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June 8, 2018

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, 2016 to December 31, 2016. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Auditor's Report, the financial statements included in the report present fairly the financial condition of the Greater Lafayette Public Transportation Corporation, as of December 31, 2016, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The audit 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, 2016

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
Lafayette, Indiana

FINANCIAL STATEMENTS
December 31, 2016

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GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
SCHEDULE OF OFFICIALS (UNAUDITED)
December 31, 2016

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
General Manager	Martin B. Sennett	01-01-16 to 12-31-16
Controller	John K. Metzinger	01-01-16 to 12-31-16
Chairman of the Board	William J. Ooms	01-01-16 to 12-31-16

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, 2016, 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, 2016, 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 CityBus' proportionate share of the net pension liability on page 22 and the schedule of CityBus' contributions on page 23 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements or Federal Awards* on page 24 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 <> 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
August 30, 2017

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
STATEMENT OF NET POSITION
DECEMBER 31, 2016

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current assets	
Cash and cash equivalents (Note 2)	\$ 2,120,869
Accounts receivable	328,944
Intergovernmental receivables (Note 3)	940,447
Inventories	409,284
Prepaid assets	<u>108,058</u>
Total current assets	<u>3,907,602</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>3,450,275</u>
Total board designated and restricted cash and cash equivalents	<u>3,805,275</u>
Capital assets (Note 4):	
Non-depreciable capital assets	1,675,086
Depreciable capital assets, net of accumulated depreciation	<u>30,473,238</u>
Total capital assets	<u>32,148,324</u>
Total noncurrent assets	<u>35,953,599</u>
Deferred outflows of resources	
Deferred outflows from pension (Note 7)	<u>1,593,196</u>
Total assets and deferred outflows of resources	<u>\$ 41,454,397</u>

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

Current liabilities	
Accounts and construction payable	\$ 923,889
Accrued wages payable	260,878
Payroll taxes payable	78,499
Current portion of long-term debt (Note 5)	242,705
Compensated absences	210,788
Other liabilities	<u>28,206</u>
Total current liabilities	1,744,965
Non-current liabilities	
Long-term debt (Note 5)	2,042,126
Net pension liability (Note 7)	<u>5,088,504</u>
Total non-current liabilities	<u>8,875,595</u>
Deferred inflows of resources (Note 7)	
Deferred inflows from pension	89,848

NET POSITION

Net investment in capital assets	29,863,493
Restricted for capital projects	3,450,275
Unrestricted	<u>(824,814)</u>
Total net position	<u>32,488,954</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 41,454,397</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, 2016

Operating revenues	
Passenger fares	\$ 908,109
Special transit fares	2,053,087
Advertising	235,812
Other	<u>275,965</u>
Total operating revenues	<u>3,472,973</u>
Operating expenses	
Operators salaries and wages	3,652,132
Other salaries and wages	1,691,994
Fringe benefits	3,913,671
Services	405,181
Maintenance materials and supplies	1,097,710
Other materials and supplies	212,910
Utilities	126,488
Casualty and liability insurance	211,356
Miscellaneous expenses	355,482
Depreciation	<u>3,475,593</u>
Total operating expenses	<u>15,142,517</u>
Operating loss	<u>(11,669,544)</u>
Nonoperating revenues	
Interest revenue	8,360
Local taxes	3,336,074
State of Indiana operating assistance	4,128,955
Federal operating assistance	1,888,487
Gain on asset disposals	<u>16,949</u>
Total nonoperating revenues	<u>9,378,825</u>
Loss before capital contributions	(2,290,719)
Capital contributions	<u>4,785,169</u>
Change in net position	2,494,450
Net position, beginning of year	<u>29,994,504</u>
Net position, end of year	<u>\$ 32,488,954</u>

See accompanying notes to financial statements.

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
STATEMENT OF CASH FLOWS
Year Ended December 31, 2016

Cash flows from operating activities	
Receipts from customers and users	\$ 3,265,223
Payments to suppliers and contractors	(4,450,550)
Payments to employees	(8,792,680)
Other receipts	<u>275,965</u>
Net cash from operating activities	<u>(9,702,042)</u>
Cash flows from noncapital financing activities	
Local taxes	3,336,074
State operating assistance	4,128,955
Federal operating assistance	<u>1,739,487</u>
Net cash from noncapital financing activities	<u>9,204,516</u>
Cash flows from capital and related financing activities	
Capital contributions	6,512,850
Acquisition and construction of capital assets	(6,066,890)
Proceeds on sale of capital assets	16,949
Principal paid on debt	<u>(234,253)</u>
Net cash from capital and related financing activities	<u>228,656</u>
Cash flows from investing activities	
Interest received	8,360
Net cash from investing activities	<u>8,360</u>
Net decrease in cash and cash equivalents	(260,510)
Cash and cash equivalents at beginning of year	<u>6,186,654</u>
Cash and cash equivalents at end of year (Note 2)	<u><u>\$ 5,926,144</u></u>
Reconciliation of operating loss to net cash from operating activities	
Operating loss	\$ (11,669,544)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation and amortization expense	3,475,593
Change in assets and liabilities:	
Accounts receivable	68,215
Inventories	5,409
Prepaid items	338
Deferred outflows of resources	(141,804)
Accounts payable	(2,054,343)
Accrued wages payable	62,847
Payroll taxes payable	22,355
Compensated absences	22,770
Other liabilities	7,173
Net pension liability	589,169
Deferred inflows of resources	<u>(90,220)</u>
Net cash from operating activities	<u><u>\$ (9,702,042)</u></u>
Supplementary information:	
Interest paid	\$ 79,102

See accompanying notes to financial statements.

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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 as prescribed by the Governmental Accounting Standards Board ("GASB"). 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.

Cash and Cash Equivalents: 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.

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.

(Continued)

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 acquisition cost at the time received.

CityBus has a capitalization threshold of \$2,500 and all capital assets are depreciated using the straight-line method. The estimated useful lives of capital assets are as follows:

	<u>Estimated Useful Life</u>
Revenue equipment	2 to 12 years
Support vehicles	5 to 7 years
Building and structures	10 to 39 years
Equipment shop and garage	2 to 10 years
Revenue collection farebox	5 to 15 years
Communication equipment	5 years
Office equipment and furnishings	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.

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.

(Continued)

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$3,450,275 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.

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 not budgeted for as a part of the annual operating budget. CityBus does not receive any advance capital grant funding. Assets acquired with capital grant funds are included in capital assets.

Net Pension Liability: CityBus has recorded a net pension liability reflecting their proportionate share of the difference between the total pension liability and the fiduciary net position of the Indiana Public Retirement System ("INPRS") PERF Plan. For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of INPRS PERF Plan and additions to/deductions from the INPRS PERF Plan fiduciary net position have been determined on the same basis as they are reported by the INPRS system. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(Continued)

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources: Deferred outflows of resources represent a consumption of net position that applies to a future period(s). Deferred inflows of resources represent an acquisition of net position that applies to a future period(s). These amounts will not be recognized as expense or revenue until the applicable period. CityBus's activities are related to recognition of changes in its defined benefit plan's net pension liability that will be amortized in future periods.

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, 2016, CityBus had deposit balances with a carrying value of \$5,926,144 and a bank balance of \$5,890,928. Of this amount, none was exposed to custodial credit risk. Cash and cash equivalents were comprised as follows at December 31, 2016:

Unrestricted, current	\$ 2,120,869
Board designated, noncurrent	355,000
Restricted, noncurrent	<u>3,450,275</u>
	<u>\$ 5,926,144</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: At December 31, 2016, CityBus had a receivable balance due from the Federal Transit Administration and the Internal Revenue Service of \$940,447. 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, 2016.

(Continued)

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 4 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2016 is as follows:

	January 1, 2016 <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	December 31, 2016 <u>Balance</u>
Non-depreciable capital assets:				
Land	\$ 585,506	\$ 340,965	\$ -	\$ 926,471
Construction in progress	<u>10,218</u>	<u>927,541</u>	<u>(189,144)</u>	<u>748,615</u>
Total non-depreciable capital assets	<u>595,724</u>	<u>1,268,506</u>	<u>(189,144)</u>	<u>1,675,086</u>
Depreciable capital assets:				
Revenue equipment	28,489,947	4,301,247	(1,547,835)	31,243,359
Support vehicles	366,858	-	(21,500)	345,358
Building and structure	19,729,670	70,517	-	19,800,187
Equipment shop and garage	446,695	355,130	-	801,825
Revenue collection fareboxes	1,544,690	100,715	-	1,645,405
Communication equipment	2,719,535	102,767	-	2,822,302
Office equipment and furnishings	<u>462,692</u>	<u>58,060</u>	<u>-</u>	<u>520,752</u>
Total depreciable capital assets	<u>53,760,087</u>	<u>4,988,436</u>	<u>(1,569,335)</u>	<u>57,179,188</u>
Less accumulated depreciation:				
Revenue equipment	(14,153,633)	(2,198,415)	1,546,927	(14,805,121)
Support vehicles	(280,924)	(33,996)	21,500	(293,420)
Building and structure	(6,638,332)	(700,415)	-	(7,338,747)
Equipment shop and garage	(388,132)	(39,590)	-	(427,722)
Revenue collection fareboxes	(855,887)	(121,903)	-	(977,790)
Communication equipment	(2,074,804)	(357,684)	-	(2,432,488)
Office equipment and furnishings	<u>(407,072)</u>	<u>(23,590)</u>	<u>-</u>	<u>(430,662)</u>
Total accumulated depreciation	<u>(24,798,784)</u>	<u>(3,475,593)</u>	<u>1,568,427</u>	<u>(26,705,950)</u>
Total depreciable capital assets, net	<u>28,961,303</u>	<u>1,512,843</u>	<u>(908)</u>	<u>30,473,238</u>
Total capital assets, net	<u>\$29,557,027</u>	<u>\$ 2,781,349</u>	<u>\$ (190,052)</u>	<u>\$32,148,324</u>

(Continued)

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 5 - LONG-TERM DEBT

The following disclosure provides detail on CityBus debt obligations. At December 31, 2016, CityBus debt consisted of one note payable to Bank of America for \$2,284,831 related to the construction of the CNG Station issued in 2014. Quarterly payments of \$80,207 began in June 2015 and conclude with the final payment due in March 2025. The interest rate on the note is 3.56%. The debt is secured by a first priority security interest in the capital project. There are no financial debt covenants. Interest expense for the year totaled \$85,880 and accrued interest at December 31, 2016 was \$6,778. Changes in long-term debt were as follows:

	Balance January 1, 2016	<u>Changes During Year</u>		Balance December 31, 2016	<u>Noncurrent</u>	<u>Current</u>
		<u>Additions</u>	<u>Reductions</u>			
Note payable	\$ 2,519,084	\$ -	\$(234,253)	\$ 2,284,831	\$ 2,042,126	\$242,705

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>
2017	\$ 242,705	\$ 78,124	\$ 320,829
2018	251,462	69,367	320,829
2019	260,534	60,295	320,829
2020	269,933	50,896	320,829
2021	279,672	41,157	320,829
2022-2025	<u>980,525</u>	<u>62,169</u>	<u>1,042,694</u>
	<u>\$ 2,284,831</u>	<u>\$ 362,008</u>	<u>\$ 2,646,839</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.

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

(Continued)

NOTE 7 – BENEFIT PLANS

Indiana Public Retirement System – Defined Benefit Plan

Plan Description: CityBus contributes to the Indiana Public Retirement System (“INPRS”) and specifically the Public Employees Retirement Fund of Indiana (PERF) employer account, a defined benefit pension plan. PERF is a cost-sharing multiple-employer retirement plan, 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.

There are two (2) tiers to the PERF Plan. The first is the Public Employees' Defined Benefit Plan (PERF Hybrid Plan) and the second is the Public Employees' Annuity Savings Account Only Plan (PERF ASA Only Plan).

The PERF Hybrid Plan was established by the Indiana Legislature in 1945 and is governed by the INPRS Board of Trustees in accordance with IC 5-10.2, IC 5-10.3 and IC 5-10.5. There are two (2) aspects to the PERF Hybrid Plan defined benefit structure. The first portion is the monthly defined benefit pension that is funded by the employer. The second portion of the PERF Hybrid Plan benefit structure is the annuity savings account (ASA) that supplements the defined benefit at retirement.

The PERF ASA Only Plan was established by the Indiana Legislature in 2011, and is governed by the INPRS Board of Trustees in accordance with IC 5-10.3-12 and IC 5-10.5. This plan is funded by an employer and a member for the use of the member, or the member's beneficiaries or survivors, after the member's retirement. The PERF ASA Only Plan members are full-time employees of the State (as defined in IC 5-10.3-7-1(d)), who are in a position eligible for membership in the PERF Hybrid Plan and who elect to become members of the PERF ASA Only Plan. The PERF ASA Only Plan membership does not include individuals who: (1) before March 1, 2013; were members of the PERF Hybrid Plan or (2) on or after March 1, 2013, do not elect to participate in the PERF ASA Only Plan. Any government agency that pays employees through the Auditor of the State is a mandatory participant in the PERF ASA Only Plan and must offer eligible employees the PERF ASA Only Plan option. Quasi-government agencies and State educational institutions may choose to offer the PERF ASA Only Plan as an option to their employees. Since inception, 395 members have selected the PERF ASA Only Plan, or approximately 9 percent of eligible new hires of the State.

Members are required to participate in the ASA. The ASA consists of the member's contributions, set by statute at three (3) percent of compensation as defined by IC 5-10.2-3-2 for PERF, plus the interest/earnings or losses credited to the member's account. The employer may elect to make the contributions on behalf of the member. In addition, under certain conditions, members may elect to make additional voluntary contributions of up to 10 percent of their compensation into their ASA. A member's contributions and interest credits belong to the member and do not belong to the State or political subdivision.

Investments in the members' ASA are individually directed and controlled by plan participants who direct the investment of their account balances among eight (8) investment options, with varying degrees of risk and return potential. All contributions made to a member's account (member contribution subaccount and employer contribution subaccount) are invested as a combined total according to the member's investment elections. Members may make changes to their investment directions daily and investments are reported at fair value.

(Continued)

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 7 - BENEFIT PLANS (Continued)

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

Retirement Benefits – Defined Benefit Pension: The PERF Hybrid Plan retirement benefit consists of the sum of a defined pension benefit provided by employer contributions plus the amount credited to the member's ASA. Pension benefits (non ASA) vest after 10 years of creditable service. The vesting period is eight (8) years for certain elected officials. Members are immediately vested in their ASA. At retirement, a member may choose to receive a lump sum payment of the amount credited to the member's ASA, receive the amount as an annuity, or leave the contributions invested with INPRS. Vested PERF members leaving a covered position, who wait 30 days after termination, may withdraw their ASA and will not forfeit creditable service or a full retirement benefit. However, if a member is eligible for a full retirement at the time of the withdrawal request, he/she will have to begin drawing his/her pension benefit in order to withdraw the ASA. A non-vested member who terminates employment prior to retirement may withdraw his/her ASA after 30 days, but by doing so, forfeits his/her creditable service. A member who returns to covered service and works no less than six (6) months in a covered position may reclaim his/her forfeited creditable service.

A member who has reached age 65 and has at least 10 years of creditable service is eligible for normal retirement and, as such, is entitled to 100 percent of the pension benefit component. This annual pension benefit is equal to 1.1 percent times the average annual compensation times the number of years of creditable service. The average annual compensation in this calculation uses the highest 20 calendar quarters of salary in a covered position. All 20 calendar quarters do not need to be continuous, but they must be in groups of four (4) consecutive calendar quarters. The same calendar quarter may not be included in two (2) different groups. For PERF members who serve as an elected official, the highest one (1) year (total of four (4) consecutive quarters) of annual compensation is used. Member contributions paid by the employer on behalf of the member and severance pay up to \$2,000 are included as part of the member's annual compensation.

A member who has reached age 60 and has at least 15 years of creditable service is eligible for normal retirement and, as such, is entitled to 100 percent of the pension benefit. A member who is at least 55 years old and whose age plus number of years of creditable service is at least 85 is entitled to 100 percent of the benefits as described above.

A member who has reached at least age 50 and has at least 15 years of creditable service is eligible for early retirement with a reduced pension. A member retiring early receives a percentage of the normal annual pension benefit. The percentage of the pension benefit at retirement remains the same for the member's lifetime. For age 59, the early retirement percentage of the normal annual pension benefit is 89 percent. This amount is reduced five (5) percentage points per year (e.g., age 58 is 84 percent) to age 50 being 44 percent.

(Continued)

NOTE 7 - BENEFIT PLANS (Continued)

The monthly pension benefits for members in pay status may be increased periodically as cost of living adjustments (COLA). Such increases are not guaranteed by statute and have historically been provided on an "ad hoc" basis and can only be granted by the Indiana General Assembly. There was no COLA for the year ended June 30, 2016; however, eligible members received a one-time check (a.k.a. 13th check) in September 2015. The amount of the one-time check ranged from \$150 to \$450, depending upon a member's years of service. The September 2014 one-time check was for a member who retired or was disabled on or before December 1, 2014, and who was entitled to receive a monthly benefit on July 1, 2015.

The PERF Hybrid Plan also provides disability and survivor benefits. A member who has at least five (5) years of creditable service and becomes disabled while in active service, on FMLA leave, receiving workers' compensation benefits, or receiving employer-provided disability insurance benefits may retire for the duration of the disability, if the member has qualified for social security disability benefits and has furnished proof of the qualification. The disability benefit is calculated the same as that for a normal retirement without reduction for early retirement. The minimum benefit is \$180 per month, or the actuarial equivalent.

Upon the death in service of a member with 15 or more years of creditable service as of January 1, 2007, a survivor benefit may be paid to the surviving spouse to whom the member had been married for two (2) or more years, or surviving dependent children under the age of 18. This payment is equal to the benefit which would have been payable to a beneficiary if the member had retired at age 50 or at death, whichever is later, under an effective election of the joint and survivor option available for retirement benefits. A surviving spouse or surviving dependent children are also entitled to a survivor benefit upon the death in service after January 1, 2007, of a member who was at least 65 years of age and had at least 10 but not more than 14 years of creditable service.

Contributions: Members are obligated by statute to make contributions to the PERF Hybrid Plan or the PERF ASA Only Plan. Any political subdivision that elects to participate in the PERF Hybrid Plan is obligated by statute to make contributions to the plan. The required contributions are determined by the INPRS Board of Trustees based on actuarial investigation and valuation in accordance with IC 5-10.2-2-11. The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to fund the pension benefits when they become due. As PERF is a cost-sharing plan, all risks and costs, including benefit costs, are shared proportionately by the participating employers.

During fiscal year 2016, all participating employers were required to contribute 11.2 percent of covered payroll for members employed by the State. For political subdivisions, an average contribution rate of 11.19 percent was required from employers during the period of July 1 – December 31, 2015, and an average contribution rate of 11.2 percent was required for the period of January 1 – June 30, 2016. For the PERF ASA Only Plan, all participating employers were also required to contribute 11.2 percent of covered payroll. In accordance to IC 5-10.3-12-24, the amount credited from the employer's contribution rate to the member's account shall not be less than 3 percent and not be greater than the normal cost of the fund which was 4.6 percent for fiscal year 2016, and any amount not credited to the member's account shall be applied to the pooled assets of the PERF Hybrid Plan.

The PERF Hybrid Plan or the PERF ASA Only Plan members contribute three (3) percent of covered payroll to their ASA, which is not used to fund the defined benefit pension for the PERF Hybrid Plan. For the PERF Hybrid Plan, the employer may elect to make the contributions on behalf of the member. The employer shall pay the member's contributions on behalf of the member for the PERF ASA Only Plan. In addition, members of the PERF Hybrid Plan (effective July 1, 2014, the PERF ASA Only Plan may also participate) may elect to make additional voluntary contributions, under certain criteria, of up to 10 percent of their compensation into their ASA.

(Continued)

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

NOTE 7 - BENEFIT PLANS (Continued)

PERF covered employees are required to contribute 3% of their compensation to the Fund and CityBus is required to contribute amounts, which are actuarially determined, sufficient to fund the retirement benefits. In addition, some employees elect to make additional voluntary contributions to their PERF ASA Only Plans. The contribution requirement, which was made by CityBus, was \$600,539 for 2016. These total contributions represent 11.2% of covered payroll for 2016.

The following represents CityBus's annual required contributions for current year and the last two years:

<u>Year Ended December 31</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2016	\$ 600,539	100%
2015	591,691	100%
2014	611,886	100%

Significant Actuarial Assumptions: The total pension liability is determined by INPRS actuaries in accordance with GASB No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuations are presented below:

Asset valuation date	June 30, 2016
Liability valuation date	June 30, 2015 – Member census data as of June 30, 2015 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2015 and June 30, 2016. Standard actuarial rollforward techniques were then used to project the total pension liability computed as of June 30, 2015 to the June 30, 2016 measurement date.
Experience study date	Period of 4 years ended June 30, 2014
Actuarial cost method	Entry age normal (level percent of payroll)
Investment rate of return	6.75%
COLA	1.00%
Future salary increases	2.50% - 4.25% (including inflation)
Inflation	2.25%
Mortality	RP-2014 (with MP-2014 improvement removed) Total Data Set mortality table projected on a fully generational basis using the future mortality improvement scale inherent in the mortality projection included in the Social Security Administration's 2014 Trustee Report

There were no changes in actuarial assumptions or plan pensions for the June 30, 2016 fiscal year. The INPRS Board approved the following changes in actuarial methods effective for June 30, 2016:

- For funding purposes and when the plan is below 100% funded, gains and losses occurring from census experience different than assumed, assumption changes, and benefit changes will be amortized over a 20-year period with level payments each year, rather than a 30-year period.

(Continued)

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

NOTE 7 - BENEFIT PLANS (Continued)

- For the funding purposes, the smoothing period of investment gains and losses in the development of the Actuarial Value of Assets was increased from four years to five years at June 30, 2016.

The most recent assumption study was performed in April 2015 resulting in an update to the following assumptions:

- Inflation decreased from 3.00% to 2.25%
- The future salary increase rate decreased from a table ranging from 3.25% to 4.50% to a table ranging from 2.50% to 4.25%
- Mortality changed from the 2013 IRS Static Mortality projected five (5) years with Scale AA to the RP-2014 (with MP-2014 improvement removed) Total Data Set mortality table projected on a fully generational basis using the future mortality improvement scale inherent in the mortality projection included in the Social Security Administration's 2014 Trustee Report
- Retirement, Termination and Disability rates were adjusted to reflect recent experience
- The ASA Annuitization was updated from 50% of members assumed to annuitize the ASA balance to 60% of members prior to January 1, 2017

The long-term return expectation for the defined benefit retirement plan has been determined by using a building-block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

<u>Asset Class</u>	<u>Target Allocation %</u>	<u>Geometric Basis Long-Term Expected Real Rate of Return</u>
Public equity	22.0%	5.7%
Private equity	10.0	6.2
Fixed income – ex inflation - linked	24.0	2.7
Fixed income – inflation - linked	7.0	0.7
Commodities	8.0	2.0
Real estate	7.0	2.7
Absolute return	10.0	4.0
Risk parity	<u>12.0</u>	5.0
Total	<u>100.0%</u>	

Total pension liability for each defined benefit pension plan tier was calculated using the discount rate of 6.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and where applicable from the members, would at the minimum be made at the actuarially determined required rates computed in accordance with the current funding policy adopted by the INPRS Board, and contributions required by the State (the non-employer contributing entity) would be made as stipulated by State statute.

(Continued)

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

NOTE 7 - BENEFIT PLANS (Continued)

Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (6.75 percent). Based on those assumptions, each defined benefit pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members; therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability for each plan.

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability of each defined benefit pension plan calculated using the discount rate of 6.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%), or one percentage point higher (7.75%) than the current rate:

	1% Decrease <u>(5.75%)</u>	Current Rate <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
Proportionate share of the Collective Net Pension Liability	\$ 7,308,297	\$ 5,088,504	\$ 3,243,521

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in a stand-alone financial report of INPRS that includes financial statements and required supplementary information for the plan as a whole. This report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling (888) 526-1687, by emailing questions@inprs.in.gov, or by visiting www.in.gov/inprs.

Investment Valuation and Benefit Payment Policies: The pooled and non-pooled investments are reported at fair value by INPRS. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Short-term investments consist primarily of cash, money market funds, certificates of deposits and fixed income instruments with maturities of less than one year. Short-term investments are reported at cost, which approximates fair value or, for fixed income instruments, valued using similar methodologies as other fixed income securities described below.

Fixed income securities consist primarily of the U.S. government, U.S. government-sponsored agencies, publicly traded debt and commingled investment debt instruments. Equity securities consist primarily of domestic and international stocks in addition to commingled equity instruments. Fixed income and equity securities are generally valued based on published market prices and quotations from national security exchanges and securities pricing services. Securities that are not traded on a national security exchange are valued using modeling techniques that include market observable inputs required to develop a fair value. Commingled funds are valued using the net asset value (NAV) of the entity.

Alternative investments include limited partnership interests in private equity, absolute return, private real estate and risk parity investment strategies. Publicly traded alternative investments are valued based on quoted market prices. In the absence of readily determinable public market values, alternative investments are valued using current estimates of fair value obtained from the general partner or investment manager. Moreover, holdings are generally valued by a general partner or investment manager on a quarterly or semi-annual basis. Valuation assumptions are based upon the nature of the investment and the underlying business.

(Continued)

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 7 - BENEFIT PLANS (Continued)

Additionally, valuation techniques will vary by investment type and involve a certain degree of expert judgment. Alternative investments, such as investments in private equity or real estate, are generally considered to be illiquid long-term investments. Due to the inherent uncertainty that exists in the valuation of alternative investments, the realized value upon the sale of an asset may differ from the fair value.

Derivative instruments are marked to market daily with changes in fair value recognized as part of investments and investment income.

Pension, disability, special death benefits, and distributions of contributions and interest are recognized when due and payable to members or beneficiaries. Benefits are paid once the retirement or survivor applications have been processed and approved. Distributions of contributions and interest are distributions from inactive, non-vested members' ASAs. These distributions may be requested by members or auto-distributed by the fund when certain criteria are met.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At December 31, 2016, CityBus reported a liability of \$5,088,504 for its proportionate share of the net pension liability. CityBus's proportionate share of the net pension liability was based on CityBus's wages as a proportion of total wages for the PERF Hybrid Plan. The proportionate share used at the June 30, 2016 measurement date was 0.0011212. The proportionate share at June 30, 2016 has increased 0.0000165 since the prior measurement date.

For the year ended December 31, 2016, CityBus recognized pension expense of \$982,544, which included net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions of \$20,882. At December 31, 2016, CityBus reported deferred outflows of resources and deferred inflows of resources related to the PERF Hybrid Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 114,002	\$ 9,393
Net difference between projected and actual earnings on pension plan investments	832,885	-
Changes in assumptions	224,509	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>99,720</u>	<u>80,455</u>
Total that will be recognized in pension expense based on table below	1,271,116	89,848
Pension contributions subsequent to measurement date	<u>322,080</u>	-
Total	<u>\$ 1,593,196</u>	<u>\$ 89,848</u>

(Continued)

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 7 - BENEFIT PLANS (Continued)

Deferred outflows of resources resulting from employer contributions subsequent to the June 30, 2016 measurement date will be recognized as a reduction of net pension liability in the year ending December 31, 2017. Deferred inflows of resources resulting from the differences between projected and actual investment earnings on Plan investments are amortized over a 5-year period. A change in an employer's proportionate share represents the change as of the current year measurement date versus the prior year measurement date, and is amortized over the average expected remaining service lives of the plan. The difference between an employer's contributions and the employer's proportionate share of the collective contributions is amortized over the average expected remaining service lives of the plan. Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 443,672
2018	276,136
2019	326,031
2020	<u>135,429</u>
Total	<u>\$ 1,181,268</u>

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 approximately \$13,000 to employee accounts in 2016.

Health Savings Accounts

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

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Construction Commitments: There are no construction or other commitments as of December 31, 2016.

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.

REQUIRED SUPPLEMENTARY INFORMATION

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
 SCHEDULE OF CITYBUS' PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 December 31, 2016

	<u>2016</u>	<u>2015</u>
CityBus' proportion of the net pension liability	0.0011212	0.0011047
CityBus' proportionate share of the net pension liability	\$ 5,088,504	\$ 4,499,335
CityBus' covered-employee payroll	\$ 5,389,320	\$ 5,291,241
CityBus' proportionate share of the net pension liability as a percentage of its covered-employee payroll	94.42%	85.03%
Plan fiduciary net position as a percentage of the total pension liability	75.30%	77.30%

Measurement date: Actuarial valuation reports from the prior fiscal year.

Plan amendments. In 2014, HB 1075 impacted the PERF by reducing the Annuity Savings Account (ASA) interest crediting rate on annuities from 7.5% to 5.75% effective October 1, 2014. Effective October 1, 2015 the rate becomes the greater of 4.5% or market rate. On January 1, 2017, the ASA annuities are allowed to be outsourced to a third party provider.

* The amounts presented for each calendar year were determined as of the June 30 fiscal year-end that occurred within the calendar year. The most recent comprehensive experience study was performed in April 2015 and was based on member experience between June 30, 2010 and June 30, 2014.

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

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
 SCHEDULE OF CITYBUS' CONTRIBUTIONS
 December 31, 2016

	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 600,539	591,691
Contributions in relation to the statutorily required contribution	<u>(600,539)</u>	<u>(591,691)</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
CityBus' contributions as a percentage of statutorily required contribution for pension	100%	100%
CityBus' covered-employee payroll	\$ 5,373,541	\$ 5,282,955
Contributions as a percentage of covered-employee payroll	11.18%	11.20%

Valuation date: June 30, 2016

Actuarial cost method: Entry age normal (Level Percent of Payroll)

Amortization method: Level dollar

Remaining amortization period: 30 years, closed

Asset valuation method: 4 year smoothing of gains and losses on the market value of assets subject to a 20% corridor.

Inflation: 2.25%

Salary increases: 2.50% - 4.25%

Investment rate of return: 6.75%

Mortality: RP-2014 Total Data Set Mortality Table, with Social Security Administration generational improvement scale from 2016

Other information:

The INPRS Board sets, at its discretion, the State's employer contribution rate upon considering the results of the actuarial valuation and other analysis as appropriate. The actuarially determined contribution rate for the State for the fiscal year ended 6/30/15 was 9.88%; however, the INPRS Board approved a State employer contribution rate of 11.20%. The actuarially determined contribution rate for the State for the fiscal year ended 6/30/16 was 9.96%; however, the INPRS Board approved the State employer contribution rate of 11.20%. The actual dollar amount of the State's contributions depends on the actual payroll for the fiscal year.

Member census data as of June 30, 2014 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2014 and June 30, 2016. Standard actuarial roll forward techniques were then used to project the liabilities computed as of June 30, 2014 to June 30, 2016. Prior to the June 30, 2014 valuation, census data as of the valuation date was used.

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

SUPPLEMENTARY INFORMATION

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended December 31, 2016

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Grant Identifying Number	Federal Expenditures	Subrecipients
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Direct grant				
Federal Transit Cluster				
Federal Transit-Formula Grants	20.507	IN 90-0601-03	\$ 84,683	\$ -
		IN 90-0644-00	316	-
		IN 90-0648-00	233,484	-
		IN 90-0662-00	37,839	-
		IN 95-0056-00	11,854	-
		IN 90-0673-00	1,791,911	-
		IN 90-0692-00	795,111	-
		IN 90-4692-00	<u>1,683,393</u>	-
			4,638,591	-
Bus and Bus Facilities Program	20.526	IN 34-0017-00	<u>857,392</u>	-
Total for Federal Transit Cluster			<u>5,495,983</u>	-
Direct grant				
Transit Services Program Cluster				
New Freedom Program	20.521	IN 57-0018-00	600,746	-
Pass-through entity: Indiana Department of Transportation				
New Freedom Program	20.521	*IN-16-X015-43	94,964	-
New Freedom Program	20.521	*IN-16-X015-44	<u>284,103</u>	-
Total for Transit Services Program Cluster			<u>979,813</u>	-
Total expenditures of federal awards			<u>\$ 6,475,796</u>	<u>\$ -</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, 2016

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, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. CityBus has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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, 2016, and the related notes to the financial statements, which collectively comprise CityBus' basic financial statements, and have issued our report thereon dated August 30, 2017.

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 a significant deficiency (2016-001).

(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 Findings

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
August 30, 2017

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 Compliance Supplement* that could have a direct and material effect on each of CityBus' major federal programs for the year ended December 31, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance 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, 2016.

(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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
August 30, 2017

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2016

SECTION I - 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 2 CFR 200.516(a)? Yes No

Identification of Major Programs:

Name of Federal Program or Cluster

Federal Transit Cluster – CFDA number 20.507 and 20.526

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

Auditee qualified as low-risk auditee? Yes No

(Continued)

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2016

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

Finding 2016-001 – SEFA Accuracy (Significant Deficiency)

Condition: During our audit, we noted two grants that were identified with the wrong CFDA number on the Schedule of Expenditures of Federal Awards (SEFA). Due to the wrong CFDA number, the grants were not grouped with the proper federal program cluster. Management classified these grants under the Federal Transit Program Cluster rather than the Transit Services Program Cluster.

Criteria: The SEFA should list all federal expenditures relating to the current year with the correct CFDA numbers and program cluster grouping. Additionally, Uniform Guidance 2 CFR Part 200 requires there be effective internal controls in place over the preparation and review of the SEFA.

Effect: The Federal Transit Program and Transit Services Program Clusters were misstated by \$379,067 on the SEFA, which could result in misreporting to the federal agency, and could potentially result in the inaccurate identification of major programs.

Cause: During the review of the SEFA, management did not compare the CFDA numbers back to the grant agreement, and thus did not identify that the wrong CFDA number was used and that the grant was not grouped with the proper federal program cluster.

Recommendation: We recommend reading through the Uniform Guidance Compliance Supplement and all grant documents to properly classify grants to the appropriate program clusters. We also recommend that management modify their internal controls to ensure that proper internal controls are in place over the preparation and review of the SEFA.

SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS INCLUDING AUDIT FINDINGS AS DEFINED IN Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

None reported

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2016

There were no audit findings and questioned costs reported in the prior year for Greater Lafayette Public Transportation Corporation.