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November 9, 2015

Board of Directors
Greater Lafayette Public Transportation Corporation
1250 Canal Road
Lafayette, IN 47904

We have reviewed the audit report prepared by Crowe Horwath LLP, Independent Public Accountants, for the period January 1, 2013 to December 31, 2013. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Greater Lafayette Public Transportation Corporation, as of December 31, 2013 and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

**GREATER LAFAYETTE PUBLIC
TRANSPORTATION CORPORATION**

FINANCIAL STATEMENTS
December 31, 2013

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION

Lafayette, Indiana

FINANCIAL STATEMENTS

December 31, 2013

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GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
SCHEDULE OF OFFICIALS
December 31, 2013

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
General Manager	Martin B. Sennett	01-01-13 to 12-31-13
Controller	Christopher R. Whitehead	01-01-13 to 12-31-13
Chairman of the Board	Dr. Jon Fricker	01-01-13 to 12-31-13

INDEPENDENT AUDITOR'S REPORT

To the Officials of the Greater Lafayette Public
Transportation Corporation
Tippecanoe County, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of the Greater Lafayette Public Transportation Corporation ("CityBus"), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise CityBus' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CityBus, as of December 31, 2013, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Funding Progress on page 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Schedule of Funding Progress 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 evidence sufficient to express an opinion or provide any assurance.

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise CityBus' basic financial statements. The Schedule of Expenditures of Federal Awards as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* on page 17 and the Schedule of Officials on page 1 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The Schedule of Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2014 on our consideration of CityBus' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 CityBus' internal control over financial reporting and compliance.

Crowe Horwath LLP
Crowe Horwath LLP

Indianapolis, Indiana
December 19, 2014

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
STATEMENT OF NET POSITION
DECEMBER 31, 2013

	<u>2013</u>
ASSETS	
Current assets	
Cash and cash equivalents (Note 2)	\$ 1,166,450
Accounts receivable	389,353
Intergovernmental receivables (Note 3)	3,437,725
Inventories	433,342
Prepaid assets	<u>27,914</u>
Total current assets	<u>5,454,784</u>
Noncurrent assets	
Board designated cash and cash equivalents (Note 2):	
Uninsured liability	280,130
Operations	74,870
Restricted cash and cash equivalents (Note 2):	
Capital projects	<u>3,643,022</u>
Total board designated and restricted cash and cash equivalents	<u>3,998,022</u>
Capital assets (Note 4):	
Non-depreciable capital assets	1,179,503
Depreciable capital assets, net of accumulated depreciation	<u>21,453,625</u>
Total capital assets	<u>22,633,128</u>
Total noncurrent assets	<u>26,631,150</u>
Total assets	<u>\$ 32,085,934</u>
LIABILITIES	
Current liabilities	
Accounts payable	379,309
Accrued wages payable	159,432
Payroll taxes payable	48,124
Compensated absences	224,492
Other payables	<u>24,670</u>
Total current liabilities	<u>836,027</u>
NET POSITION	
Net investment in capital assets	22,310,928
Restricted for capital projects	3,643,022
Unrestricted	<u>5,295,957</u>
Total net position	<u>31,249,907</u>
Total liabilities and net position	<u>\$ 32,085,934</u>

See accompanying notes to financial statements.

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 Year Ended December 31, 2013

	<u>2013</u>
Operating revenues	
Passenger fares	\$ 728,324
Special transit fares	2,098,193
Advertising	202,782
Other	<u>326,915</u>
Total operating revenues	<u>3,356,214</u>
Operating expenses	
Operators salaries and wages	3,404,646
Other salaries and wages	1,550,187
Fringe benefits	2,986,048
Services	295,822
Maintenance materials and supplies	1,738,423
Other materials and supplies	263,442
Utilities	127,682
Casualty and liability insurance	97,491
Miscellaneous expenses	186,275
Depreciation	<u>2,733,613</u>
Total operating expenses	<u>13,383,629</u>
Operating loss	<u>(10,027,415)</u>
Nonoperating revenues (expenses)	
Interest revenue	9,027
Local taxes	2,735,082
State of Indiana operating assistance	3,803,112
Federal operating assistance	1,382,107
Loss on asset disposals	<u>(4,668)</u>
Total nonoperating revenues (expenses)	<u>7,924,660</u>
Loss before capital contributions	(2,102,755)
Capital contributions	<u>2,310,662</u>
Change in net position	207,907
Net position, beginning of year	<u>31,042,000</u>
Net position, end of year	<u>\$ 31,249,907</u>

See accompanying notes to financial statements.

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
STATEMENT OF CASH FLOWS
Year Ended December 31, 2013

	<u>2013</u>
Cash flows from operating activities	
Receipts from customers and users	\$ 2,991,101
Payments to suppliers and contractors	(3,062,685)
Payments to employees	(7,980,130)
Other receipts	<u>326,915</u>
Net cash from operating activities	<u>(7,724,799)</u>
Cash flows from noncapital financing activities	
Local taxes	2,731,888
State operating assistance	2,536,902
Federal operating assistance	<u>1,337,168</u>
Net cash from noncapital financing activities	<u>6,605,958</u>
Cash flows from capital and related financing activities	
Capital contributions	3,300,664
Acquisition and construction of capital assets	(2,014,767)
Proceeds on sale of capital assets	<u>4,668</u>
Net cash from capital and related financing activities	<u>1,290,565</u>
Cash flows from investing activities	
Interest received	<u>9,027</u>
Net cash from investing activities	<u>9,027</u>
Net increase in cash and cash equivalents	180,751
Cash and cash equivalents at beginning of year	<u>4,983,721</u>
Cash and cash equivalents at end of year (Note 2)	<u>\$ 5,164,472</u>
Reconciliation of operating loss to net cash from operating activities	
Operating loss	\$ (10,027,415)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation and amortization expense	2,733,613
Change in assets and liabilities:	
Accounts receivable	(38,198)
Inventories	13,616
Prepaid items	(16,121)
Accounts payable	(342,399)
Accrued wages payable	(20,985)
Payroll taxes payable	4,980
Compensated absences	(23,244)
Other payables	<u>(8,646)</u>
Net cash from operating activities	<u>\$ (7,724,799)</u>
Non-cash transactions	
Accounts payable on capital assets	\$ 322,200

See accompanying notes to financial statements.

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The Greater Lafayette Public Transportation Corporation (d/b/a "CityBus") was established pursuant to a joint ordinance adopted by the cities of Lafayette and West Lafayette. CityBus 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 CityBus. There are no significant component units which require inclusion.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation: The accounting policies of CityBus conform to accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units. All of the activities are accounted for as an enterprise fund for financial reporting purposes. Enterprise funds are used to account for activities (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

CityBus accounts for its activities, which are maintained using the economic resources measurement focus on the accrual basis of accounting. Under this method of accounting, revenues are recognized in the period in which they are earned, and expenses are recognized in the period incurred.

Enterprise funds distinguish operating receipts and disbursements from nonoperating 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 nonoperating receipts and disbursements.

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

Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deposits and Investments: CityBus' 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.

State statute (IC 5-13-9) authorizes CityBus 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.

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable: Accounts receivable represents amounts due from various organizations for contracted services provided by City Bus. Management reviewed the accounts and determined that no allowance for doubtful accounts was necessary.

Inventories: All inventories are valued at cost using the weighted-average method.

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

Board Designated and Restricted Cash and Cash Equivalents:

- Cash and cash equivalents classified as restricted for capital projects are funded through a tax levy and placed in CityBus' Cumulative Capital Fund.
- Certain proceeds of the enterprise fund are classified as board designated assets on the statement of net position because they are reserved for deductibles on insurance policies.
- There are also funds designated by the board of directors for directors' and officers' potential liabilities.

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:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated 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

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 substantially completed.

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences: Vacation and sick leave is accrued when incurred and reported as a liability.

- Sick Leave - CityBus union employees earn sick leave at the rate of 1/2 day (4 hours) per month. Unused sick leave may be accumulated to a maximum of 50 days. Union employees eligible for retirement benefits through INPRS shall be paid 50 percent 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.
- Vacation Leave - CityBus 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. For nonunion employees, 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.

Net Position: CityBus's net position is classified into the following categories:

- Net Investment in Capital Assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- Restricted: Net position that has external constraints placed on it by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through contribution provision of enabling legislation. The statement of net position reports \$3,643,022 of restricted net position, all of which is restricted by enabling legislation for capital projects.
- Unrestricted: Unrestricted net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets." Unlike the restricted net position, the board has discretion in determining the use and establishing minimum/maximum balance requirements for the unrestricted cash and investment portion of net position. The board may at any time change or eliminate amounts established for these purposes.

When both restricted and unrestricted resources are available for use, CityBus' policy is to use restricted resources first, then unrestricted resources as they are needed.

Operating and Nonoperating Grant Revenues and Expenses: CityBus distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with CityBus's principal ongoing operations. The principal operating revenues are passenger fares charged for transportation services, which are recognized at the time services are performed and revenues pass through fare systems. Operating expenses include the cost of transportation services, maintenance of capital assets and facilities, administrative expenses, and depreciation reported on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Grants and Subsidies: Grant and subsidy revenues are recorded when earned. CityBus receives grant and subsidy funds from local, State, and Federal entities. Funds received from such entities are subject to certain required terms and conditions of the underlying grant agreements and are subject to audit by the grantor agencies. Amounts received under such grants and contractual agreements are subject to change based upon the results of such audits.

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating assistance grants are included as non-operating revenues in the year in which a related reimbursable expense is incurred or in unearned revenue for use in a subsequent fiscal year.

CityBus' policy is to report revenue from capital grants separately after non-operating revenues as the related expenses are incurred. Assets acquired with capital grant funds are included in capital assets. Capital grant monies received prior to an expense being incurred are recorded as unearned revenue.

Non-exchange Transactions: CityBus recognizes all capital grants as capital contributions in the statement of revenues, expenses, and changes in net position.

NOTE 2 – CASH AND CASH EQUIVALENTS

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 depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. CityBus' deposit policy for custodial credit risk is that all funds will be deposited with a State of Indiana approved depository. At December 31, 2013, CityBus had deposit balances in the amount of \$5,164,472. Of this amount, none was exposed to custodial credit risk. Cash and cash equivalents were comprised as follows at December 31, 2013:

Unrestricted, current	\$ 1,166,450
Board designated, noncurrent	355,000
Restricted, noncurrent	<u>3,643,022</u>
	<u>\$ 5,164,472</u>

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.

NOTE 3 – INTERGOVERNMENTAL RECEIVABLES

Intergovernmental Receivables - Intergovernmental receivables are funds that are obligated to one governmental unit by another governmental unit that have not been received at year end.

At December 31, 2013, CityBus had a receivable balance due from the Federal Transit Administration of \$3,437,725. Amounts due are recorded when earned based on operating grant and capital grant revenue recognition. Management believes that no provision for an allowance was necessary at December 31, 2013.

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 4 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2013 is as follows:

	January 1, 2013 <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	December 31, 2013 <u>Balance</u>
Capital assets, not being depreciated:				
Land	\$ 435,346	\$ 150,160	\$ -	\$ 585,506
Construction in progress	<u>2,437,413</u>	<u>2,458,799</u>	<u>(4,302,215)</u>	<u>593,997</u>
Total capital assets, not being depreciated	<u>2,872,759</u>	<u>2,608,959</u>	<u>(4,302,215)</u>	<u>1,179,503</u>
Capital assets, being depreciated:				
Revenue equipment	22,750,016	218,214	(86,903)	22,881,327
Support vehicles	327,129	22,115	(18,670)	330,574
Building and structure	11,700,099	4,033,491	-	15,733,590
Equipment shop and garage	443,491	31,646	-	475,137
Revenue collection fareboxes	772,894	1,001	-	773,895
Communication equipment	2,162,326	162,257	-	2,324,583
Office equipment and furnishings	<u>416,844</u>	<u>19,086</u>	<u>(10,781)</u>	<u>425,149</u>
Totals	<u>38,572,799</u>	<u>4,487,810</u>	<u>(116,354)</u>	<u>42,944,255</u>
Less accumulated depreciation for:				
Revenue equipment	(11,329,930)	(1,683,819)	79,032	(12,934,717)
Support vehicles	(202,709)	(50,105)	18,670	(234,144)
Building and structure	(5,023,104)	(454,209)	-	(5,477,313)
Equipment shop and garage	(335,619)	(32,209)	-	(367,828)
Revenue collection fareboxes	(603,217)	(72,924)	-	(676,141)
Communication equipment	(1,052,953)	(385,079)	-	(1,438,032)
Office equipment and furnishings	<u>(317,301)</u>	<u>(55,935)</u>	<u>10,781</u>	<u>(362,455)</u>
Totals	<u>(18,864,833)</u>	<u>(2,734,280)</u>	<u>108,483</u>	<u>(21,490,630)</u>
Total capital assets, being depreciated, net	<u>19,707,966</u>	<u>1,753,530</u>	<u>(7,871)</u>	<u>21,453,625</u>
Total capital assets, net	<u>\$ 22,580,725</u>	<u>\$ 4,362,489</u>	<u>\$ (4,310,086)</u>	<u>\$ 22,633,128</u>

NOTE 5 - OPERATING LEASES

CityBus is obligated under certain leases through May 2060 for real estate that are accounted for as operating leases. Lease rental expense for the year ended December 31, 2013 was \$10,695. A schedule of future minimum operating lease payments required that have initial or remaining lease terms in excess of one year as of December 31, 2013:

Year Ending December 31:

2014	\$ 11,230
2015	11,791
2016	12,381
2017	13,000
2018	<u>13,650</u>
	<u>\$ 65,052</u>

NOTE 6 – RISK MANAGEMENT

CityBus 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; medical benefits to employees and dependents; 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.

Through June 30, 2012, CityBus carried an employees' health insurance policy for which it was fully insured. After that date, CityBus carried a policy that included a comprehensive stop loss provision, with aggregate stop loss and individual stop loss coverage. The individual stop loss level is \$25,000, with a corridor factor of 110 percent, which insures CityBus from excess losses incurred at both the employee and CityBus level. Premiums on these policies are not separately identifiable under the health insurance policy.

NOTE 7 – BENEFIT PLANS

Agent Multiple-Employer Defined Benefit Plan Indiana Public Retirement System: CityBus contributes to the Indiana Public Retirement System ("INPRS"), a defined benefit pension plan. INPRS is an agent multiple-employer public 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 INPRS Board, most requirements of the system and give CityBus authority to contribute to the plan. The INPRS 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.

INPRS 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:

Indiana Public Retirement System
One North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687
www.inprs.in.gov

Funding Policy: INPRS members are required to contribute three percent of their annual covered salary. CityBus is required to contribute an actuarially determined rate; the current rate is ten percent of annual covered payroll. The contribution requirements of plan members and CityBus are established and may be amended by the INPRS Board of Trustees. CityBus' annual pension cost and related information, as provided by the actuary, is presented in this note.

Annual Pension Cost: For 2013, CityBus' annual pension cost and related information for INPRS, as provided by the actuary, is presented in this note.

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2013

NOTE 7 – BENEFIT PLANS (Continued)

Actuarial Information for the Above Plan

	<u>INPRS</u>
Annual required contribution	\$ 460,214
Interest on net pension obligation	12,846
Adjustment to annual required contribution	<u>(14,953)</u>
Annual pension cost	458,107
Contributions made	<u>481,929</u>
Change in net pension obligation	(23,822)
Net pension obligation, beginning of year	<u>190,304</u>
Net pension obligation, end of year	<u>\$ 166,482</u>

Contribution rates:

CityBus	10%
Plan members	3%
Actuarial valuation date	6-30-2013
Actuarial cost method	Entry age normal cost
Amortization method	Level percent of payroll
Amortization period	30 years
Amortization period (from date)	07-01-08
Assess valuation method	4-year smoothing of gains/losses on market value with a 20% corridor

Actuarial Assumptions:

Projected future salary increases:

Total	3.25% - 4.50%
Attributed to inflation	3.00%
Cost-of-living adjustments	1.00%

Three Year Trend Information

	<u>INPRS</u>		
<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06-30-13	\$ 458,107	105%	\$ 166,482
06-30-12	478,987	88%	190,304
06-30-11	449,647	83%	131,176

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2013

NOTE 7 – BENEFIT PLANS (Continued)

Funded Status and Funding Progress for the Above Plan: The funded status of INPRS as of June 30, 2013, is as follows:

<u>Retirement Plan</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Liability (AAL) Entry Age <u>(b)</u>	Unfunded AAL <u>(a-b)</u>	Funded Ratio <u>(a/b)</u>	Annual Covered Payroll <u>(c)</u>	Unfunded AAL as a Percentage of Covered Payroll <u>((a-b)/c)</u>
INPRS	\$ 2,933,491	\$ 5,089,915	\$ (2,156,423)	58%	\$5,215,941	41%

The Schedule of Funding Progress, presented as required supplementary information for the above plans following the notes to the basic 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.

457(b) Employee Deferred Compensation Plan: AXA Equitable provides an option for employees of CityBus to participate in a salary reduction Section 457 Employee Deferred Compensation (“EDC”) plan, up to the IRS-defined maximum annual limit for each participating employee. For salaried administrative employees, in lieu of raises, CityBus will contribute up to 3 percent of their gross pay to the employee's 457 EDC plan account. Under this arrangement, the employee is required to match 50 percent of the employer's contribution, up to 1.5 percent of the employee's gross pay. CityBus contributed \$10,765 to employee accounts in 2013.

Health Savings Accounts – City Bus contributes to health savings accounts on a biweekly basis for its employees who participate in CityBus’ health insurance plan.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Construction Commitments: Construction work in progress is composed of the following:

<u>Project</u>	<u>Expended to December 31</u>	<u>Committed</u>
Improvements	\$ 593,997	\$ 51,155

Legal Matters: In the ordinary course of business, CityBus is subject to certain lawsuits and other potential legal actions. In the opinion of management, such matters will not have a material effect on the financial statements of CityBus.

SUPPLEMENTARY INFORMATION

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 December 31, 2013

<u>Public Employees' Retirement Fund</u>						
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)
06-30-11	2,727,337	4,793,778	(2,066,441)	57%	5,090,808	(41%)
06-30-12	2,582,199	5,346,757	(2,764,558)	48%	5,326,331	(52%)
06-30-13	2,933,491	5,089,915	(2,156,423)	58%	5,215,941	(41%)

**SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS**

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year ended December 31, 2013

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Grant Identifying Number	Federal Expenditures
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Direct grant			
Federal Transit Cluster			
Federal Transit-Capital Investment Grants	20.500	IN 04-0037-00	\$ 3,826
		IN 04-0037-01	<u>3,262</u>
			<u>7,088</u>
Federal Transit-Formula Grants	20.507	IN 90-0589-02	413,882
		IN 90-0601-03	306,822
		IN 90-0644-00	1,474,542
		IN 90-0648-00	<u>90,780</u>
			<u>2,286,026</u>
Total for Federal Transit Cluster			<u>2,293,114</u>
Direct grant			
Transit Services Program Cluster			
Job Access Reverse Commute Program	20.516	IN 37-4040-00	<u>358,750</u>
New Freedom Program Cluster	20.521	IN 57-0018-00	59,419
		IN 57-0060-02	<u>892,473</u>
			<u>951,892</u>
Total for Transit Services Program Cluster			<u>1,310,642</u>
Direct grant			
Consumption and Greenhouse Gas Emissions	20.523	N/A	<u>90,496</u>
Total expenditures of federal awards			<u>\$ 3,694,252</u>

See accompanying notes to schedule of expenditures of federal awards.

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2013

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of CityBus and is presented in accordance with the cash 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.

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

To the Officials of the
Greater Lafayette Public
Transportation Corporation
Lafayette, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Greater Lafayette Public Transportation Corporation ("CityBus") as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise CityBus' basic financial statements, and have issued our report thereon dated December 19, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered CityBus' internal control over financial reporting (internal control) to determine the 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 CityBus' internal control. Accordingly, we do not express an opinion on the effectiveness of CityBus' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. (Findings 2013-001 and 2013-002)

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency. (Finding 2013-003)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CityBus' 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 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*.

CityBus' Responses to Findings

CityBus' responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. CityBus' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Crowe Horwath LLP
Crowe Horwath LLP

Indianapolis, Indiana
December 19, 2014

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

To the Officials of the
Greater Lafayette Public
Transportation Corporation
Lafayette, Indiana

Report on Compliance for Each Major Federal Program

We have audited the Greater Lafayette Public Transportation Corporation's ("CityBus") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of CityBus' major federal programs for the year ended December 31, 2013. CityBus' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of CityBus' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing 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 CityBus' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of CityBus' compliance.

Opinion on Each Major Federal Program

In our opinion, CityBus complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Findings 2013-004, 2013-005, and 2013-006. Our opinion on each major federal program is not modified with respect to these matters.

CityBus' response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. CityBus' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of CityBus is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered CityBus' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 CityBus' internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness and significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2013-004 to be a material weakness.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings 2013-005 and 2013-006 to be significant deficiencies.

CityBus' responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. CityBus' responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP
Crowe Horwath LLP

Indianapolis, Indiana
December 19, 2014

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2013

SECTION 1 - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiencies identified not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards:

Internal Control over major programs:

Material weakness(es) identified? Yes No

Significant deficiencies identified not considered to be material weaknesses? Yes None reported

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

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

Identification of Major Programs:

Name of Federal Program or Cluster

Federal Transit Cluster – CFDA number 20.500 and 20.507
Transit Services Program Cluster – CFDA number 20.516 and 20.521

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

Auditee qualified as low-risk auditee? Yes No

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2013

SECTION 2 - FINDINGS RELATING TO THE FINANCIAL STATEMENTS, WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING 2013-001 – SEFA PREPARATION AND REVIEW (MATERIAL WEAKNESS)

Condition: The Schedule of Expenditures of Federal Awards (SEFA) was not prepared nor reviewed by CityBus.

Criteria: The SEFA should be prepared by an employee of CityBus and should be formally reviewed by someone independent of the preparation process.

Effect: The SEFA could be materially misstated or contain incorrect information.

Cause: There was no documented process in place for management to ensure a review was being completed.

Recommendation: We recommend the SEFA be prepared by the Assistant Controller and reviewed by the Controller and General Manager. This review should be documented to ensure the SEFA is complete and accurate. The SEFA should also be reconciled to the general ledger to ensure expenditures and subrecipient amounts are accurate.

Management Response and Corrective Action Plan: The Controller will develop a procedure to bring information on expenditures of federal awards into one schedule. This will be prepared by the Controller and reviewed by the Assistant Controller and General Manager. This corrective action will be implemented prior to the end of fiscal year 2014.

FINDING 2013-002 –SEGREGATION OF DUTIES CONTROLS (MATERIAL WEAKNESS)

Condition: CityBus has not separated incompatible activities related to the bank reconciliation process or the accounts receivable process.

As it relates to the bank reconciliation process, for most of the year there was no documented independent review of the bank reconciliations; however, CityBus implemented a review process in late 2013. We viewed the October 2013 bank reconciliation and noted it was prepared and reviewed by separate employees.

For accounts receivable, through October 2013 one employee prepared and mailed all statements on account, received the payments on accounts receivable, and posted those payments to the accounts receivable. CityBus implemented a receipts checklist in November 2013 which segregates the duties and shows who monitors electronic receipts, opens the mail and creates a deposit listing from the mail, posts the cash receipts, prepares the deposit ticket, reviews the deposit ticket, and files the information.

Criteria: The bank account and accounts receivable account should be reconciled by an employee of CityBus and should be formally reviewed by someone independent of the preparation process.

Effect: Material error or fraud could go undetected.

Cause: There was no documented process in place for management to follow and ensure a review was being completed.

Recommendation: We recommend that CityBus continue to use the new controls put in place in late 2013.

(Continued)

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2013

SECTION 2 - FINDINGS RELATING TO THE FINANCIAL STATEMENTS, WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Management Response and Corrective Action Plan: This finding is a carryover finding from the fiscal year 2012 annual audit. As noted, changes in internal controls were implemented in late 2013 after completion of the annual audit. CityBus continued to use these controls for fiscal year 2014 and will continue to use them.

FINDING 2013-003 – CONTROLS OVER FINANCIAL REPORTING (SIGNIFICANT DEFICIENCY)

Condition: During our audit we proposed two audit adjustments which resulted in significant changes to the financial statements. We have also identified potential adjustments which have been concluded as immaterial by management, but may be representative of control issues over the application of accounting principles.

Criteria: Management is responsible to have internal controls in place to provide appropriate and reliable financial reports and to select and apply appropriate accounting principles.

Effect: The net impact of the posted adjustments on the financial statements was that assets were increased by approximately \$580,000 and liabilities by approximately \$322,000. The net impact change of the adjustments was that change in net position increased by approximately \$258,000.

Cause: The above condition appears to be the result of the inability to fully implement a monthly and annual reconciliation and review process.

Recommendation: We recommend that management implement monthly and annual reconciliation processes, specifically as it relates to the cutoff of revenues and expenses, to ensure that all transactions are properly accounted for under the accrual basis of accounting.

Management Response and Corrective Action Plan: The source of this deficiency is incorrect accounting practice for a procurement of fareboxes received in December 2013. The equipment was received but no asset and no liability were recorded. This matter was complicated by CityBus's attempt to close out the fiscal year prior to completion of the month-end close out for December. Management will close out each month as it relates to the cutoff of revenues and expenses prior to the board meeting in which financial statements for the month will be presented. The fiscal year will be closed and reconciled after the month of December is reconciled to ensure that all transactions are properly accounted for.

(Continued)

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2013

SECTION 3 - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS INCLUDING AUDIT FINDINGS AS DEFINED IN OMB CIRCULAR A-133 SECTION 510(A)

FINDING 2013-004 – CERTIFIED PAYROLL AND PREVAILING WAGES (MATERIAL WEAKNESS)

Federal Program Information: U.S. Department of Transportation – Federal Transit Cluster and Transit Services Program Cluster (CFDA numbers: 20.500, 20.507, 20.516, and 20.521)

Condition: During our testing of controls associated with Davis Bacon requirements for the Federal Transit Cluster, Job Access Reverse Commute Program, and the New Freedom Program Cluster we noted CityBus does not have formal procedures in place to ensure effective monitoring that prevailing wages are being paid by contractors and subcontractors. CityBus is monitoring compliance with Davis Bacon; however, there are no formal documents which can be tested to ensure effective monitoring is taking place.

Criteria: Monitoring of Davis Bacon and prevailing wage rates are required.

Questioned Costs: None.

Context: There is no documented review of prevailing wages paid to contractors and subcontractors.

Effect: Due to no documented review of prevailing wages there is a risk that contractors and subcontractors will not be paid the proper amount.

Cause: CityBus does not have significant experience with issuing construction contracts with Davis Bacon requirements.

Recommendation: We recommend CityBus documents reviews and approvals of payroll to ensure contractors and subcontractors are being paid prevailing wages.

Management Response and Corrective Action Plan: Management will develop and implement a process to ensure that monitoring of prevailing wages paid by contractors and subcontractors is documented. This will be implemented prior to the end of fiscal year 2014.

FINDING 2013-005 – RECONCILIATION OF QUARTERLY FTA REPORTS (SIGNIFICANT DEFICIENCY)

Federal Program Information: U.S. Department of Transportation – Federal Transit Cluster and Transit Services Program Cluster (CFDA numbers: 20.500, 20.507, 20.516, and 20.521)

Condition: In testing the FTA quarterly reports, we were unable to reconcile the amounts reported in the FTA reports to the current year SEFA. We tried to reconcile the 2013 expenditures for these federal programs, but were unable to do so.

The requirement of the reports is to present expenses in the period in which they are occurred, and as a result, management has improperly completed and filed these reports.

CityBus should report the actual level of expenditure per period on the quarterly reports. If there is a difference between what's reported and what was expended, a reconciliation should be performed to explain the difference.

(Continued)

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2013

SECTION 3 - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS INCLUDING AUDIT FINDINGS AS DEFINED IN OMB CIRCULAR A-133 SECTION 510(A) (Continued)

Criteria: All reporting provided to external parties should agree to internal documents or be reconciled to supporting documentation.

Questioned Costs: None

Context: Based on this information the quarterly reports or the SEFA could be incorrect.

Effect: By not reconciling the quarterly reports to the SEFA there is a risk that the financial statements and the amount reported to the FTA will be incorrect.

Cause: Management does not perform a reconciliation between quarterly reports and the SEFA.

Recommendation: Going forward, management should prepare a reconciliation between quarterly reports and the SEFA and ensure that only actual expenditures are reported on a quarterly basis.

Management Response and Corrective Action Plan: Management will implement the recommended corrective action for fiscal year 2014. This will be the responsibility of the Controller with review by the Assistant Controller.

FINDING 2013-006 – SEGREGATION OF DUTIES OVER DRAWS (SIGNIFICANT DEFICIENCY)

Federal Program Information: U.S. Department of Transportation – Federal Transit Cluster and Transit Services Program Cluster (CFDA numbers: 20.500, 20.507, 20.516, and 20.521)

Condition: During our testing of controls over compliance for the Federal Transit Cluster and the Federal Transit Services Cluster it was noted that there was no documented review of the supporting information for the ECHO drawdowns. The General Manager approves all ECHO drawdowns but it was not clearly stated that he was reviewing the supporting documentation.

Criteria: Management is responsible for having internal controls in place to provide appropriate segregation of duties over the draw of federal funds.

Questioned Costs: None.

Context: There was no documented review of expenditures on the ECHO drawdowns.

Effect: There could be an incorrect draw down due to no documented review, resulting in either over-drawing or under-drawing federal funds.

Cause: Management does not document review of the expenditures on the ECHO drawdowns.

Recommendation: Crowe recommends documenting who prepared the information along with a review of this information.

Management Response and Corrective Action Plan: Documentation of who prepared the ECHO drawdown and subsequent review by the General Manager was implemented in 2014. ECHO drawdowns are prepared by the Controller and all supporting documentation is reviewed by the Assistant Controller and the General Manager. The General Manager, by signature on the review form, authorizes the Controller to draw down the funds after review of all supporting documentation.

(Continued)

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2013

SECTION 4 – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

FINDING 2012-3 and FINDING 2012-4 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS

Federal Program Information: U.S. Department of Transportation – Federal Transit Cluster and Transit Services Program Cluster (CFDA numbers: 20.500, 20.507, 20.516, and 20.521)

Condition: An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program, will be prevented, detected and corrected, in a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to CityBus.

Status: Unresolved; similar finding in the current year, see findings 2013-004 and 2013-006.

FINDING 2012-5 - COMPLIANCE WITH ACTIVITIES ALLOWED OR UNALLOWED, ALLOWABLE COSTS/COST PRINCIPLES AND CASH MANAGEMENT REQUIREMENTS

Federal Program Information: U.S. Department of Transportation – Transit Services Program Cluster (CFDA numbers: 20.516 and 20.521)

Condition: The management of CityBus has not adequately documented all costs claimed for reimbursement; specifically, the costs affiliated with the extension of routes and travel training were not adequately documented. The management of CityBus has not documented that expenditures on the programs were made prior to the requests for reimbursement in support of compliance with the cash management requirement.

Status: Resolved.

FINDING 2012-6 - COMPLIANCE WITH PROCUREMENT AND MATCHING REQUIREMENTS

Federal Program Information: U.S. Department of Transportation – Transit Services Program Cluster (CFDA numbers: 20.516 and 20.521)

Condition: The management of CityBus has not adequately documented all costs claimed for reimbursement; specifically, the costs affiliated with the extension of routes and travel training were not adequately documented. The documentation provided for audit did not support compliance with procurement and matching compliance requirements.

Status: Resolved.

(Continued)

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2013

SECTION 4 – PRIOR YEAR FINDINGS AND QUESTIONED COSTS (Continued)

FINDING 2012-7 - COMPLIANCE WITH REPORTING REQUIREMENTS

Federal Program Information: U.S. Department of Transportation – Transit Services Program Cluster (CFDA numbers: 20.516 and 20.521)

Condition: The management of CityBus has not adequately documented all costs claimed for reimbursement; specifically, the costs affiliated with the extension of routes and travel training were not adequately documented.

Status: Unresolved; similar finding in the current year, see Finding 2013-005.