701</u>
Total capital assets	<u>\$ 28,512,277</u>	<u>\$ 3,155,615</u>	<u>\$ -</u>	<u>\$ 31,667,892</u>

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021

**NOTE 4 - LONG TERM LIABILITIES**

Long-term liability activity for the year ended December 31, 2021 is as follows:

<u>Direct Borrowing</u>	<u>Balance at January 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2021</u>	<u>Amounts Due Within One Year</u>
2019 operating note	\$ 267,413	\$ -	\$ (267,413)	\$ -	\$ -
2020 promissory note	118,830	-	(118,830)	-	-
Compensated absences	<u>267,696</u>	-	<u>(95,962)</u>	<u>171,734</u>	<u>73,834</u>
Total long-term liabilities	<u>\$ 653,939</u>	<u>\$ -</u>	<u>\$ (482,205)</u>	<u>\$ 171,734</u>	<u>\$ 73,834</u>

In February 2019, the Corporation obtained a \$750,000 operating note for working capital. The loan required monthly principal and interest payments of \$26,131 beginning in July 2019 and maturing on December 28, 2021. The note had a fixed interest rate of 3.40%. The operating note was a direct borrowing from a financial institution and included events of default which allow for an increase of the interest rate by 5% upon default including failure to pay upon final maturity. As of December 31, 2021, the Corporation paid off the remaining \$267,413 of the operating note.

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

Interest expense related to notes payable was \$4,879 for the year ended December 31, 2021.

**NOTE 5 - STATE, LOCAL AND FEDERAL ASSISTANCE**

State, local and federal assistance is as follows:

Non-operating:

Local government assessments and taxes:

Property tax appropriation	\$ 3,223,428
Other tax appropriations	<u>975,553</u>
Total	4,198,981

Federal grants and reimbursement:

Federal preventive maintenance assistance grant	1,001,966
Federal operating assistance grant – COVID-19 Relief Grant	2,016,965
Federal operating assistance grant	<u>2,167,059</u>
Total FTA grants	5,185,990

State operating assistance grant 1,760,578

Total state, local and federal assistance \$ 11,145,549

(Continued)

**NOTE 5 - STATE, LOCAL AND FEDERAL ASSISTANCE** (Continued)

The Corporation is the designated recipient of funds under the Urban Mass Transportation Act of 1964. The preventative maintenance assistance grants and federal operating assistance grants are awarded to the Corporation and funds may be earned and disbursed generally over a two-year period. The Corporation received assistance under these grants for the year ended December 31, 2021 of \$5,185,990.

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, 2021 was \$1,760,578.

Capita Contribution Revenue:

The Corporation received \$6,085,789 of capital contributions from both federal and local sources for the year ended December 31, 2021. Capital grants are earned as the Corporation expends funds in accordance with its federal and state grants. Generally, the Corporation receives an 80% federal match on all funds spent for budgeted items included in the grant agreements. During 2021, the Corporation received an \$800,000 contribution from the Indiana Department of Environmental Management (local source) for the purchase of new buses.

**NOTE 6 - CONTINGENT LIABILITIES**

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

The Corporation is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters and employee health and accident benefits. For the year ended December 31, 2021, 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 2021 and there were no settlements that exceeded insurance coverage during the previous three years for those risks that the Corporation purchased insurance. In addition, various claims and lawsuits arising from the normal course of business are pending against the Corporation. In the opinion of management, the potential loss on all claims should not have a material effect on the financial statements.

**NOTE 7 - TEMPORARY LOAN TAX ANTICIPATION WARRANTS**

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

On January 4, 2022, the Corporation issued \$1,100,000 of tax anticipation warrants to provide short-term operating cash at an interest rate of 1.04%. The warrants are due December 31, 2022 and are to be paid with property tax revenue received during the year. The tax warrants were issued to improve operating cash until the property tax revenue is received later in the year.

---

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021

---

**NOTE 8 - EMPLOYEE PENSION PLAN**

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

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

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

Benefits provided: The Plan provides retirement as well as death and disability benefits. Plan participants who retire at or after age 65 (or at age 60 with reduced benefits) are entitled to a retirement benefit payable monthly for life, in an amount based upon each year of credited service. The Plan also provides for automatic 100% vesting in the accrued benefit if the participant terminates employment with the employer as the result of a "total and permanent disability". Employees who retire at the normal retirement date (or active employees who die either before or after attaining age 55 with reduced death benefits) are entitled to death benefits payable to a designated beneficiary or spouse upon death of the retiree.

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

At January 1, 2021, the following employees were covered by the benefit terms:

Active plan members	77
Inactive plan members entitled to but not yet receiving benefits	16
Inactive plan members and beneficiaries currently receiving benefits	<u>68</u>
	<u>161</u>

Contributions: The South Bend Public Transportation Corporation and the Amalgamated Transit Union AFL-CIO Local #996 continue to operate under their collective bargaining agreement, effective November 1, 2018 through October 31, 2019. On August 17, 2020, the Corporation and the Union renewed the terms of their collective bargaining agreement, effective August 17, 2020 through August 16, 2022. The Corporation's and participant's contributions are fixed amounts payable weekly. The Corporation's weekly contribution is \$74.63 per participant. The participant's contribution increased from \$34.56 to \$39.16 per week effective August 17, 2020 through December 31, 2021. A participant is fully vested once the individual has five years or more of credited service. A participant has a nonforfeitable right to their employee contributions with accumulated interest and is at all times 100% vested in such amounts.

---

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2021

**NOTE 8 - EMPLOYEE PENSION PLAN** (Continued)

Net Pension Liability (Asset): The Corporation's net pension liability (asset) was measured as of December 31, 2021, and the total pension liability (asset) used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2021. At December 31, 2021, the Plan's fiduciary net position, or fair value of Plan assets, was \$11,367,201 compared to a total pension liability of \$10,610,571, resulting in a net pension liability (asset) of \$(756,630).

*Actuarial assumptions.* The total pension liability (asset) in the January 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Measurement date	December 31, 2021, based on valuation date of January 1, 2021
Actuarial cost method	Entry Age Method
Asset valuation method	Market value of assets
Amortization method	Open 20 years, Level dollar, and Layered
Actuarial assumptions:	
Inflation	2.30%
Salary increases	0.00%
Investment rate of return	6.50%
Retirement age	100% retirement at age 65
Mortality	PubG-2010 Healthy Mortality Table with Generational projection Per the MP-2021 scale
Cost of living adjustment	Not applicable

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflations. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2021, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Short-term investments	10.0%	(0.3)%
U.S. equity market	72.0%	1.3%
Non-U.S. equity	6.0%	5.2%
U.S. core bonds	12.0%	1.4%
Total	<u>100.0%</u>	

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

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021

**NOTE 8 - EMPLOYEE PENSION PLAN (Continued)**

Changes in net pension liability (asset):

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	<u>(a)</u>	<u>(b)</u>	<u>(a) – (b)</u>
<b>Balances at December 31, 2020</b>	\$ 10,245,996	\$ 10,199,916	\$ 46,080
<b>Changes for the year:</b>			
Service cost	211,308	-	211,308
Interest	659,632	-	659,632
Effect of plan changes	-	-	-
Effect of economic / demographic gains or losses	29,579	-	29,579
Effect of assumptions changes or inputs	92,181	-	92,181
Benefit payments	(628,125)	(628,125)	-
Contributions – employer	-	300,444	(300,444)
Contributions – employee	-	157,423	(157,423)
Net investment income	-	1,385,093	(1,385,093)
Administrative expense	-	(47,550)	47,550
<b>Net changes</b>	<u>364,575</u>	<u>1,167,285</u>	<u>(802,710)</u>
<b>Balances at December 31, 2021</b>	<u>\$ 10,610,571</u>	<u>\$ 11,367,201</u>	<u>\$ (756,630)</u>

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

	1% Decrease <u>(5.50%)</u>	Current Discount Rate (6.5%)	1% Increase <u>(7.50%)</u>
Net pension liability (asset)	\$ 368,350	\$ (756,630)	\$ (1,708,924)

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position at December 31, 2021 is below:

Assets		
Investments		\$ 11,411,070
Contributions receivable		<u>50,937</u>
		<u>11,462,007</u>
Liabilities		
Accounts payable		7,500
Due to broker		<u>87,306</u>
		<u>94,806</u>
Net position restricted for pension benefits		<u>\$ 11,367,201</u>

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2021

**NOTE 8 - EMPLOYEE PENSION PLAN (Continued)**

Pension expense and deferred outflows of resources and deferred inflows of resources related to pension:  
 For the year ended December 31, 2021, the Corporation recognized pension expense of \$348,375. At December 31, 2021, the Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 68,499	\$ 56,632
Changes of assumptions	318,051	23,491
Net difference between projected and actual earnings on pension plan investments	-	1,594,991
Total	\$ 386,550	\$ 1,675,114

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

<u>Year ended December 31:</u>	<u>Amount</u>
2022	\$ (341,655)
2023	(520,087)
2024	(301,246)
2025	(125,576)

Payable to the Pension Plan: The Corporation had \$33,493 in contributions payable from employer and employers to the plan for the year ended December 31, 2021.

**NOTE 9 - FIDUCIARY FUND**

Summary of Significant Accounting Policies

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

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

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

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2021

**NOTE 9 - FIDUCIARY FUND (Continued)**

Contributions Receivable: Contributions receivable represents amounts due from the employer and employees but not yet received by the Plan as of December 31, 2021, and as such are not allocated to an investment category until received and applied.

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

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

Investments

Pension trust fund investments consist of the following holdings as of December 31, 2021:

U.S. government and government agencies obligations	\$ 734,202
Municipal bonds	272,400
Corporate obligations	1,297,215
Preferred stock	80,460
Mutual funds – equity	8,140,806
Mutual funds – fixed income	619,766
Money market fund	<u>266,221</u>
Total investments – at fair value	<u>\$ 11,411,070</u>

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

Interest Rate Risk: Interest rate risk is the risk that the changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Plan's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The following table presents a summarization of the Plan's debt investments (weighted average maturity is as of December 31, 2021 or closest available month):

<u>Type of Investment</u>	<u>Maturity (Years)</u>	<u>2021</u>
U.S Governmental and governmental agencies obligations	1 - Over 10 years	\$ 734,202
Municipal bonds	1 - Over 10 years	272,400
Corporate and foreign government obligations	1 - Over 10 years	1,297,215
Mutual funds – fixed income	1 - Over 10 years	619,766
Money market fund	< 1 year	<u>266,221</u>
Total		<u>\$ 3,189,804</u>

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021

---

**NOTE 9 - FIDUCIARY FUND (Continued)**

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. U.S. Government obligations or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk and do not require disclosure of credit quality. The following table presents a summarization of the Plan's average credit quality ratings of debt investments as valued by Standard & Poor's, Moody's or A.M. Best at December 31, 2021 or closest available month.

<u>Type of Investment</u>	<u>Rating</u>	<u>2021</u>
U.S Governmental and governmental agencies obligations	AAA	\$ 473,124
U.S. Governmental agency obligations	Not rated	261,078
Municipal bonds	AAA	68,358
	AA+	61,913
	AA-	142,129
	AAA	182,119
Corporate bonds	AA-	100,973
	A+	264,043
	A	355,507
	A-	166,489
	BBB+	143,394
	BBB	84,690
	BBB-	271,406
Mutual funds – fixed income	A+	89,960
	A	98,574
	BBB-	271,406
Money market fund	B	159,826
	Not rated	<u>266,221</u>
Total		<u>\$ 3,189,804</u>

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

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

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

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

---

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2021

---

**NOTE 9 - FIDUCIARY FUND** (Continued)

The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Plan has the following recurring fair value measurements as of December 31, 2021:

	Fair Value Measurements as of December 31, 2021		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments at fair value level			
U.S. government and government agency obligation	\$ 85,963	\$ 648,239	\$ -
Corporate obligation	-	1,297,215	-
Municipal bonds	-	272,400	-
Preferred stock	80,460	-	-
Mutual funds – equity	8,140,806	-	-
Mutual funds – fixed income	619,766	-	-
Money market fund	<u>-</u>	<u>266,221</u>	<u>-</u>
Total investments by fair value level	<u>\$ 8,926,995</u>	<u>\$ 2,484,075</u>	<u>\$ -</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE CORPORATION'S NET PENSION  
LIABILITY AND RELATED RATIOS  
December 31, 2021

	2021	2020	2019	2018	2017	2016	2015
<b>Total pension liability</b>							
Service cost	\$ 211,308	\$ 199,342	\$ 204,283	\$ 184,035	\$ 190,177	\$ 188,699	\$ 140,374
Interest on total pension liability	659,632	613,709	610,649	595,524	589,499	572,403	539,643
Effect of plan changes	-	49,105	-	561	-	-	-
Effect of economic/demographic gains or losses	29,579	54,691	(113,266)	61,335	(68,249)	128,624	349,625
Effect of assumption changes or inputs	92,181	408,458	(38,278)	(21,761)	(14,079)	(36,407)	(5,525)
Benefit payments, including refunds of member contributions	(628,125)	(643,283)	(579,452)	(635,072)	(561,934)	(621,636)	(515,258)
Net change in total pension liability	364,575	682,022	83,936	184,622	135,414	231,683	508,859
Total pension liability—beginning	10,245,996	9,563,974	9,480,038	9,295,416	9,160,002	8,928,319	8,419,460
<b>Total pension liability—ending (a)</b>	<b>\$ 10,610,571</b>	<b>\$ 10,245,996</b>	<b>\$ 9,563,974</b>	<b>\$ 9,480,038</b>	<b>\$ 9,295,416</b>	<b>\$ 9,160,002</b>	<b>\$ 8,928,319</b>
<b>Plan fiduciary net position</b>							
Contributions—employer	\$ 300,444	\$ 292,881	\$ 306,955	\$ 240,438	\$ 201,242	\$ 199,517	\$ 202,068
Contributions—member	157,423	142,135	141,065	124,647	116,509	115,168	116,837
Net investment income	1,385,093	1,796,079	1,564,362	(341,559)	1,021,652	671,261	(142,820)
Benefit payments, including refunds of member contributions	(628,125)	(643,283)	(579,452)	(635,072)	(561,934)	(621,636)	(515,258)
Administrative expense	(47,550)	(76,810)	(86,530)	(85,720)	(82,635)	(67,163)	(67,818)
Net change in plan fiduciary net position	1,167,285	1,511,002	1,346,400	(697,266)	694,834	297,147	(406,991)
Plan fiduciary net position—beginning	10,199,916	8,688,914	7,342,514	8,039,780	7,344,946	7,047,799	7,454,790
<b>Plan fiduciary net position—ending (b)</b>	<b>\$ 11,367,201</b>	<b>\$ 10,199,916</b>	<b>\$ 8,688,914</b>	<b>\$ 7,342,514</b>	<b>\$ 8,039,780</b>	<b>\$ 7,344,946</b>	<b>\$ 7,047,799</b>
<b>Corporation's net pension liability (asset)—ending (a) – (b)</b>	<b>\$ (756,630)</b>	<b>\$ 46,080</b>	<b>\$ 875,060</b>	<b>\$ 2,137,524</b>	<b>\$ 1,255,636</b>	<b>\$ 1,815,056</b>	<b>\$ 1,880,520</b>
Plan fiduciary net position as a percentage of the total pension liability	107.13%	99.55%	90.85%	77.45%	86.49%	80.18%	78.94%
Covered payroll	\$ 4,367,777	\$ 4,617,522	\$ 4,389,892	\$ 4,259,785	\$ 3,997,402	\$ 3,902,470	\$ 3,761,624
Corporation's net pension liability (asset) as a percentage of covered payroll	-17.32%	1.00%	19.93%	50.18%	31.41%	46.51%	49.99%

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

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE CORPORATION'S CONTRIBUTIONS  
 December 31, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 185,532	\$ 258,507	\$ 354,807	\$ 281,872	\$ 311,813	\$ 327,950	\$ 231,195
Contributions in relation to the actuarially determined contribution	<u>(300,444)</u>	<u>(292,594)</u>	<u>(340,458)</u>	<u>(197,434)</u>	<u>(201,418)</u>	<u>(203,005)</u>	<u>(202,068)</u>
Contribution deficiency (excess)	<u>\$ (114,912)</u>	<u>\$ (34,087)</u>	<u>\$ 14,349</u>	<u>\$ 84,438</u>	<u>\$ 110,395</u>	<u>\$ 124,945</u>	<u>\$ 29,127</u>
Covered payroll	\$ 4,367,777	\$ 4,617,522	\$ 4,389,892	\$ 4,259,785	\$ 3,997,402	\$ 3,902,470	\$ 3,761,624
Contributions as a percentage of covered payroll	6.88%	6.34%	7.76%	4.63%	5.04%	5.20%	5.37%

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

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

*Actuarial cost method:* Entry age method

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

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

*Inflation:* 2.00%

*Salary increases:* Not applicable

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

*Retirement age:* 100% retirement at age 65

*Disability rates:* 1963 Category II

*Mortality:* 2021 – PubG-2010 Healthy Mortality Table with Generational projection per the MP-2021 scale

*Cost of living increases:* Not applicable

**SUPPLEMENTAL SCHEDULE**

**SCHEDULE OF OPERATING REVENUES, EXPENSES AND NONOPERATING ASSISTANCE**

## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

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

We have audited the financial statements of South Bend Public Transportation Corporation (the Corporation) as of and for the years ended December 31, 2021, 2020, 2019, 2018, 2017, 2016, 2015, 2014, 2013, and 2012 and our reports thereon dated June 24, 2022, July 23, 2021, July 28, 2020, August 19, 2019, August 20, 2018, August 21, 2017, August 18, 2016, July 20, 2015, July 9, 2014, and June 17, 2013, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of operating revenues, expenses, and nonoperating revenues is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Crowe LLP*  
Crowe LLP

South Bend, Indiana  
June 24, 2022

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
SCHEDULE OF OPERATING REVENUES, EXPENSES AND NONOPERATING REVENUES  
For the ten years ended December 31, 2021

<u>Year</u>	<u>Passenger Revenue</u>	<u>Other Revenue</u>	<u>Non-operating Revenue</u>	<u>Total Revenues</u>	<u>Operating Expenses Before Depreciation</u>	<u>Excess of Expenses Before Depreciation</u>	<u>Depreciation</u>	<u>Net Loss Before Capital Contributions</u>
2012	\$ 1,427,740	\$ 249,165	\$ 7,856,032	\$ 9,532,937	\$ 10,325,963	\$ (793,026)	\$ 3,268,620	\$ (4,061,646)
2013	1,432,235	266,390	7,355,105	9,053,730	9,996,139	(942,409)	2,993,727	(3,936,136)
2014	1,418,049	267,194	7,579,590	9,264,833	10,138,068	(873,235)	2,853,410	(3,726,645)
2015	1,408,767	265,714	7,593,189	9,267,670	10,438,116	(1,170,446)	2,771,647	(3,942,093)
2016	1,364,468	353,010	8,099,313	9,816,791	10,233,408	(416,617)	2,698,506	(3,115,123)
2017	1,341,274	325,439	8,251,724	9,918,437	10,357,759	(439,322)	2,447,611	(2,886,933)
2018	1,367,764	179,846	9,078,844	10,626,454	10,514,877	111,577	2,396,070	(2,284,493)
2019	1,297,248	140,142	8,707,925	10,145,315	11,284,514	(1,139,199)	2,481,849	(3,621,048)
2020	833,334	215,927	10,591,756	11,641,017	10,200,358	1,440,659	2,463,740	(1,023,081)
2021	981,671	172,127	11,077,733	12,231,531	10,376,971	1,854,560	2,902,755	(1,048,195)

The 2012 through 2014 financial information has not been adjusted for the impact of the implementation of GASB 68/71 which occurred in 2015 because information was not available to adjust expenses.

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year ended December 31, 2021

<u>Federal Grantor/ Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Award Number</u>	<u>Federal Expenditure</u>
<b>Department of Transportation</b>			
<b>Federal Transportation Administration</b>			
Direct:			
Federal Transit Cluster:			
Bus and Bus Facilities Formula, Competitive, and Low or No Emissions Program	20.526	IN-34-X008	\$ 159,796
Bus and Bus Facilities Formula, Competitive, and Low or No Emissions Program	20.526	IN-34-0046	3,067,779
Bus and Bus Facilities Formula, Competitive, and Low or No Emissions Program	20.526	IN-34-0054	70,000
Federal Transit Formula Grants	20.507	IN-90-X714	29,347
COVID-19 - Federal Transit Formula Grants	20.507	IN-90-X756	3,742,778
Federal Transit Formula Grants	20.507	IN-90-X776	1,947,166
Federal Transit Formula Grants	20.507	IN-90-X795	92,205
Federal Transit Formula Grants	20.507	IN-90-X798	<u>1,220,261</u>
Total Federal Transit Cluster			10,329,332
Transit Services Program Cluster:			
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	IN-16-0021	6,711
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	IN-16-X035	<u>63,861</u>
Total Transit Services Program Cluster			70,572
Public Transportation Innovation	20.530	IN-26-7001	<u>93,866</u>
Total Expenditures of Federal Awards			<u>\$ 10,493,770</u>

Of the federal expenditures presented in the schedule, the Corporation provided federal awards to the following subrecipients:

<u>Assistance Listing Number/Federal Program</u>	<u>Subrecipient</u>	<u>Expenditures</u>
20.513 Enhanced Mobility of Seniors and Individuals with Disabilities	Portage Manor	\$ 17,443
20.513 Enhanced Mobility of Seniors and Individuals with Disabilities	Real Services	<u>53,129</u>
Total Federal Awards Paid to Subrecipients		<u>\$ 70,572</u>

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

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year ended December 31, 2021

---

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Corporation under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Corporation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Corporation.

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

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business type activities and fiduciary activities of the South Bend Public Transportation Corporation ("Corporation"), a component unit of the city of South Bend, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated June 24, 2022. Our report includes a reference to other auditors who audited the financial statements of the South Bend Public Transportation Corporation Trust Fund, a fiduciary activity of the Corporation, as described in our report on the Corporation's financial statements. The financial statements of the fiduciary activity were not audited in accordance with *Government Auditing Standards*.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered 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 Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

---

(Continued)

## **Report on 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*.

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

*Government Auditing Standards* requires the auditor to perform limited procedures on Corporation's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The Corporation's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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

South Bend, Indiana  
June 24, 2022

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

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

**Report on Compliance for Major Federal Program**

***Opinion on Major Federal Program***

We have audited the South Bend Public Transportation Corporation's (Corporation), a component unit of the City of South Bend, compliance with the types of compliance requirements identified as subject to audit 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, 2021. 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.

In our opinion, the Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2021.

***Basis for Opinion on Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of Corporation's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Corporation's federal programs.

---

(Continued)

## **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Corporation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Corporation's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

---

(Continued)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

South Bend, Indiana  
June 24, 2022

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 Year ended December 31, 2021

---

**Section I – Summary of Auditor’s Results**  
**Financial Statements**

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

  X   Yes           No

Significant deficiencies identified not considered to be material weaknesses?

       Yes      X   None Reported

Noncompliance material to financial statements noted?

       Yes      X   No

**Federal Awards**

Internal Control over major programs:

Material weakness(es) identified?

       Yes      X   No

Significant deficiencies identified not considered to be material weaknesses?

       Yes      X   None Reported

Type of auditor’s report issued on compliance for major programs:

Unmodified

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

       Yes      X   No

Identification of major programs:

CFDA Number(s)                      Name of Federal Program or Cluster

20.507 20.526	Federal Transit Cluster: Federal Transit - Formula Grants Bus and Bus Facilities Formula, Competitive, and Low or No Emissions Program
------------------	--

Dollar threshold used to distinguish between Type A and Type B programs:    \$750,000

Auditee qualified as low-risk auditee?

       Yes      X   No

---

(Continued)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended December 31, 2021

---

**Section II – Financial Statement Findings**

**Finding 2021-001 – Controls Over Vendor Payable Payment**

**Criteria:** The severity of a deficiency, or a combination of deficiencies, in internal control depends not only on whether a misstatement has actually occurred but also on

- the magnitude of the potential misstatement resulting from the deficiency or deficiencies and
- whether there is a reasonable possibility that the entity’s controls will fail to prevent, or detect and correct, a misstatement of an account balance or disclosure. (Auditing standards AU-C 265 – A5)

Indicators of material weaknesses in internal control include identification of fraud, whether or not material (Auditing standards AU-C 265 – A11)

**Condition:** During the period under audit, it was discovered by management that the Corporation was a victim of an email vendor payment fraud scheme which resulted in an improper, fraudulent wire transfer being executed and paid.

**Cause:** The above condition appears to be a result of a lack of internal controls surrounding review and approval of wire payment transactions in addition to the circumventing of the typical vendor payable process.

**Context:** The Corporation discovered it was the victim of an email fraud scheme. The Corporation’s email was hacked by an external party allowing the external party to generate an email from the Controller’s email account to the Corporation’s Accountant on December 29, 2021, requesting urgent wire payment with a fictitious invoice in the amount of \$98,750 while the Controller was on vacation. The standard vendor payable process was circumvented, and a wire transfer was initiated by one individual who used his access to the Controller’s password needed to complete the approval of the wire/ACH transactions with the financial institution. This password was sent via email to the hacked email addresses and a wire/ACH transaction was fraudulently initiated.

**Effect:** A vendor payment was made to an unauthorized account resulting in an original loss of \$98,750. The Corporation has subsequently recovered through insurance \$98,600 in 2022.

**Recommendation:** We recommend management review internal controls surrounding the initiation and approval of wire transactions to ensure two individuals are involved in the initiation and approval process.

**Views of responsible officials and planned corrective actions:** Management agrees with the finding and has prepared a corrective action plan which includes updating internal control procedures related to wire transfers.

**Section III – Federal Award Findings and Questioned Costs**

None noted.



# transpo

south bend public  
transportation corporation

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
CORRECTIVE ACTION PLAN OF CURRENT YEAR FINDINGS  
December 31, 2021

**Finding 2021-001 – Controls Over Vendor Payable Payment**

**Condition:** During the period under audit, it was discovered by management that the Corporation was a victim of an email vendor payment fraud scheme which resulted in an improper, fraudulent wire transfer being executed and paid.

**Views of responsible officials and planned corrective action:**

A corrective action plan was put into place immediately following the fraudulent event. Cyber Security Training is required for all Transpo employees with an email account. Training is completed on a quarterly basis. In addition to the required training, phishing email simulations are sent to all employees on a regular basis. Employees failing to identify phishing tactics receive remedial training in addition to regularly scheduled training.

Additional security measures were put into place including multi-factor authentication for all Transpo email accounts.

Listed below is corrective action plan that was taken after the fraudulent event. The plan outlined below was reviewed and discussed with Transpo's Board of Directors.

**Responsible party and timeline for completion:**

Accounting Department:

A: Completed February of 2022:

The cash disbursements procedures were updated, and wire procedures wire updated with the following language.

Wire transfers will only be performed in specific circumstances. For example, payroll, bus purchases and tax anticipation warrant. Wire transfers must have a Purchase order to begin the process.

The Controller will complete the below letter, samples on accounting memos below. Filling in the Transpo bank account issuing the monies and the Bank receiving the funds. The Controller will call the information into 1<sup>st</sup> Source electronic funds department and use their wire transfer pin to begin the wire transfer process.

The Controller will then forward the wire transfer memo to the to the General Manager/CEO to complete the wire transfer. The General Manager/CEO will review the wire transfer memo for accuracy and after approving the transfer will call 1<sup>st</sup> Source electronic funds department to compete the transfer.

Both the person initiating the wire transfer and approving individual will sign the wire transfer. Then the wire transfer memo will be faxed to 1st source. Any wire transfers not involving payroll, bus purchase or tax warrant payment will require written approval from the Chairperson of the Board.

B: All funds except around \$500 was refunded to Transpo on April 6, 2022.



***transpo***

*south bend public  
transportation corporation*

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION  
SCHEDULE OF PRIOR YEAR FINDINGS

No findings were noted in the prior year.