

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT

2010

GREATER LAFAYETTE PUBLIC
TRANSPORTATION CORPORATION

TIPPECANOE COUNTY, INDIANA



FILED
08/10/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
General Manager	Martin B. Sennett	01-01-10 to 12-31-11
Controller	Arnold E. Becker	01-01-10 to 12-31-11
Chairman of the Board	Jeris Eikenberry Daniel J. Moore	01-01-10 to 12-31-10 01-01-11 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE GREATER LAFAYETTE PUBLIC TRANSPORTATION
CORPORATION, TIPPECANOE COUNTY, INDIANA

We have audited the accompanying financial statements of the business-type activities of the Greater Lafayette Public Transportation Corporation (Public Transportation Corporation), as of and for the year ended December 31, 2010, which collectively comprise the Public Transportation Corporation's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Public Transportation Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Public Transportation Corporation's internal control over reporting. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Public Transportation Corporation as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated July 26, 2011, on our consideration of the Public Transportation Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Public Transportation Corporation's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Funding Progress as listed in the Table of Contents is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Public Transportation Corporation has not presented Management's Discussion and Analysis, that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

STATE BOARD OF ACCOUNTS

July 26, 2011



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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

TO: THE OFFICIALS OF THE GREATER LAFAYETTE PUBLIC TRANSPORTATION
CORPORATION, TIPPECANOE COUNTY, INDIANA

We have audited the financial statements of the business-type activities of the Greater Lafayette Public Transportation Corporation (Public Transportation Corporation), as of and for the year ended December 31, 2010, which collectively comprise the Public Transportation Corporation's basic financial statements and have issued our report thereon dated July 26, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Public Transportation Corporation's financial statements will not be prevented, or detected and corrected on a timely basis.

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 control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

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
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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.

This report is intended solely for the information and use of the Public Transportation Corporation's management, Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

July 26, 2011

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
STATEMENT OF NET ASSETS
December 31, 2010

	2010
<u>Assets</u>	
Current assets:	
Cash and cash equivalents	\$ 2,708,606
Accounts receivable (net of allowance)	297,972
Intergovernmental receivable	216,302
Inventories	450,901
Prepaid items	33,107
Total current assets	3,706,888
Noncurrent assets:	
Restricted cash, cash equivalents and investments:	
Uninsured liability	280,130
Operations	74,870
Capital projects	3,864,715
Total restricted assets:	4,219,715
Capital assets:	
Land, improvements to land and construction in progress	1,708,195
Other capital assets (net of accumulated depreciation)	16,888,294
Total capital assets	18,596,489
Total noncurrent assets	22,816,204
Total assets	26,523,092
<u>Liabilities</u>	
Current liabilities:	
Accounts payable	209,678
Accrued wages payable	96,236
Payroll withholdings	218,739
Compensated absences	177,836
Other payables	224,246
Total current liabilities	926,735
Total liabilities	926,735
<u>Net Assets</u>	
Invested in capital assets, net of related debt	18,596,490
Restricted for operations, uninsured liability, and capital projects	4,219,715
Unrestricted	2,780,153
Total net assets	\$ 25,596,358

The notes to the financial statements are an integral part of this statement.

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS
As Of And For The Year Ended December 31, 2010

	2010
Operating revenues:	
Passenger fares	\$ 587,639
Special transit fares	1,706,911
Advertising	172,357
Other	255,575
Total operating revenues	2,722,482
Operating expenses:	
Operators salaries and wages	3,191,970
Other salaries and wages	1,592,296
Fringe benefits	2,734,659
Services	274,798
Maintenance materials and supplies	1,456,582
Other material and supplies	109,910
Utilities	120,989
Casualty and liability insurance	(14,059)
Miscellaneous expenses	204,159
Depreciation and amortization	3,247,003
Total operating expenses	12,918,307
Operating loss	(10,195,825)
Nonoperating revenues (expenses):	
Interest and investment revenue	16,494
Local taxes	2,679,051
State of Indiana operating assistance	3,587,130
Federal operating assistance	2,237,666
Total nonoperating revenues (expenses)	8,520,341
Loss before contributions	(1,675,484)
Capital contributions	3,541,433
Change in net assets	1,865,949
Total net assets - beginning	23,730,409
Total net assets - ending	\$ 25,596,358

The notes to the financial statements are an integral part of this statement.

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
As Of And For The Year Ended December 31, 2010

	2010
Cash flows from operating activities:	
Receipts from customers and users	\$ 2,472,974
Payments to suppliers and contractors	(7,516,723)
Payments to employees	(2,072,832)
Other receipts	255,575
Net cash used by operating activities	(6,861,006)
Cash flows from noncapital financing activities:	
Local taxes	3,933,860
State operating assistance	3,587,130
Federal operating assistance	2,237,666
Net cash provided by noncapital financing activities	9,758,656
Cash flows from capital and related financing activities:	
Capital contributions	3,570,258
Acquisition and construction of capital assets	(4,190,768)
Net cash used by capital and related financing activities	(620,510)
Cash flows from investing activities:	
Interest received	16,494
Net cash provided by investing activities	16,494
Net increase in cash and cash equivalents	2,293,634
Cash and cash equivalents, January 1	4,634,687
Cash and cash equivalents, December 31	\$ 6,928,321
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (10,195,824)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	3,247,003
(Increase) decrease in assets:	
Accounts receivable	6,067
Interfund services provided or used	-
Allowance for uncollectible accounts	-
Inventories	38,567
Prepaid items	51,599
Increase (decrease) in liabilities:	
Accounts payable	(58,300)
Accrued wages payable	54,757
Payroll withholding payable	24,789
Other payables	(29,664)
Total adjustments	3,334,818
Net cash provided by operating activities	\$ (6,861,006)

The notes to the financial statements are an integral part of this statement.

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Greater Lafayette Public Transportation Corporation (primary government) was established pursuant to a joint ordinance adopted by the cities of Lafayette and West Lafayette. The Public Transportation Corporation is governed by a board of directors whose members are appointed by the mayors and city councils of the cities, and provides public transportation services to the residents of the cities of Lafayette and West Lafayette.

The accompanying financial statements present the activities of the Public Transportation Corporation. There are no significant component units which require inclusion.

B. Fund Financial Statements

Business-type activity financial statements consist of the Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Fund Net Assets; and the Statement of Cash Flows. Business-type activities rely to a significant extent on fees and charges for support.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounts of the business-type activity are maintained and the financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Greater Lafayette Public Transportation Corporation has elected not to follow subsequent private-sector guidance.

Enterprise funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

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

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The Greater Lafayette Public Transportation Corporation's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

State statute (IC 5-13-9) authorizes the Greater Lafayette Public Transportation Corporation to invest in securities, including but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Nonparticipating certificates of deposit, demand deposits and similar nonparticipating negotiable instruments that are not reported as cash and cash equivalents are reported as investments at cost.

Investment income, including changes in the fair value of investments, is reported as revenue in the operating statement.

2. Inventories and Prepaid Items

All inventories are valued at cost using the weighted-average method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

In previous periods, the Public Transportation Corporation reported that inventories were valued at cost using the first in/first out (FIFO) method. The Public Transportation Corporation has since determined that inventories were valued using the weighted-average method. The retrospective application of this method is impracticable, and its effect on the financial statement presentation is not material.

3. Restricted Assets

Certain proceeds of the enterprise fund are classified as restricted assets on the statement of net assets because they are reserved for deductibles on insurance policies.

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the financial statements.

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets are as follows:

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Capitalization	Depreciation	Estimated
	<u>Threshold</u>	<u>Method</u>	<u>Useful Life</u>
Revenue equipment	\$ 500	Straight-line	2 to 12 years
Support vehicles	500	Straight-line	5 to 7 years
Building and structures	500	Straight-line	10 to 39 years
Equipment shop and garage	500	Straight-line	2 to 10 years
Revenue collection farebox	500	Straight-line	5 to 15 years
Communication equipment	500	Straight-line	5 years
Office equipment and furnishings	500	Straight-line	5 to 10 years

Changes in accounting estimate, such as the service life of an asset, are treated prospectively because the original estimate was based on the best information available at the time. The effect of changes in the service life of assets resulted in an increase in the depreciation expense for the calendar year of \$867,952.

For depreciated assets, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

5. Compensated Absences

- a. Sick Leave – Greater Lafayette Public Transportation Corporation union employees earn sick leave at the rate of 1/2 day per month. Unused sick leave may be accumulated to a maximum of 50 days. Union employees eligible for retirement benefits through PERF shall be paid 50% of the value of their accrued sick leave. Nonunion employees earn sick leave at the rate of 1 day per month. Unused sick leave may be accumulated to a maximum of 88 days. Accumulated sick leave is not paid to nonunion employees upon separation.
- b. Vacation Leave – Greater Lafayette Public Transportation Corporation union employees earn vacation leave at rates from 5 to 30 days per year based upon the number of years of service. Nonunion employees earn vacation leave at rates from 10 to 30 days per year based on the number of years of service. A maximum of 5 days vacation may be rolled from one year to another. Accumulated vacation leave is paid to employees through cash payments upon separation.

Vacation and sick is accrued when incurred and reported as a liability.

II. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

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

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The Greater Lafayette Public Transportation Corporation's deposit policy for custodial credit risk is that all funds will be deposited with a State of Indiana approved depository. At December 31, 2010, the Greater Lafayette Public Transportation Corporation had deposit balances in the amount of \$6,977,248. Of this amount, none was exposed to custodial credit risk.

All 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.

2. Investments

As of December 31, 2010, the Greater Lafayette Public Transportation Corporation had no investments.

Statutory Authorization for Investments

Indiana Code 5-13-9 authorizes the 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 the 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 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. Investments in money market mutual funds may not exceed 50% of the funds held by the Public Transportation Corporation and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust 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 Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

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

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Investment Custodial Credit Risk

The custodial credit 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. The Public Transportation Corporation does not have a formal investment policy for custodial credit risk for investments.

As of December 31, 2010, Greater Lafayette Public Transportation Corporation had no investments subject to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Greater Lafayette Public Transportation Corporation does not have a formal investment policy for interest rate risk for investments.

As of December 31, 2010, Greater Lafayette Public Transportation Corporation had no investments subject to interest rate risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The distribution of securities with credit ratings is summarized below. The Greater Lafayette Public Transportation Corporation does not have a formal investment policy for credit risk for investments.

As of December 31, 2010, Greater Lafayette Public Transportation Corporation had no investments subject to credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Greater Lafayette Public Transportation Corporation does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

As of December 31, 2010, Greater Lafayette Public Transportation Corporation had no investments subject to concentration of credit risk.

Foreign Currency Risk

The Greater Lafayette Public Transportation Corporation does not have a formal policy in regards to foreign currency risk.

As of December 31, 2010, Greater Lafayette Public Transportation Corporation had no investments subject to foreign currency risk.

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Capital Assets

Capital asset activity for the year ended December 31, 2010, was as follows:

	Beginning			Ending
2010	Balance	Increases	Decreases	Balance
Capital assets, not being depreciated:				
Land	\$ 107,040	\$ -	\$ -	\$ 107,040
Construction in progress	810,249	793,681	2,774	1,601,155
	<u>917,289</u>	<u>793,681</u>	<u>2,774</u>	<u>1,708,195</u>
Capital assets, being depreciated:				
Revenue equipment	18,020,126	2,392,256	-	20,412,382
Support vehicles	237,055	51,592	-	288,647
Building and structures	9,425,629	124,720	-	9,550,349
Equipment shop and garage	383,764	57,226	-	440,990
Revenue collection fareboxes	422,448	284,690	-	707,138
Communication equipment	1,982,606	406,624	89,775	2,299,455
Office equipment and furnishings	470,738	116,088	-	586,826
	<u>30,942,366</u>	<u>3,433,197</u>	<u>89,775</u>	<u>34,285,788</u>
Less accumulated depreciation for:				
Revenue equipment	(8,234,036)	(1,590,163)	-	(9,824,199)
Support vehicles	(172,124)	(25,399)	-	(197,523)
Building and structures	(3,899,493)	(370,098)	-	(4,269,591)
Equipment shop and garage	(294,591)	(20,261)	-	(314,852)
Revenue collection fareboxes	(359,447)	(82,425)	-	(441,872)
Communication equipment	(851,264)	(1,158,894)	(89,775)	(1,920,383)
Office equipment and furnishings	(395,977)	(33,096)	-	(429,073)
	<u>(14,206,932)</u>	<u>(3,280,337)</u>	<u>(89,775)</u>	<u>(17,397,494)</u>
	<u>16,735,434</u>	<u>152,860</u>	<u>-</u>	<u>16,888,294</u>
	<u>\$17,652,723</u>	<u>\$ 946,541</u>	<u>\$ 2,774</u>	<u>\$ 18,596,489</u>

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Construction Commitments

Construction work in progress is composed of the following:

Project	Expended to	
	December 31	Committed
Improvements	\$ 1,601,155	\$ -

D. Restricted Assets

The balances of restricted asset accounts in the enterprise funds are as follows:

	2010
Uninsured liability	\$ 280,130
Operations	74,870
Capital projects	3,864,715
Total restricted assets	\$ 4,219,715

III. Other Information

A. Risk Management

The Greater Lafayette 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; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters 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. Risk financing is not utilized for the other risks of loss.

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Pension Plan

Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

a. Public Employees' Retirement Fund

Plan Description

The Greater Lafayette Public Transportation Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the Greater Lafayette Public Transportation Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy

PERF members are required to contribute 3% percent of their annual covered salary. The Greater Lafayette Public Transportation Corporation is required to contribute at an actuarially determined rate; the current rate is 7.5 percent of annual covered payroll. The contribution requirements of plan members and the Greater Lafayette Public Transportation Corporation are established and may be amended by the PERF Board of Trustees.

Annual Pension Cost

For 2010, the Greater Lafayette Public Transportation Corporation's annual pension cost of \$318,356 for PERF was equal to the Greater Lafayette Public Transportation Corporation's required and actual contributions.

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 318,486
Interest on net pension obligation	925
Adjustment to annual required contribution	<u>(1,055)</u>
Annual pension cost	318,356
Contributions made	<u>301,652</u>
Increase (decrease) in net pension obligation	16,704
Net pension obligation, beginning of year	<u>12,764</u>
Net pension obligation, end of year	<u><u>29,468</u></u>

Contribution rates:	
Public Transportation Corporation	7.50%
Plan members	3%
Actuarial valuation date	07-01-09
Actuarial cost method	Entry age normal cost
Amortization method	Level dollar, closed amortization period
Amortization period	30 years
Amortization period (from date)	07-01-07
Assess valuation method	75% of expected actuarial value plus 25% of market value

<u>Actuarial Assumptions</u>	
Investment rate of return	7.50%
Projected future salary increases:	
Total	4.00%
Cost-of-living adjustments	1.5%

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Three Year Trend Information				
		Annual	Percentage	Net
		Pension Cost	of APC	Pension
	Year Ending	(APC)	Contributed	Obligation
PERF	06-30-07	\$ 265,700	85%	\$ (18,299)
	06-30-08	288,821	89%	12,764
	06-30-09	318,356	95%	29,468

Funded Status and Funding Progress for the Above Plan

The funded status of each plan as of July 1, 2009, the most recent actuarial valuation date is as follows:

Retirement <u>Plan</u>	Actuarial Value Of Plan <u>Assets</u>	Actuarial Accrued Liability - <u>AAL</u>	Unfunded AAL or (Funding <u>Excess</u>)	Funded <u>Ratio</u>	Covered <u>Payroll</u>	Unfunded AAL or (Funding Excess) as a Percentage of Covered <u>Payroll</u>
PERF	\$2,904,526	\$3,970,948	\$1,066,422)	73%	4,601,597	23%

The Schedule of Funding Progress, presented as RSI for the above plans following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	\$ 2,546,876	\$ 2,884,267	\$ (337,391)	88%	\$ 3,255,882	(10%)
07-01-05	2,695,861	3,179,603	(483,742)	85%	3,511,377	(14%)
07-01-06	2,841,992	3,370,901	(528,909)	84%	3,680,573	(14%)
07-01-07	3,119,322	3,632,989	(513,667)	86%	4,009,688	(13%)
07-01-08	3,294,905	3,954,732	(659,827)	83%	4,246,476	(16%)
07-01-09	2,904,526	3,970,948	(1,066,422)	73%	4,601,597	(23%)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE GREATER LAFAYETTE PUBLIC TRANSPORTATION
CORPORATION, TIPPECANOE COUNTY, INDIANA

Compliance

We have audited the compliance of the Greater Lafayette Public Transportation Corporation (Public Transportation Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2010. The Public Transportation Corporation's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Public Transportation Corporation's management. Our responsibility is to express an opinion on the Public Transportation Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Public Transportation Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Public Transportation Corporation's compliance with those requirements.

In our opinion, the Public Transportation Corporation complied in all material respects with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2010.

Internal Control Over Compliance

The management of the Public Transportation Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Public Transportation Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Public Transportation Corporation's internal control over compliance.

A deficiency in internal control over compliance 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 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.

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

This report is intended solely for the information and use of the Public Transportation Corporation's management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

July 26, 2011

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2010

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Direct Grant			
Federal Transit Cluster			
Federal Transit Capital Investment Grant	20.500	IN 04-0020-00 IN 04-0037-00	\$ 51,332 <u>1,328</u>
Total for program			<u>52,660</u>
Federal Transit Formula Grants	20.507	IN 90-X539-00 IN 90-X560-00 IN 90-2589-00 IN 90-X589-01 IN 90-4601-00 IN 90-X601-01	252,177 109,284 12,000 1,480,899 508,423 <u>979,468</u>
Total for program			<u>3,342,251</u>
ARRA - Federal Transit Formula Grants	20.507	IN 96-X014-00	<u>1,739,528</u>
Job Access Reverse Commute	20.516	IN 37-X098-00 IN 37-X100-00 IN 37-X106-00	175,000 183,750 <u>885,660</u>
Total for program			<u>1,244,410</u>
Total for cluster			<u>6,378,849</u>
Direct Grant			
ARRA - Capital Assistance Program for Reducing Energy Consumption and Greenhouse Gas Emissions	20.523	IN 77-0001-00	<u>60,861</u>
Total federal awards expended			<u>\$ 6,439,710</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Greater Lafayette Public Transportation Corporation (primary government) and is presented in accordance with the cash and investment basis of accounting. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements

Note 2. Federal Transit Cluster

These programs were established to assist Public Transportation Corporations with planning, capital, and operating assistance. The programs are reimbursable grants based on an approved application and expenses incurred.

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? no

Identification of Major Programs:

Name of Federal Program or Cluster

Federal Transit Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on July 26, 2011, with Martin B. Sennett, General Manager; Daniel J. Moore, Chairman of the Board, Arnold E. Becker, Controller; and Christopher R. Whitehead, Assistant Controller. Our audit disclosed no material items that warrant comment at this time.