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December 6, 2022

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

We have reviewed the audit report of the Muncie Public Transportation Corporation, which was opined upon by Estep Burkey Simmons, LLC, Independent Public Accountants, for the period January 1, 2021 to December 31, 2021. Per the *Independent Auditors' Report*, the financial statements included in the report present fairly the financial condition of Muncie Public Transportation Corporation as of December 31, 2021, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Estep Burkey Simmons, LLC prepared the audit report in accordance with the guidelines established by the State Board of Accounts.

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

A handwritten signature in cursive script that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

MUNCIE PUBLIC TRANSPORTATION CORPORATION

December 31, 2021

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Independent Auditors' Report

Board of Directors
Muncie Public Transportation Corporation
Muncie, Indiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Muncie Public Transportation Corporation (the Corporation), as of and for the year ending 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2021, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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.

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.

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 one year after the date that the financial statements are issued.

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

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 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 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.

Estep Burkey Simmons, LLC

Muncie, Indiana

September 29, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Muncie Public Transportation Corporation

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2021

This section of the annual report of the Muncie Public Transportation Corporation presents a discussion and analysis of Muncie Public Transportation Corporation's financial performance during the year ended December 31, 2021. Please read it in conjunction with the introductory section of the report and Muncie Public Transportation Corporation's financial statements and accompanying notes, which immediately follow this section.

Financial Highlights for 2021

- Net position totaled \$8,073,528 at December 31, 2021.
- Net position increased by \$4,284,864 in 2021, which compares to an increase of \$627,207 in 2020.
- Total capital assets increased to \$8,216,130, an increase of \$2,527,174 from 2020.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Muncie Public Transportation Corporation's basic financial statements. The Muncie Public Transportation Corporation's basic financial statements consist of the statement of net position, statement of revenues, expenses and changes in net position, statement of cash flows and notes to the financial statements. The financial statements are prepared on the accrual basis of accounting meaning that all expenses are recorded when incurred and all revenues are recognized when earned in accordance with accounting principles generally accepted in the United States of America.

Statement of Net Position

The statement of net position reports all financial and capital resources for the Muncie Public Transportation Corporation. The statement is presented in the format where assets equal liabilities plus net position. Assets and liabilities are presented in order of liquidity and are classified as current (convertible into cash within one year) and noncurrent. The focus of the balance sheet is to show a picture of the liquidity and health of the organization as of the end of the year.

The statement of net position (the unassigned net position) is designed to present the net available liquid (noncapital) assets, net of liabilities, for the entire Muncie Public Transportation Corporation. Net position is reported in three categories:

- *Net Position Invested in Capital Assets* - This component of net position consists of all capital assets, reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, if any.
- *Restricted Net Position* - This component of net position consists of restricted assets where constraints are placed upon the assets by creditors (such as debt covenants), grantors, contributors, laws and regulations, etc.
- *Unassigned Net Position* - This component consists of net position that does not meet the definition of net position invested in capital assets or restricted net position.

Statement of Revenues, Expenses and Changes in Net Position

The statement of revenues, expenses and changes in net position is similar to an income statement in the corporate world. This statement includes operating revenues, such as bus passenger fares and local tax revenue; operating expenses, such as costs of operating the mass transit system, administrative expenses and depreciation on capital assets; and non-operating revenue and expenses, such as grant revenue, investment income and interest expense.

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

December 31, 2021

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

The focus of the statement of revenues, expenses and changes in net position is the change in net position. This is similar to net income or loss and portrays the results of operations of the organization for the entire operating period.

Statement of Cash Flows

The statement of cash flows discloses net cash provided by or used in operating activities, investing activities, noncapital financing activities and from capital and related financing activities. This statement also portrays the health of the Muncie Public Transportation Corporation in that current cash flows are sufficient to pay current liabilities.

Notes to Financial Statements

The notes to financial statements are an integral part of the basic financial statements and describe the significant account policies, related party transactions, deposits and investments, capital assets, capital lease obligations, long-term liabilities, retirement plans and commitments and contingencies. The reader is encouraged to review the notes in conjunction with the management discussion and analysis and the financial statements.

Financial Analysis of the Muncie Public Transportation Corporation***Statement of Net Position***

Current assets increased by \$1,133,470 primarily due to increases in cash balances.

Restricted assets increased by \$425,288 due to the addition of Transit Improvement Reserve Funds for capital purchases.

Current liabilities increased \$36,069 primarily due to rising costs associated with typical operating expenses.

Net capital assets increased 44.4% to \$8,216,130 due to capital acquisitions.

Long-term liabilities have decreased \$1,094,082 primarily due to a decrease in net pension liability.

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

Net position invested in capital assets consist of capital assets, net of accumulated depreciation and amortization after disposal of assets that have outlasted useful life. This category includes asset acquisitions during the year that were funded by capital grants, disposals that have outlasted useful life, offset by depreciation expense of \$1,544,745.

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

Unrestricted net position, which represent assets available for operations, increased by \$1,332,402 from the prior year, which is a significant improvement from 2020.

Muncie Public Transportation Corporation

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2021

Statement of Net Position – continued

The following table reflects a condensed summary of assets, liabilities and net position of the Muncie Public Transportation Corporation as of December 31, 2021 and 2020:

Table 1

Summary of Assets, Liabilities and Net Position
December 31,

	<u>2021</u>	<u>2020</u>
Assets:		
Current assets	\$ 1,826,844	\$ 693,374
Restricted assets	628,136	202,848
Capital assets, net	8,216,130	5,688,956
Total assets	<u>10,671,110</u>	<u>6,585,178</u>
Total deferred outflows of resources	373,362	398,658
Liabilities:		
Current liabilities	411,611	375,542
Long-term liabilities	823,934	1,918,016
Total liabilities	<u>1,235,545</u>	<u>2,293,558</u>
Total deferred inflows of resources	1,735,399	901,614
Net Position:		
Invested in capital assets	8,216,130	5,688,956
Restricted by MPTC for future capital improvements	628,136	202,848
Unrestricted	<u>(770,738)</u>	<u>(2,103,140)</u>
Total net position	<u>\$ 8,073,528</u>	<u>\$ 3,788,664</u>

Statement of Revenues, Expenses and Changes in Net Position

The following table reflects a condensed summary of the revenues, expenses and changes in net position for the years ended December 31, 2021 and 2020:

Muncie Public Transportation Corporation

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2021

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

Table 2

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

	<u>2021</u>	<u>2020</u>
Operating Revenues	\$ 3,803,719	\$ 3,665,467
Operating Expenses:		
Operating expenses	6,843,084	7,491,642
Depreciation	<u>1,544,745</u>	<u>1,253,705</u>
Total operating expenses	<u>8,387,829</u>	<u>8,745,347</u>
Operating loss	(4,584,110)	(5,079,880)
Nonoperating revenues/expenses, net	4,902,934	4,821,990
Capital contributions	<u>3,966,040</u>	<u>885,097</u>
Change in net position	4,284,864	627,207
Net position - beginning of year	<u>3,788,664</u>	<u>3,161,457</u>
Net position - end of year	<u><u>\$ 8,073,528</u></u>	<u><u>\$ 3,788,664</u></u>

Operating revenues increased by \$138,252 or approximately 4%. The increase is primarily due to an increase in property tax revenue.

Passenger fares decreased 14%. The decrease in fares is due to the impact of decreased ridership due to COVID-19.

Total operating expenses decreased by 4% from the previous year. Materials and supplies expense increased 8%, utilities increased 8%, and casualty and liability insurance expenses decreased 3%. Labor expense decreased 7%, fringe benefits expense decreased 24%, services decreased 1%, and miscellaneous expense increased 2%.

Labor, fringe benefits, services, and casualty and liability costs decreased \$722,575 while materials and supplies, utilities and miscellaneous expenses increased \$74,017, for a net decrease of \$648,558.

Muncie Public Transportation Corporation

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2021

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

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

Table 3

Operating Expenses
Years ended December 31,

	2021	2020
Labor	\$ 3,154,354	\$ 3,384,431
Fringe benefits	1,448,779	1,917,232
Services	898,208	911,879
Materials and supplies	817,857	754,626
Utilities	113,955	105,687
Casualty and liability costs	297,873	308,247
Miscellaneous	112,058	109,540
	<hr/>	<hr/>
Operating expenses before provision	6,843,084	7,491,642
	<hr/>	<hr/>
Provision for depreciation	1,544,745	1,253,705
	<hr/>	<hr/>
Total operating expenses	<u>\$ 8,387,829</u>	<u>\$ 8,745,347</u>

Capital Asset and Debt Administration*Capital Assets*

The Muncie Public Transportation Corporation invested \$31,834,881 (not adjusted for inflation) in capital assets, including buildings, vehicles and other equipment as of December 31, 2021. Net of accumulated depreciation, the Muncie Public Transportation Corporation's capital assets at December 31, 2021 totaled \$8,216,130. This amount represents a net increase (including additions and disposals, net of depreciation) of \$2,527,175 from 2020.

The year-over-year net decrease in capital assets resulted primarily from capital additions to buses and equipment and buildings and improvements. Additional information on Muncie Public Transportation Corporation's capital assets can be found in Note E on page 23 of this report.

Debt Administration

Short-term debt consists of a line of credit. Interest on the line of credit in the amount of \$10,416 was incurred during 2021. The line of credit balance was \$0 at December 31, 2021.

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

December 31, 2021

Debt Administration - continued

Long-term debt, including current maturities, consisted of a capital lease obligation. At December 31, 2021, the Muncie Public Transportation Corporation had \$9,127 in capital lease obligations outstanding. The capital lease obligation relates to copier equipment with monthly payments of \$315 required through July 2024.

Economic Factors and Next Year's Budget

The Muncie Public Transportation Corporation adopted the 2022 Annual Budget on October 4, 2021. This budget provides for operating expenses of \$9,055,028. The operating budget increased by 3.0% from the 2021 Annual Budget.

Contacting the Muncie Public Transportation Corporation's Financial Management

This financial report is designed to provide our patrons and other interested parties with a general overview of the Muncie Public Transportation Corporation's finances and to demonstrate the Muncie Public Transportation Corporation's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Muncie Public Transportation Corporation's Director of Finance, 1300 East Seymour Street, Muncie, Indiana 47302.

FINANCIAL STATEMENTS

Muncie Public Transportation Corporation

STATEMENT OF NET POSITION

December 31, 2021

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS

Cash	\$ 1,343,163
Accounts receivable	10,428
Materials and supplies inventory	376,013
Prepaid expenses	97,240
Total current assets	<u>1,826,844</u>

NON-CURRENT ASSETS

Investments - cash	628,136
Capital assets, net of accumulated depreciation	8,216,130
Total non-current assets	<u>8,844,266</u>

TOTAL ASSETS

10,671,110

DEFERRED OUTFLOWS OF RESOURCES

Defined benefit pension items	373,362
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TOTAL DEFERRED OUTFLOWS OF RESOURCES

373,362

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

\$ 11,044,472

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

CURRENT LIABILITIES

Accounts payable	\$ 360,488
Accrued and withheld expenses	47,736
Current maturities of long-term liabilities	3,387
Total current liabilities	<u>411,611</u>

NONCURRENT LIABILITIES

Net pension liability	818,194
Lease payable, less current maturities	5,740
Total long-term liabilities	<u>823,934</u>

TOTAL LIABILITIES

1,235,545

DEFERRED INFLOWS OF RESOURCES

Defined benefit pension items	1,735,399
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TOTAL DEFERRED INFLOWS OF RESOURCES

1,735,399

NET POSITION

Net investment in capital assets	8,216,130
Restricted by MPTC for future capital improvements	628,136
Unrestricted	(770,738)
TOTAL NET POSITION	<u>8,073,528</u>

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES
AND NET POSITION

\$ 11,044,472

The accompanying notes are an integral part of this statement.

Muncie Public Transportation Corporation

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended December 31, 2021

Operating revenues	
Fares, tokens and tickets	\$ 126,530
Local tax revenue	3,628,507
Miscellaneous	48,682
	<u>3,803,719</u>
Operating expenses	
Labor	3,154,354
Fringe benefits	1,448,779
Services	898,208
Materials and supplies	817,857
Utilities	113,955
Casualty and liability costs	297,873
Miscellaneous	112,058
Depreciation	1,544,745
	<u>8,387,829</u>
Operating expenses in excess of operating revenues	(4,584,110)
Non-operating revenues (expenses)	
Operating grant revenue - federal	3,613,195
Operating grant revenue - state	1,285,755
Miscellaneous revenue	23,310
Investment income	1,450
Loss on disposal of assets	(9,789)
Interest expense	(10,987)
	<u>4,902,934</u>
Change in net position before capital contributions	318,824
Capital contributions - federal grants	3,966,040
	<u>3,966,040</u>
CHANGE IN NET POSITION	4,284,864
Net position - beginning of year	<u>3,788,664</u>
Net position - end of year	<u>\$ 8,073,528</u>

The accompanying notes are an integral part of this statement.

Muncie Public Transportation Corporation

STATEMENT OF CASH FLOWS

Year Ended December 31, 2021

Cash flows from operating activities:	
Local tax revenues	\$ 3,634,889
Cash received from customers	104,901
Cash received from special events/programs	48,682
Cash disbursed to employees	(4,869,809)
Cash disbursed to suppliers for goods and services	<u>(2,203,841)</u>
Net cash used in operating activities	(3,285,178)
Cash flows from noncapital financing activities:	
Grants	4,898,950
Miscellaneous revenue	<u>23,310</u>
Net cash provided by noncapital financing activities	4,922,260
Cash flows from capital and related financing activities:	
Capital grants	3,966,040
Capital acquisitions	(4,094,793)
Sale of capital assets	13,085
Payments for capital lease obligation	(3,214)
Proceeds from line of credit	1,400,000
Payments on line of credit	(1,400,000)
Interest expense	<u>(10,987)</u>
Net cash used in capital and related financing activities	(129,869)
Cash flows from investing activities:	
Investment income	<u>1,450</u>
Net cash provided by investing activities	1,450
Net increase in cash	1,508,663
Cash at beginning of year	<u>462,636</u>
Cash at end of year	<u><u>\$ 1,971,299</u></u>

The accompanying notes are an integral part of this statement.

Muncie Public Transportation Corporation
STATEMENT OF CASH FLOWS - Continued

Year Ended December 31, 2021

Reconciliation of operating loss to net cash used in operating activities	
Operating expenses in excess of operating revenues	\$ (4,584,110)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation	1,544,745
Change in assets, deferred outflows of resource, deferred inflows of resources and liabilities:	
Decrease in accounts receivable	6,382
Increase in inventory	(21,629)
Increase in prepaid expenses	(34,848)
Decrease in deferred outflows of resources - pensions	25,296
Increase in accounts payable	36,110
Decrease in accrued and withheld expenses	(214)
Decrease in net pension liability	(1,090,695)
Increase in deferred inflows of resources - pensions	833,785
	<hr/>
Net cash used in operating activities	<u><u>\$ (3,285,178)</u></u>

The accompanying notes are an integral part of this statement.

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

December 31, 2021

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

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

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

The accompanying financial statements comply with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. The statement requires that financial statements of the reporting entity include all of the organizations activities, functions and component units for which the reporting entity is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit’s board and either (1) the reporting entity’s ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the reporting entity. Based upon the application of these criteria, no entities have been considered to be potential component units for the purpose of defining the Corporation’s reporting entity.

2. Accounting Method and Financial Statement Presentation

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

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

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

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

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

December 31, 2021

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued**3. Cash Equivalents**

For purposes of the Statement of cash flows, the Corporation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Due to the restricted nature of improvement reserve fund investments, the Corporation does not consider it to be cash equivalents.

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. Muncie Public Transportation Corporation's deposit policy does not specify custodial credit risk criteria. At December 31, 2021, Muncie Public Transportation Corporation had deposit balances in the amount of \$1,971,299, which includes the improvement reserve fund investments. Muncie Public Transportation Corporation had deposit balances in interest-bearing checking accounts at December 31, 2021, reported as cash and investments - cash.

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

4. Inventories

Inventories consist principally of bus parts and fuel which are stated at cost determined by the first-in first-out method or market.

5. Investments

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

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

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

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

December 31, 2021

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued5. Investments - Continued*Statutory Authorization for Investments*

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

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

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

Credit Risk and Custodial Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The custodial risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At December 31, 2021, Muncie Public Transportation Corporation did not hold any investments as defined above.

Interest Rate Risk

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

Muncie Public Transportation Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

5. Investments - Continued*Foreign Currency Risk*

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

6. Accounts Receivable

The Corporation's trade receivables have a contractual maturity of one year or less, and therefore are exempted from disclosure requirements. Trade receivables are considered to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

7. Property and Depreciation

Equipment and improvements, acquired by the Corporation with operating revenues and operating grants, are carried at cost less accumulated depreciation. Depreciation is computed by the straight-line method over the estimated useful lives of two to forty years and charged directly to expense.

Equipment and improvements, acquired by the Corporation with capital grants, are carried at cost less accumulated depreciation. Depreciation is computed by the straight-line method over the estimated useful lives of two to forty years and charged as a reserve against capital grants in the net position section of the Statement of Net Position.

Expenditures for maintenance, repair and minor renewals are charged against income as incurred. Additions and major renewals are capitalized.

8. Revenue Recognition

The Corporation recognizes income from fares when collected and income from special routes when earned.

The Corporation's source of tax revenue comes from property taxes. Property taxes attach as an enforceable lien on property as of March 1. Taxes are levied in January and are due and payable in two installments, on May 10 and November 10 of the following year.

Property tax revenues are recognized when they become available. This includes property tax receivables expected to be collected on the May and November due dates. Delinquent taxes are considered fully collectible; therefore, no allowance for uncollectible taxes is provided.

9. Income Tax

The Muncie Public Transportation Corporation was organized on July 1, 1981 as a distinct municipal corporation and, as such, is exempt from federal and state income tax.

Muncie Public Transportation Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

10. Budget

The management of Muncie Public Transportation Corporation prepares a budget based on estimates of revenues and projected costs. This budget is used to request a tax rate. The budget is open to public hearing and revision by the Department of Local Government Finance and is then approved.

11. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

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

12. Compensated Absences

Employees of the Muncie Public Transportation Corporation are entitled to paid vacation and paid sick days, depending upon job classification, length of service and other factors. The vacation and sick days do not accumulate; accordingly, no accrual has been made. Muncie Public Transportation Corporation's policy is to recognize the cost of compensated absences when actually paid to employees.

13. Advertising Costs

Advertising costs are expensed as incurred and included in operating expenses. Advertising expenses totaled \$80,071 for the year ended December 31, 2021.

14. Risk Management

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

Muncie Public Transportation Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

14. Risk Management - Continued

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

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

15. Pension

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

16. Net Position Restricted for Transit Improvement Reserve Fund

The Statement of Net Position reports \$628,136 of restricted net position, which is restricted by Muncie Public Transportation Corporation for anticipated future capital improvements.

Muncie Public Transportation Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

17. New Accounting Pronouncements

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

For the year ended December 31, 2021, Muncie Public Transportation Corporation adopted the following accounting pronouncements.

- GASB Statement No. 91, Conduit Debt Obligations
- GASB Statement No. 92, Omnibus 2020
- GASB Statement No. 93, Replacement of Interbank Offered Rates
- GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements
- GASB Statement No. 96, Subscription-Based Information Technology Arrangements
- GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32

18. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - OPERATING GRANT

Under Sections 5 and 9 of the Urban Mass Transportation Act of 1964, the Corporation is entitled to receive financial assistance for the undertaking of an urban mass transportation operating assistance project.

NOTE C - CASH AND CONCENTRATION OF CREDIT RISK

Deposits were held by First Merchants Bank, N.A. in interest-bearing accounts.

The Corporation maintains its cash in bank deposit accounts at high credit quality financial institutions. The balances, at times, may exceed federally insured limits. At December 31, 2021, the Corporation exceeded the federally insured limit by approximately \$1,735,096. The amount that exceeded the insured limit is fully insured by the State of Indiana Public Deposit Insurance Fund.

NOTE D - INVESTMENTS

Due to a reduction in federal funds available, the board of directors established an improvement reserve fund for the purpose of accumulating money for future anticipated capital improvements. Since 1991, assets have been set aside for this purpose. The investment is in a time deposit account with First Merchants Bank, N.A. in Muncie, Indiana and is insured or registered, with securities held by the entity or its agent in the entity's name.

Muncie Public Transportation Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE D - INVESTMENTS - Continued

As of December 31, 2021, the Corporation held the investment in a transit improvement reserve fund (T.I.R.F.) consisting of a time deposit account. The fair value of the investment approximated cost at year-end and totaled \$628,136.

The following schedule summarizes the investment return for the year ended December 31, 2021.

Total investment return: Interest	<u>\$ 1,450</u>
-----------------------------------	-----------------

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

NOTE E - CAPITAL ASSETS

Changes in capital assets for the year ending December 31, 2021 were:

	<u>Jan. 1, 2021</u>	<u>Additions</u>	<u>Disposals</u>	<u>Dec. 31, 2021</u>
Capital assets not being depreciated				
Land	\$ 711,581	\$ -	\$ -	\$ 711,581
Capital assets being depreciated				
Buildings and improvements	8,171,273	283,603	3,315	8,451,561
Buses and equipment	20,611,067	3,811,190	1,579,559	22,842,698
Other property and equipment	540,622			540,622
Total capital assets being depreciated	<u>29,322,962</u>	<u>4,094,793</u>	<u>1,582,874</u>	<u>31,834,881</u>
Less: Accumulated depreciation and amortization				
Buildings and improvements	7,276,256	161,534	2,680	7,435,110
Buses and equipment	16,594,115	1,368,818	1,557,321	16,405,612
Other property and equipment	475,217	14,393		489,610
Total accumulated depreciation and amortization	<u>24,345,588</u>	<u>1,544,745</u>	<u>1,560,001</u>	<u>24,330,332</u>
Total capital assets being depreciated, net	<u>4,977,374</u>	<u>2,550,048</u>	<u>22,873</u>	<u>7,504,549</u>
Total capital assets, net	<u>\$ 5,688,955</u>	<u>\$ 2,550,048</u>	<u>\$ 22,873</u>	<u>\$ 8,216,130</u>

NOTE F - BANK LINE OF CREDIT

The Corporation has a line of credit with a commercial bank which provides borrowings up to \$4,416,699. Advances bear a variable interest rate which was 3.85% on December 31, 2021, and are unsecured. Outstanding borrowings under this arrangement at December 31, 2021 were \$-0-. The line of credit expired on December 31, 2021, but was renewed until December 31, 2022.

Muncie Public Transportation Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE G - LONG-TERM LIABILITIES

Long-term liabilities consist of the following at December 31, 2021.

Obligations under capital lease payable to Canon Financial Services, at a fixed interest rate of 5.25%. Monthly payments of \$315 are required and matures in July 2024.

The obligation is secured by four copiers.

\$ 9,127

Less current maturities

3,387

\$ 5,740

Annual maturities of long-term liabilities are as follows.

Year ending December 31, 2022	\$ 3,387
2023	\$ 3,569
2024	\$ 2,171
2025	\$ 0
2026	\$ 0

NOTE H - RETIREMENT PLAN

Public Employees' Retirement Fund

Plan Description

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

Benefits Provided

All employees of Muncie Public Transportation System are eligible and automatically enrolled in PERF if they work a full-time schedule (40 hours per week) or are regularly scheduled and working 20 or more hours per week or at least 1040 hours per year. PERF provides retirement, disability, and survivor benefits to plan members and beneficiaries. The PERF Hybrid Plan retirement benefit consist of the sum of a defined pension benefit provided by employer contributions plus the amount credited to the member's annuity savings account (ASA).

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

December 31, 2021

NOTE H - RETIREMENT PLAN - ContinuedBenefits Provided - Continued

Pension benefits (non ASA) vest after 10 years of creditable service. Members are immediately vested in their annuity savings account. A member who has reached age 65 and has at least 10 years of creditable service is eligible for normal retirement. Members with 15 years of service are eligible to retire at age 60. There are various retirement options available and for more information refer to the INPRS website at <http://www.in.gov/inprs/>. The annual pension benefit is equal to 1.1 percent times the average annual compensation times the number of years of creditable service. Average annual compensation is the highest 20 calendar quarters of salary in a covered position. The percentage of the pension benefit at retirement remains the same for the member's lifetime.

Contributions

Muncie Public Transportation Corporation is obligated by state statute to make contributions to the plan. The required contributions are determined by the INPRS Board of Trustees based on actuarial investigation and valuation in accordance with IC 5-10.2-2-11. The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to fund the pension benefits when they become due. During the year 2021, Muncie Public Transportation Corporation was required to contribute 11.15% of covered payroll to the defined benefit pension. Muncie Public Transportation Corporation's actual and required contribution to the plan for the fiscal year ended June 30, 2021 was \$382,102. A contribution of 3% of covered payroll is required into the annuity savings account portion. Muncie Public Transportation Corporation elected to make this contribution on behalf of its members in 2021.

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

At December 31, 2021, Muncie Public Transportation Corporation reported a liability of \$818,194 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Muncie Public Transportation Corporation's proportion of the net pension liability was based on wages reported by Muncie Public Transportation relative to the collective wages for all employees. At June 30, 2021, Muncie Public Transportation Corporation's proportion was 0.06%, which didn't change from its proportion of 0.06% measured as of June 30, 2020.

For the year ended December 31, 2021, Muncie Public Transportation Corporation recognized pension expense of \$129,950. At December 31, 2021, Muncie Public Transportation Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Muncie Public Transportation Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE H - RETIREMENT PLAN - Continued

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 27,985	\$ 16,337
Net difference between projected and actual investment	-	1,062,350
Change of assumptions	411,557	183,782
Changes in proportion and differences between employer contributions and proportionate share of contributions	25,108	90,828
Pension expense	(91,288)	-
Contributions	-	382,102
	<u> </u>	<u> </u>
Total	<u>\$ 373,362</u>	<u>\$ 1,735,399</u>

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

Year ending December 31, 2022	\$ (243,336)
2023	(221,136)
2024	(120,505)
2025	(303,670)
2026	-0-
	<u> </u>
	<u>\$ (888,647)</u>

Actuarial assumptions. The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement. Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation are presented below:

Experience study date	Period of 5 years ended June 30, 2019
Inflation	2.00%
Cost of living increase	2020 - 2021 - 13 th check Beginning January 1, 2024 - 0.4% Beginning January 1, 2034 - 0.5% Beginning January 1, 2039 - 0.6%
Future salary increases	2.65% - 8.65% based on service
Investment rate of return	6.25%, net of administrative and investment expense

Muncie Public Transportation Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE H - RETIREMENT PLAN - Continued

The actuarial assumptions and methods used in the June 30, 2021 valuation of the Public Employees' Defined Benefit Account were adopted by the INPRS Board in June 2021. The majority of the actuarial assumptions and methods are based on plan experience from July 1, 2015 through June 30, 2020 and were first used in the June 30, 2021 valuation. The INPRS Board adopted a funding policy in April 2014, and the policy was last updated in October 2018. In 2019, the PERF Defined Benefit was modified pursuant to HEA 1059. Previously, statute generally required PERF members to have 15 years of service to qualify for a survivor benefit prior to retirement. Statute now allows a qualifying spouse/dependent to receive a benefit if the deceased member had a minimum of 10 years of creditable service.

The long-term return expectation for the INPRS defined benefit retirement plans has been determined by using a building-block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation. In order to determine the expected long-term nominal rate of return, the asset class geometric real returns are projected for a 30-year time horizon. These returns are combined with a projected covariance matrix and the target asset allocations to create a range of expected long-term real rates of return for the portfolio. A range of possible expected long-term rates of return is created by adding the forecasted inflation to the expected long-term real rates of return. This range ultimately supports the long-term expected rate of return assumption of 6.25% selected by the Board as the discount rate. The assumption is a long-term assumption and is not expected to change with small fluctuations in the underlying inputs but may change with a fundamental shift in the underlying market factors or significant asset allocation change. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Geometric Basis
		Long-Term Expected Real Rate of Return
Public Equity	20.0%	3.6%
Private Markets	15.0%	7.3%
Fixed Income - Ex Inflation-Linked	20.0%	1.5%
Fixed Income - Inflation-Linked	15.0%	-0.3%
Commodities	10.0%	0.8%
Real Estate	10.0%	4.2%
Absolute Return	5.0%	2.5%
Risk Parity	20.0%	4.4%
Leverage Offset	-15.0%	1.4%
	100.0%	

Muncie Public Transportation Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE H - RETIREMENT PLAN - Continued

Discount Rate. The discount rate used to measure the total pension liability was 6.25% using the long-term expected rate of return of 6.25%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and, where applicable, from the members, would at the minimum be made at the actuarially determined required rates computed in accordance with the current funding policy adopted by the INPRS Board, and contributions required by the State of Indiana (the non-employer contributing entity) would be made as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (6.25%). Based on those assumptions, each defined benefit pension plan's Fiduciary Net Position were projected to be available to make all projected future benefit payments of current plan members, therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability for each plan.

Sensitivity of Muncie Public Transportation Corporation's share of the net pension liability to changes in the discount rate. The following table presents Muncie Public Transportation Corporation's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what Muncie Public Transportation Corporation's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.25%) or one percentage point higher (7.25%) than the current rate:

	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
Muncie Public Transportation Corporation's share of the net pension liability	\$ 2,139,936	\$ 818,194	\$ (284,314)

At December 31, 2021, all required contributions had been paid to the retirement plan.

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued INPRS 2021 Comprehensive Annual Financial Report found at <http://www.in.gov/inprs/annualreports.htm>.

NOTE I - POLLUTION REMEDIATION OBLIGATION

The Corporation is subject to laws and regulations relating to the protection of the environment. In accordance with GASB 49, the Corporation's policy is to accrue environmental and cleanup-related costs when certain recognition triggers occur. Under GASB 49, liabilities and expenses would be estimated using an "expected cash flows" measurement technique. As of December 31, 2021, Muncie Public Transportation Corporation had not identified any recognition triggers that would require the recording of a liability and an expense. Muncie Public Transportation Corporation continually monitors its environmental obligations for any potential recognition triggers.

Muncie Public Transportation Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE J - FEDERAL GRANTS

The Corporation is the designated recipient of funds under the Urban Mass Transportation Act of 1964. The federal operating assistance grants are awarded to the Corporation and funds may be earned and disbursed generally over a two-year period. The Corporation received assistance under these grants for the year ended December 31, 2021 of \$3,613,152. Of this amount, \$1,584,517 was funded under the CARES Act.

The Corporation is also a designated recipient of operating assistance funds from the State of Indiana. The state makes distributions of funds to transit systems, which have been appropriated for mass transit operating assistance. The total operating grant earned for the year ended December 31, 2021 was \$1,285,755.

The Corporation received \$3,966,040 of capital contributions from federal sources for the year ended December 31, 2021. Capital grants are earned as the Corporation expends funds in accordance with its federal grants. Generally, the Corporation receives an 80% federal match on all funds spent for budgeted items included in the grant agreements.

NOTE K - LITIGATION

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

The Corporation is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters and employee health and accident benefits. For the year ended December 31, 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 L - CAPITAL LEASE COMMITMENTS

Property held under capital lease, included with owned property on the Statement of Net Position at December 31, 2021, consists of the following.

Classification: Equipment

Copiers	\$ 16,688
Less accumulated depreciation	5,960
	\$ 10,728
Equipment under capital leases, net	\$ 10,728

Muncie Public Transportation Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE L - CAPITAL LEASE COMMITMENTS - Continued

The Corporation has leased copiers under an agreement which has been classified as a capital lease. The lease is noncancelable and expires in July 2024. The future minimum lease payments under the capital leases and the net present value of the future minimum lease payments at December 31, 2021, are as follows.

Year ending December 31, 2022	\$ 3,785
2023	3,785
2024	2,208
2025	-0-
2026	-0-
	<hr/>
Total minimum lease payments	9,778
Amount representing interest	651
	<hr/>
Present value of minimum lease payments	<u><u>\$ 9,127</u></u>

NOTE M - OPERATING LEASE COMMITMENTS

The Corporation leases tires under a noncancelable operating lease with unrelated parties, which expires on June 30, 2022. The Corporation has an option for two additional years. The Corporation also leases office equipment under a noncancelable operating lease with unrelated parties, which expires on January 31, 2026. The operating lease expense for the year ended December 31, 2021 totaled \$99,707.

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

Year ending December 31, 2022	\$ 34,129
2023	2,517
2024	2,517
2025	2,517
2026	2,517
	<hr/>
	<u><u>\$ 44,197</u></u>

NOTE N - SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events through September 29, 2022, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2021, have been incorporated into these financial statements herein.

REQUIRED SUPPLEMENTAL INFORMATION

Muncie Public Transportation Corporation

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of the Net Pension Liability
Public Employees' Retirement Fund
Last 8 Fiscal Years (C)

	2021	2020	2019	2018	2017
Proportion of the net pension liability	0.06%	0.06%	0.07%	0.06%	0.06%
Proportionate share of the net pension liability	818,194	1,908,889	2,199,520	2,163,238	2,864,757
Covered-employee payroll***	3,428,021	3,411,825	3,467,256	3,249,169	3,185,436
Proportionate share of the net pension liability as a percentage of covered-employee payroll	24.00%	56.13%	63.49%	66.83%	89.27%
Plan fiduciary net position as a percentage of the total pension liability**	92.51%	81.45%	80.06%	78.89%	76.65%
	2016	2015	2014		
Proportion of the net pension liability	0.06%	0.06%	0.06%		
Proportionate share of the net pension liability	2,721,251	2,477,139	1,516,056		
Covered-employee payroll***	2,873,651	2,913,394	2,816,762		
Proportionate share of the net pension liability as a percentage of covered-employee payroll	75.35%	77.35%	84.29%		
Plan fiduciary net position as a percentage of the total pension liability**	75.35%	77.35%	84.29%		

* The amounts presented for each fiscal year were determined as of June 30, 2021 (measurement date).

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

***The amounts for 2014-2020 were restated to represent the Authority's covered payroll during the period that ends on the measurement date of the pension liability.

Muncie Public Transportation Corporation

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Contributions
Public Employees' Retirement Fund
Last 8 Fiscal Years (C)

	2021	2020	2019	2018
Contractually required contribution	\$ 382,102	\$ 379,322	\$ 383,963	\$ 360,346
Contributions in relation to the contractually required contribution	382,102	379,322	383,963	360,346
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 3,428,021	\$ 3,411,825	\$ 3,467,256	\$ 3,249,169
Contributions as a % of covered payroll	11.15%	11.12%	11.07%	11.09%
	2017	2016	2015	2014
Contractually required contribution	\$ 340,649	\$ 331,326	\$ 312,786	\$ 297,889
Contributions in relation to the contractually required contribution	340,649	331,326	312,786	297,889
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 3,185,436	\$ 2,873,651	\$ 2,913,394	\$ 2,816,762
Contributions as a % of covered payroll	10.69%	11.53%	10.74%	10.58%

* The amounts presented for each fiscal year were determined as of June 30, 2021 (measurement date).

Muncie Public Transportation Corporation

REQUIRED SUPPLEMENTARY INFORMATION

Notes to Schedules

Note A - Valuation Date: June 30, 2021

Note B - Changes of assumptions: In 2021, the interest rate/investment return assumption changed from 6.75 percent to 6.25 percent. The inflation assumption changed from 2.25 percent to 2.00 percent. The future salary scale assumption changed from 2.75 percent - 8.75 percent to 2.65 percent - 8.65 percent. There were no changes to the actuarial methods during the fiscal year. HEA 1001-2021 granted a 1 percent COLA effective January 1, 2022.

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

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

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

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

SUPPLEMENTAL INFORMATION

Muncie Public Transportation Corporation

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2021

Assistance Listing Number	Agency/Pass-Through	Federal Contract Number	Pass-Through Entity Identifying Number	Passed-Through to Subrecipients	Federal Expenditures	Total Expenditures
<u>Department of Transportation - Federal Transit Administration</u>						
Direct Program						
Federal Transit Cluster:						
20.507	Federal Transit - Formula Grants (Urbanized Area Formula Program)	IN-2021-005-01	N/A	\$ -	\$ 2,020,766	\$ 2,020,766
20.507	Federal Transit - Formula Grants (Urbanized Area Formula Program)	IN-2020-023-01	N/A	-	527,535	527,535
20.507	Federal Transit - Formula Grants (Urbanized Area Formula Program)	IN-2020-023-02	N/A	-	3,743,402	3,743,402
20.507	Federal Transit - Formula Grants (Urbanized Area Formula Program)	IN-2020-023-03	N/A	-	30,615	30,615
20.507	Federal Transit - Formula Grants (Urbanized Area Formula Program)	IN-2021-012-01	N/A	-	1,056,982	1,056,982
20.507	Federal Transit - Formula Grants (Urbanized Area Formula Program)	IN-2021-013-01	N/A	-	192,023	192,023
Total Federal Transit Cluster				-	7,571,323	7,571,323
Transit Services Program Cluster:						
20.513	Federal Transit - Formula Grants (Enhanced Mobility of Seniors & Individuals with Disabilities)	IN-2019-024-03	N/A	-	7,912	7,912
Total Transit Services Program Cluster				-	7,912	7,912
Total Department of Transportation - FTA - Direct				-	7,579,235	7,579,235
Total Department of Transportation - Federal Transit Administration				-	7,579,235	7,579,235
Total Expenditures of Federal Awards				\$ -	\$ 7,579,235	\$ 7,579,235

Muncie Public Transportation Corporation**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS****Year Ended December 31, 2021****NOTE A - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of expenditures of federal awards (the Schedule) has been prepared from Muncie Public Transportation Corporation's accounting records and is presented on the accrual basis of accounting in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The purpose of the Schedule is to present a summary of those activities of Muncie Public Transportation Corporation for the year ended December 31, 2021, which have been partially financed by the U.S. government (federal awards). Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Muncie Public Transportation Corporation has not elected to use the 10% de minimis indirect cost rate. For purposes of the Schedule, federal awards include all assistance entered into directly between Muncie Public Transportation Corporation and the federal government and between Muncie Public Transportation Corporation and other primary recipients of federal government funding (pass-through). Amounts included in the Schedule include the federal portions of the awards. Because the Schedule presents only a selected portion of the activities of Muncie Public Transportation Corporation, it is not intended to, and does not, present either the statement of net position, changes in net position, or cash flows of Muncie Public Transportation Corporation.

NOTE B - NON-CASH FEDERAL AWARDS

Muncie Public Transportation Corporation did not receive any non-cash assistance for federal awards for the year ended December 31, 2021.

NOTE C - SUBRECIPIENTS

The Uniform Guidance defines subrecipients as nonfederal entities that expend federal awards received from a pass-through entity to carry out a federal program, but do not benefit from that program. During the year ended December 31, 2021, Muncie Public Transportation Corporation provided \$0- in expenditures to subrecipients.

Muncie Public Transportation Corporation

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2021

1. The auditors' report expresses an unmodified opinion on the financial statements of Muncie Public Transportation Corporation.
2. No reportable conditions relating to the audit of the financial statements are reported in the "Independent Auditors' Report on The Financial Statements and The Schedule of Federal Awards."
3. No instances of noncompliance material to the financial statements of Muncie Public Transportation Corporation were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award program are reported in the "Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133."
5. The auditors' report on compliance for Muncie Public Transportation Corporation expresses an unmodified opinion on the major federal program.
6. There were no audit findings relative to the major federal award program for Muncie Public Transportation Corporation required to be reported.
7. The programs tested as major programs included:

<u>Assisted Listing#</u>	<u>Name of Program</u>
20.507	Federal Transit - Formula Grants (Urbanized Area Formula Program)

8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Muncie Public Transportation Corporation was determined to be a low-risk auditee.

Muncie Public Transportation Corporation

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended December 31, 2021

DEPARTMENT OF TRANSPORTATION - FEDERAL TRANSIT ADMINISTRATION

The audit for the year ended December 31, 2020 did not contain any findings. Accordingly, there are no prior findings listed in this schedule.

Muncie Public Transportation Corporation
SCHEDULE OF GOVERNMENTAL FUNDING
Year Ended December 31, 2021

Assistance Listing Number	Agency/Pass-Through	Federal Contract Number	Pass-Through Entity Identifying Number	Passed-Through to Subrecipients	Governmental Expenditures	Total Expenditures
<u>Department of Transportation - Federal Transit Administration</u>						
Direct Program						
Federal Transit Cluster:						
20.507	Federal Transit - Formula Grants (Urbanized Area Formula Program)	IN-2021-005-01	N/A	\$ -	\$ 2,020,766	\$ 2,020,766
20.507	Federal Transit - Formula Grants (Urbanized Area Formula Program)	IN-2020-023-01	N/A	-	527,535	527,535
20.507	Federal Transit - Formula Grants (Urbanized Area Formula Program)	IN-2020-023-02	N/A	-	3,743,402	3,743,402
20.507	Federal Transit - Formula Grants (Urbanized Area Formula Program)	IN-2020-023-03	N/A	-	30,615	30,615
20.507	Federal Transit - Formula Grants (Urbanized Area Formula Program)	IN-2021-012-01	N/A	-	1,056,982	1,056,982
20.507	Federal Transit - Formula Grants (Urbanized Area Formula Program)	IN-2021-013-01	N/A	-	192,023	192,023
	Total Federal Transit Cluster			-	7,571,323	7,571,323
Transit Services Program Cluster:						
20.513	Federal Transit - Formula Grants (Enhanced Mobility of Seniors & Individuals with Disabilities)	IN-2019-024-03	N/A	-	7,912	7,912
	Total Transit Services Program Cluster			-	7,912	7,912
	Total Department of Transportation - FTA - Direct			-	7,579,235	7,579,235
	Total Department of Transportation - Federal Transit Administration			-	7,579,235	7,579,235
	Total Expenditures of Federal Awards			\$ -	\$ 7,579,235	\$ 7,579,235
<u>Indiana Department of Transportation</u>						
Public Mass Transportation Fund						
	Operating Assistance	9021MUNO	N/A	-	1,285,755	1,285,755
	Total governmental funding			\$ -	\$ 8,864,990	\$ 8,864,990

SPECIAL REPORTS



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

Independent Auditors' Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Muncie Public Transportation Corporation, which comprise the statement of net position as of December 31, 2021, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 29, 2022.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Estep Burkey Simmons, LLC

Muncie, Indiana
September 29, 2022



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

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

Report on Compliance for Each Major Federal Program

Opinion on the Major Federal Program

We have audited Muncie Public Transportation Corporation's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Muncie Public Transportation Corporation's major federal programs for the year ended December 31, 2021. Muncie Public Transportation Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States ("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 Muncie Public Transportation Corporation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Muncie Public Transportation 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 controls over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Muncie Public Transportation Corporation's federal programs.

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 the Authority'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 generally accepted auditing standards, 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 one 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 use of the report on compliance about the Muncie Public Transportation Corporation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgement 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 the Authority'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 the Muncie Public Transportation 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 the Muncie Public Transportation 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 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.

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.

Estep Burkey Simmons, LLC

Muncie, Indiana
September 29, 2022

Muncie Public Transportation Corporation

EXIT CONFERENCE

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

DATE: October 6, 2022

TIME: 8:45 a.m.