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March 31, 2016

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, 2014 to December 31, 2014. 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, 2014 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.

We call your attention to the finding in the report which is referenced in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With *Government Auditing Standards*. It is classified as a significant deficiency in internal control and details the initial understatement of the Schedule of Expenditures of Federal Awards of \$62,958 due to the untimely draw-down of funds. This understatement was corrected by an audit adjustment.

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, 2014

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION

Lafayette, Indiana

FINANCIAL STATEMENTS

December 31, 2014

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GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
SCHEDULE OF OFFICIALS
December 31, 2014

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
General Manager	Martin B. Sennett	01-01-14 to 12-31-14
Controller (former)	Christopher R. Whitehead	01-01-14 to 05-22-14
Interim Controller	Amy Pitstick	05-23-14 to 07-13-14
Controller	John K. Metzinger	07-14-14 to 12-31-14
Chairman of the Board	Dr. Jon Fricker	01-01-14 to 12-31-14

INDEPENDENT AUDITOR'S REPORT

To the Officials of the Greater Lafayette Public
Transportation Corporation
Lafayette, 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, 2014, 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, 2014, 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

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 14 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 September 30, 2015 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
September 30, 2015

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
STATEMENT OF NET POSITION
DECEMBER 31, 2014

	<u>2014</u>
ASSETS	
Current assets	
Cash and cash equivalents (Note 2)	\$ 2,170,115
Accounts receivable	328,956
Intergovernmental receivables (Note 3)	181,973
Inventories	450,835
Prepaid assets	<u>27,982</u>
Total current assets	<u>3,159,861</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>5,831,952</u>
Total board designated and restricted cash and cash equivalents	<u>6,186,952</u>
Capital assets (Note 4):	
Non-depreciable capital assets	3,905,613
Depreciable capital assets, net of accumulated depreciation	<u>21,162,556</u>
Total capital assets	<u>25,068,169</u>
Total noncurrent assets	<u>31,255,121</u>
Total assets	<u>\$ 34,414,982</u>
LIABILITIES	
Current liabilities	
Accounts and construction payable	1,351,293
Accrued wages payable	173,422
Payroll taxes payable	49,266
Current portion of long-term debt (Note 5)	104,500
Accrued interest payable	51,154
Compensated absences	213,212
Other liabilities	<u>12,955</u>
Total current liabilities	<u>1,955,802</u>
Long-term debt (Note 5)	<u>2,519,325</u>
Total liabilities	<u>4,475,127</u>
NET POSITION	
Net investment in capital assets	23,056,742
Restricted for capital projects	3,989,606
Unrestricted	<u>2,893,507</u>
Total net position	<u>29,939,855</u>
Total liabilities and net position	<u>\$ 34,414,982</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, 2014

	<u>2014</u>
Operating revenues	
Passenger fares	\$ 715,042
Special transit fares	2,067,787
Advertising	142,142
Other	<u>350,991</u>
Total operating revenues	<u>3,275,962</u>
Operating expenses	
Operators salaries and wages	3,394,533
Other salaries and wages	1,595,731
Fringe benefits	3,145,019
Services	470,159
Maintenance materials and supplies	1,757,923
Other materials and supplies	276,906
Utilities	159,073
Casualty and liability insurance	93,219
Miscellaneous expenses	394,510
Depreciation	<u>2,704,150</u>
Total operating expenses	<u>13,991,223</u>
Operating loss	<u>(10,715,261)</u>
Nonoperating revenues	
Interest revenue	8,192
Local taxes	2,929,376
State of Indiana operating assistance	4,015,882
Federal operating assistance	457,773
Gain on asset disposals	<u>31,989</u>
Total nonoperating revenues	<u>7,443,212</u>
Loss before capital contributions	(3,272,049)
Capital contributions	<u>1,961,997</u>
Change in net position	(1,310,052)
Net position, beginning of year	<u>31,249,907</u>
Net position, end of year	<u>\$ 29,939,855</u>

See accompanying notes to financial statements.

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
STATEMENT OF CASH FLOWS
Year Ended December 31, 2014

	<u>2014</u>
Cash flows from operating activities	
Receipts from customers and users	\$ 2,985,368
Payments to suppliers and contractors	(3,439,030)
Payments to employees	(8,131,431)
Other receipts	<u>350,991</u>
Net cash from operating activities	<u>(8,234,102)</u>
Cash flows from noncapital financing activities	
Local taxes	2,952,801
State operating assistance	5,282,092
Federal operating assistance	<u>1,838,123</u>
Net cash from noncapital financing activities	<u>10,073,016</u>
Cash flows from capital and related financing activities	
Capital contributions	2,547,764
Acquisition and construction of capital assets	(3,858,089)
Proceeds on sale of capital assets	31,989
Proceeds from debt	<u>2,623,825</u>
Net cash from capital and related financing activities	<u>1,345,489</u>
Cash flows from investing activities	
Interest received	<u>8,192</u>
Net cash from investing activities	<u>8,192</u>
Net increase in cash and cash equivalents	3,192,595
Cash and cash equivalents at beginning of year	<u>5,164,472</u>
Cash and cash equivalents at end of year (Note 2)	<u>\$ 8,357,067</u>
Reconciliation of operating loss to net cash from operating activities	
Operating loss	\$ (10,715,261)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation and amortization expense	2,704,150
Change in assets and liabilities:	
Accounts receivable	60,397
Inventories	(17,493)
Prepaid items	(68)
Accounts payable	(257,964)
Accrued wages payable	13,990
Payroll taxes payable	1,142
Compensated absences	(11,280)
Other liabilities	<u>(11,715)</u>
Net cash from operating activities	<u>\$ (8,234,102)</u>
Non-cash transactions	
Accounts payable on construction in progress	\$ 1,229,948
Capitalized accrued interest	51,154

See accompanying notes to financial statements.

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

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.

(Continued)

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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 and directors' and officers' potential liabilities. There are also funds designated by the board of directors for operations.

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	\$ 2,500	Straight-line	2 to 12 years
Support vehicles	2,500	Straight-line	5 to 7 years
Building and structures	2,500	Straight-line	10 to 39 years
Equipment shop and garage	2,500	Straight-line	2 to 10 years
Revenue collection farebox	2,500	Straight-line	5 to 15 years
Communication equipment	2,500	Straight-line	5 years
Office equipment and furnishings	2,500	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.

(Continued)

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

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 2 hours per pay period. Unused sick leave may be accumulated to a maximum of 60 days. Union employees eligible for retirement benefits through INPRS shall be paid 50 percent of the value of their accrued sick leave upon separation. 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. For union employees, all unused and earned vacation time will be paid upon retirement. 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 of vacation may be rolled from one year to another. Accumulated vacation leave is paid to employees through cash payments upon separation.

Net Position: CityBus' 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 \$3,989,606 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 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' 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.

(Continued)

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

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.

CityBus' policy is to report revenue from capital grants separately after non-operating revenues as the related expenses are incurred on the cost reimbursement basis. CityBus does not receive any advance capital grant funding. Assets acquired with capital grant funds are included in capital assets.

Recent Accounting Pronouncements: As of December 31, 2014, the GASB has issued the following statements not yet implemented by CityBus.

- GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, Issued June 2012. The provisions for this statement are effective for fiscal years beginning after June 15, 2014. This statement is intended to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The provisions of this Statement are effective for CityBus for the year ended December 31, 2015. Management has not determined what impact, if any, this GASB statement might have on its financial statements.
- GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – In November 2013, the objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. The provisions of this Statement are effective for CityBus for the year ended December 31, 2015. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

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, 2014, CityBus had deposit balances with a carrying value of \$8,357,067 and a bank balance of \$8,614,970. Of this amount, none was exposed to custodial credit risk. Cash and cash equivalents were comprised as follows at December 31, 2014:

Unrestricted, current	\$ 2,170,115
Board designated, noncurrent	355,000
Restricted, noncurrent	<u>5,831,952</u>
	<u>\$ 8,357,067</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.

(Continued)

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

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, 2014, CityBus had a receivable balance due from the Federal Transit Administration of \$181,873. Amounts due are recorded when earned based on operating grant and capital grant revenue recognition. Management believes that no provision for an allowance is necessary at December 31, 2014.

NOTE 4 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2014 is as follows:

	January 1, 2014 <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	December 31, 2014 <u>Balance</u>
Non-depreciable capital assets:				
Land	\$ 585,506	\$ -	\$ -	\$ 585,506
Construction in progress	<u>593,997</u>	<u>3,485,038</u>	<u>(758,928)</u>	<u>3,320,107</u>
Total non-depreciable capital assets	<u>1,179,503</u>	<u>3,433,884</u>	<u>(758,928)</u>	<u>3,905,613</u>
Depreciable capital assets:				
Revenue equipment	22,881,327	1,857,958	(792,143)	23,947,142
Support vehicles	330,574	42,854	(27,403)	346,025
Building and structure	15,733,590	130,361	(5,079)	15,858,872
Equipment shop and garage	475,137	2,773	-	477,910
Revenue collection fareboxes	773,895	326,925	-	1,100,820
Communication equipment	2,324,583	60,167	-	2,384,750
Office equipment and furnishings	<u>425,149</u>	<u>13,880</u>	<u>-</u>	<u>439,029</u>
Total depreciable capital assets	<u>42,944,255</u>	<u>2,434,919</u>	<u>(824,625)</u>	<u>44,554,549</u>
Less accumulated depreciation:				
Revenue equipment	(12,934,717)	(1,695,270)	769,664	(13,860,323)
Support vehicles	(234,144)	(42,059)	33,123	(243,080)
Building and structure	(5,477,313)	(515,119)	-	(5,992,432)
Equipment shop and garage	(367,828)	(36,817)	-	(404,645)
Revenue collection fireboxes	(676,141)	(71,453)	-	(747,594)
Communication equipment	(1,438,032)	(315,955)	-	(1,753,987)
Office equipment and furnishings	<u>(362,455)</u>	<u>(27,477)</u>	<u>-</u>	<u>(389,932)</u>
Total accumulated depreciation	<u>(21,490,630)</u>	<u>(2,704,150)</u>	<u>802,787</u>	<u>(23,391,993)</u>
Total depreciable capital assets, net	<u>21,453,625</u>	<u>(269,231)</u>	<u>(21,838)</u>	<u>21,162,556</u>
Total capital assets, net	<u>\$22,633,128</u>	<u>\$ 3,164,653</u>	<u>\$ (780,766)</u>	<u>\$25,068,169</u>

(Continued)

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 5 – LONG-TERM DEBT

The following disclosure provides detail on CityBus debt obligations that is all related to capital projects. At December 31, 2014, CityBus debt consisted of one note payable to Bank of America for \$2,623,825. Quarterly payments of \$80,215 begin in June 2015 and conclude with the final payment due in March 2025. The interest rate on the note is 3.56%. Accrued interest at December 31, 2014 is \$51,124 and was capitalized as part of the cost of construction. The debt is secured by a first priority security interest in the capital project. There are no financial debt covenants. Changes were as follows:

	Balance January 1, 2014	Changes During Year		Balance December 31, 2014	Noncurrent	Current
		Additions	Reductions			
Note payable	\$ -	\$ 2,623,825	\$ -	\$ 2,623,825	\$ 2,519,325	\$ 104,500

Future principal and interest payments on the note are as follows:

<u>Year Ending December 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 104,500	\$ 136,145	\$ 240,645
2016	234,276	86,584	320,860
2017	242,728	78,132	320,860
2018	251,486	69,374	320,860
2019	260,559	60,301	320,860
2020-2024	1,450,769	153,531	1,604,300
2025	<u>79,507</u>	<u>708</u>	<u>80,215</u>
	<u>\$ 2,623,825</u>	<u>\$ 584,775</u>	<u>\$ 3,208,600</u>

NOTE 6 - OPERATING LEASES

CityBus is obligated under certain leases through May 2060 for land that are accounted for as operating leases. Lease rental expense for the year ended December 31, 2014 was \$11,230. 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, 2014:

<u>Year Ending December 31:</u>	
2015	\$ 11,791
2016	12,381
2017	13,000
2018	13,650
2019	14,332
2020-2024	83,156
2025-2029	106,130
2030-2034	135,452
2035-2039	172,875
2040-2044	220,637
2045-2049	281,595
2050-2054	359,394
2055-2059	458,688
2060	<u>42,893</u>
	<u>\$ 1,925,975</u>

(Continued)

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 7 – 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.

CityBus carries fully insured employees' health insurance policy, which insures CityBus from excess losses incurred at both the employee and CityBus level.

NOTE 8 – BENEFIT PLANS

Indiana Public Retirement System – Defined Benefit Plan: CityBus contributes to the Indiana Public Retirement System ("INPRS"), a defined benefit pension plan. INPRS is a cost-sharing 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

INPRS members are required to contribute 3% of their annual covered salary. CityBus is required to contribute an actuarially determined rate; the rate for 2014 is 11.2% 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. CityBus employer contributions were \$611,886 and \$481,929 to the plan during the years ended December 31, 2014 and 2013.

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 8 – BENEFIT PLANS (Continued)

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 \$13,412 to employee accounts in 2014.

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

NOTE 9 – 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	\$ 3,268,953	\$ 2,623,825

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

SUPPLEMENTARY INFORMATION

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year ended December 31, 2014

<u>Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title</u>	<u>Federal CFDA Number</u>	<u>Grant Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Direct grant			
Federal Transit Cluster			
Federal Transit-Formula Grants	20.507	IN 90-0601-03	\$ 557,264
		IN 90-0644-00	121,849
		IN 90-0648-00	39,377
		IN 90-0662-00	374,132
		IN 90-4662-00	<u>475,773</u>
			1,550,395
Bus and Bus Facilities Program	20.526	IN 04-0037-01	<u>764,130</u>
Total for Federal Transit Cluster			<u>2,314,525</u>
Direct grant			
Transit Services Program Cluster			
New Freedom Program	20.521	IN 57-0018-00	103,092
		IN 57-0060-02	<u>1,884</u>
Total for Transit Services Program Cluster			<u>104,976</u>
Total expenditures of federal awards			<u>\$ 2,419,501</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, 2014

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of CityBus, for the year ended December 31, 2014, and is presented in accordance with the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. 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, 2014, and the related notes to the financial statements, which collectively comprise CityBus' basic financial statements, and have issued our report thereon dated September 30, 2015.

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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiency. (Finding 2014-001)

(Continued)

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' Response to the Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control 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
September 30, 2015

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, 2014. 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, 2014.

(Continued)

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.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP
Crowe Horwath LLP

Indianapolis, Indiana
September 30, 2015

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2014

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 20.507 and 20.526
Transit Services Program Cluster – CFDA number 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, 2014

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

Finding 2014-001 – SEFA Completeness (Significant Deficiency)

Condition: During our audit we posted an audit adjustment to record a receivable and additional federal grant revenue for \$62,958. This was revenue that was earned in 2014, but not drawn until later in 2015. The Schedule of Expenditures of Federal Awards (SEFA) did not include the \$62,958 of federal expenditures and therefore was misstated.

Criteria: The SEFA should include all federal expenditures relating to the current year.

Effect: The SEFA was understated by \$62,958, which would result in misreporting to the federal agency and could potentially result in the auditor not testing the correct major programs.

Cause: The federal draw down of funds did not happen timely. As a result, while the SEFA was reviewed, the review did not include some of the draws done later in 2015 because the assumption was that these were all for 2015 expenditures.

Recommendation: We recommend drawing down the funds more timely and verifying the correct reporting period for all draws, regardless of when the draw actually takes place.

Management Response and Corrective Action Plan: Management will attempt to draw down the funds sooner and also implement a reconciliation process which will include all current year federal expenditures regardless of when they are drawn down. The Controller is responsible for the corrective action and it will be implemented prior to the end of 2015.

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

None reported

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS
December 31, 2014

SECTION 4 - PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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.

Status: The SEFA was prepared and reviewed by CityBus in 2014, so Finding 2013-001 is resolved; however, as noted in Finding 2014-001, there was an error in the SEFA and we have accordingly provided our recommendation.

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.

Status: Resolved.

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.

Status: Resolved.

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

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, related to the CityBus Transfer Center, 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.

Status: Resolved. The CityBus Transfer Center is complete and there were no Davis Bacon requirements for grants earned in 2014.

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS
December 31, 2014

FINDING 2013-005 - RECONCILIATION OF QUARTERLY FTA REPORTS

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.

Status: The FTA quarterly reports reconciled to the SEFA; however, as noted in Finding 2014-001, there was an error in the SEFA resulting in an additional \$62,958 of federal funds being added to the SEFA and we have accordingly provided our recommendation.

FINDING 2013-006 - SEGREGATION OF DUTIES OVER DRAWS

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.

Status: Resolved.