



COLEMAN & WILLIAMS, LTD.
A Professional Services Firm

Milwaukee County Transit System

**Independent Public Accountants' Report
On Applying Agreed-Upon Procedures
Specified by Federal Transit Administration**

Year ended December 31, 2013



**Independent Public Accountants' Report
On Applying Agreed-Upon Procedures**

To the Board of Supervisors
of the County of Milwaukee
and the Federal Transit Administration:

The Federal Transit Administration has established the following standards with regard to the data reported for the Federal Funding Allocation Data (Total Operating Expense data on F-30, line 15, column e, Form S-10, lines 12, 15, 18, 20, column d, Total Actual Vehicle Revenue Mile, Total Actual Vehicle Revenue Hour, Total Unlinked Passenger Trip data and Passenger Mile Traveled data and Fixed Guideway when applicable) in the transit agency's annual National Transit Database (NTD) report:

1. A system is in place and maintained for recording data in accordance with NTD definitions. The correct data are being measured and no systematic errors exist.
2. A system is in place to record data on a continuing basis, and the data gathering is an ongoing effort.
3. Source documents are available to support the reported data and are maintained for FTA review and audit for a minimum of 3 years following FTA's receipt of the NTD report. The data are fully documented and securely stored.
4. A system of internal controls is in place to ensure the data collection process is accurate and that the recording system and reported comments are not altered. Documents are reviewed and signed by a supervisor, as required.
5. The data collection methods are those suggested by FTA or otherwise meet FTA requirements.
6. The deadhead miles, computed as the difference between the reported total actual vehicle miles data and the reported total actual vehicle revenue miles data, appear to be accurate.
7. Data are consistent with prior reporting periods and other facts known about transit agency operations.

We have applied the procedures to the Total Operating Expense data on F-30, line 15, column e, Form S-10, lines 12, 15, 18, 20, column d, Total Actual Vehicle Revenue Mile, Total Actual Vehicle Revenue Hour, Total Unlinked Passenger Trip data and Passenger Mile Traveled data and Fixed Guideway, when applicable, for the fiscal year ending December 31, 2013.



Such procedures, which were agreed to and specified by FTA in the Declarations section of the 2013 Reporting Manual and were agreed to by the Milwaukee County Transit System (the agency), were applied to assist you in evaluating whether the agency complied with the standards described in the first paragraph of this part and that the information included in the NTD report Federal Funding Allocation Statistics form for the fiscal year ended December 31, 2013 is presented in conformity with the requirements of the Uniform System of Accounts and Records and Reporting System; Final Rule, as specified in 49 CFR Part 630, Federal Register, January 15, 1993 and as presented in the 2013 Reporting Manual. The Agency's management is responsible for the Agency's accounting records. This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. This report is intended solely for your information and for FTA and should not be used by those who did not participate in determining the procedures.

The procedures were applied separately to each of the information systems used to develop the reported actual vehicle revenue miles, fixed guideway directional route miles, passenger miles, and operating expenses of Milwaukee County Transit System (the agency) for the fiscal year-ending December 31, 2013, for each of the following modes:

- Motor Bus - directly operated
- Vans, private carrier providing transit service under contract, and

The procedures that we performed are summarized as follows:

- A. We read the Federal Transit Administration Reporting Manual (Reporting Manual) for the 2013 National Transit Database (NTD) Report Year, in particular, "Federal Funding Allocation Data Review Procedures "a" through "y" discussed in that publication (Federal Funding Allocation Test).
- B. We developed specified procedures tailored to the agency, as enumerated below, based on FTA's Federal Funding Allocation Data review requirements as set forth in the Reporting Manual.
- C. We reviewed with Mr. Daniel Pryba, Accounting Manager, and Mr. James Burns Contract Manager for Transit Plus, the agency's procedures related to the system for reporting and maintaining data in accordance with the NTD requirements and definitions set forth in 49 CFR Part 630. According to Mr. James Burns, Contract Manager, the agency has its own written procedures related to the system for reporting and maintaining Transit Plus data as documented in the 2013 Reporting Manual. (Reporting Manual Federal Funding Allocation Data review procedure "a").
- D. We discussed with Mr. Pryba the procedures referenced in procedure (C), above. We inquired whether the agency followed such procedures on a continuous basis and whether the procedures resulted in accumulation and reporting of data consistent with the NTD



definitions and requirements set forth in 49 CFR Part 630. We were informed by Mr. Pryba that, to the best of his knowledge, the agency has followed such procedures on a continuous basis and that the agency's accumulation and reporting of data is consistent with the NTD definitions and requirements as set forth in 49 CFR Part 630. (Reporting Manual Federal Funding Allocation Data review procedure "b").

E. We inquired of Mr. Pryba concerning the retention policy that is followed by the agency with respect to source documents supporting the NTD data, Total Modal Operating Expenses data (F-30, line 15, column e), Actual Vehicle Revenue Mile and Passenger Miles Traveled (S-10, Line 12 and 20, column d). Per Mr. Pryba, the documentation and source documents are retained by the agency for the three years following the year in which the report is due to the FTA. (Reporting Manual Federal Funding Allocation Data review procedure "c").

F. For the purposes of motorbus testing, we identified the source documents that are to be retained by the agency for a minimum of three years. For each of the required documents listed below, we reviewed the source documents for the weeks identified. We located and observed the following source documents supporting NTD data reported on Forms F-30 and S-10 for the year ended December 31, 2013, and noted the documents had been properly retained:

- Schedule Miles Report (weeks 13, 24 and 49)
- Deviation sheets (weeks 13, 24 and 49)
- FTA on-off count sheets (weeks 13, 24 and 49)
- Time sheets/cards (weeks 13, 24 and 49)
- Payroll registers (weeks 13, 24 and 49)

(Reporting Manual Federal Funding Allocation Data review procedure "d").

G. For the purposes of vans testing, we identified the source documents that are to be retained by the agency for a minimum of three years. For each of the required documents listed below, we reviewed the source documents for the months of March, June and November 2013. We located and observed the following source documents supporting NTD data reported on Forms F-30 and S-10 for the year ended December 31, 2013 and noted the documents had been properly retained:

- Trip Vouchers
- Detailed Billing Reports
- Billing Summary Reports

H. We inquired of Mr. Pryba whether individuals, independent of the individuals preparing the source documents and posting the data summaries, review the source documents and data summaries for completeness, accuracy and reasonableness and how often such reviews are performed. We were informed that the source documents are independently reviewed on a weekly and monthly basis for motorbus data. According to Mr. Burns, the source documents for Transit Plus are reviewed monthly. (Reporting Manual Federal Funding Allocation Data review procedure "e").



- I. We selected a random sample of source documents for procedure “d”. We used the same documents to verify that supervisors’ signatures were present as required by the agency’s internal control structure. There were no instances of noncompliance noted (Reporting Manual Federal Funding Allocation Data review procedure “f”).
- J. We obtained the worksheets utilized by the agency to prepare the final data, which are transcribed onto the Federal Funding Allocation Statistics form. We compared the periodic data included on the worksheets to the Form F-10 and tested the arithmetical accuracy of the summarization. (Reporting Manual Federal Funding Allocation Data review procedure “g”).
- K. Per Mr. Pryba, for the purposes of motor bus passenger reporting, the agency uses an estimate of passenger miles based on statistical sampling. Per Mr. Burns, Transit Plus also uses actual passenger miles based on data received from the contractors. All methods used in 2013 are outlined and approved by the FTA as meeting the Section 15 reporting requirements in Circular UMTA C2710.1A (Reporting Manual Federal Funding Allocation Data review procedure “h”).
(Reporting Manual Federal Funding Allocation Data review procedure “d”).
- L. We discussed with Mr. Pryba the eligibility of the agency to conduct statistical sampling for passenger mile data every third year under the guidelines promulgated in 49 CFR Part 630. Mr. Pryba informed us that the agency is not eligible and statistical sampling must be done annually. (Reporting Manual Federal Funding Allocation Data review procedure “i”).
- M. The UTMA Trips System is used to generate the random sample selections of the trip data to be tested. These random selections are generated quarterly, listed by week, and the trip selections are assigned to the automatic passenger counter system (APC) for a specific day. The APC will record the run number, bus number, time of trip, number of passengers both boarding at stops and remaining on the bus in-between stops. This information is then processed in the Traffic Department. (Reporting Manual Federal Funding Allocation Data review procedure “j”).
- N. We selected a random sample of the source documents for accumulating Motor Bus passenger mile data and determined that they were complete, (all required data were recorded) and that the computations were accurate. We reviewed the source documents for weeks 8,12,17,19,26,29,34,37,40,44,46 and 49 in 2013. We noted that the passenger mile data was complete and no mathematical errors existed. (Reporting Manual Federal Funding Allocation Data review procedure “k”).
- O. For the purposes of Transit Plus reporting, we selected a random sample of the source documents for accumulating passenger mile data and determined they were complete (all the required data was recorded) and that the computations were accurate. We reviewed the source documents for the months of February, July and October 2013. We noted the passenger and actual revenue mile data was complete and no mathematical errors existed. (Reporting Manual Federal Funding Allocation Data review procedure “k”).



- P. We discussed with Mr. Daniel Pryba, procedures for systematic exclusion of charter, school bus, and other ineligible vehicle miles from the calculation of motorbus vehicle revenue. In order to determine if the stated procedures were followed, we selected a random sample of the source documents used to record charter and school bus mileage and proved the arithmetical accuracy of the computations. We selected three weeks (weeks #13, 24 and 49) and reviewed the scheduled miles reports and the deviation sheets used to arrive at the actual vehicle miles for those weeks. We noted that all school bus and charter mileage was properly excluded and amounts were computed correctly. These deviation sheets also included trips that were scheduled but missed and as such were properly deducted as well from the actual vehicle miles. (Reporting Manual Federal Funding Allocation Data review procedure "L").
- Q. Per Mr. Pryba, the vehicle revenue mile data for motor bus is calculated using schedules. The missed trips and school trips are deducted via the deviation sheets. Deadhead miles are systematically excluded from the summarization. For the purposes of Transit Plus reporting, vehicle logs are used to compute the vehicle revenue mile data. We selected a random sample of documents and verified that deadhead miles were not included in the calculation. (Reporting Manual Federal Funding Allocation Data review procedure "m").

R. Operating Expense Reconciliation for Motor Bus:

Operating expense per ledger	\$129,480,623
Operating Cross-charges per DPW ledger	1,899,030
Non-Operating costs included in ledger	72,151
Tire Lease	494,335
Marketing Grant	1,053,846
Other Meeting	771
Less: Contracted services	(2,356,431)
Overhead Adjustment to Transit Plus	(6,221)
Lease	<u>(7,680)</u>
Operating Expense per Form F-30	\$130,630,424

Operating Expense Reconciliation for Transit Plus:

Operating expense per ledger	\$ 15,618,330
Operating Cross charges per DPW ledger	91,356
Overhead Adjustment to Transit Plus	6,221
Less: Contracted services	(1,237,050)
Depreciation	<u>(1,112,968)</u>
Operating expense per Form F-30	\$ 13,365,889

(Reporting Manual Federal Funding Allocation Data review procedure "t").



- S. We inquired of Mr. Burns the agency contracts for transportation service. We were informed that the agency contracts for transportation service and that purchased transportation fare revenues are retained by the contract service providers. We obtained documentation of the retained fare revenue amount as reported by the contract service provider and agreed this amount to retained fare revenues reported on Form B-30 by the agency. The F-30 report shows Transit Plus reported about \$42,009 of filing separate report expenses, which is the amount for Waukesha Metro (5096).
- T. We were informed, by Mr. Burns, that the agency contracts for transportation service with contractors that operated fewer than 100 vehicles for the agency’s contracted service at peak. MCTS purchases transportation from two different contractors. We were provided with 2 out of the 2 independent contractor’s auditor’s reports. Copies of the reports are attached to this report. (Reporting Manual Federal Funding Allocation Data review procedure “v”).
- U. We obtained a copy of the contracts for the purchase of transportation service and read them to determine that the contracts specify the specific mass transportation services to be provided by the contractors, specify the monetary consideration obligated by the agency for the service, specify the period covered by the contracts, and that this period is the same as the period covered by the agency’s NTD Report, and is signed by the representatives of both parties to the contract. We noted no exceptions. We also inquired of Mr. Burns regarding the retention of the executed contracts, and were told that copies of the contracts are retained for a minimum of three years. (Reporting Manual Federal Funding Allocation Data review procedure “w”).

We compared the motorbus data reported on the Total Modal Operating expenses data (F-30, line 15, column e), Actual Vehicle Revenue Mile and Passenger Miles Traveled (S-10, lines 12 and 20, column d) to comparable data for the prior report year and calculated the percentage change from the prior year to the current year. We also compared Transit Plus data reported on the Form F-30, S-10 to comparable data for the prior report year and calculated the percentage change from the prior year to the current year. We noted motorbus vehicle revenue miles, passenger mile and operating expense data did not increase or decrease by more than 10 % from last year. We however, noted that Transit Plus vehicle revenue mile, passenger mile, and operating expense decreased by more than 10 % from last year. We obtained a written response from Daniel Pryba for the -15% decrease in Motor Bus passenger miles and 16% decrease in Transit Plus operating expense, respectively. We reviewed the written response from Daniel and were satisfied with the explanation.

V. Percentage change in the following for motorbus data:

	<u>2013</u>	<u>2012</u>	<u>Change %</u>
Vehicle revenue miles	15,337,220	15,518,190	-1%
Passenger miles	149,114,525	129,472,652	15%
Operating expense data	130,630,423	135,510,956	-4%



Percentage change in the following for Transit Plus data:

	<u>2013</u>	<u>2012</u>	<u>Change %</u>
Vehicle revenue miles	2,736,632	2,778,117	-1%
Passenger miles	3,154,260	3,291,944	-4%
Operating expense data	13,365,889	15,874,063	-16%

(Reporting Manual Federal Funding Allocation Data review procedure “y”).

As a result of performing the procedures described above we did not identified any noncompliance with FTA mandated standards.

W. The following Reporting Manual Federal Funding Allocation Data review procedures were not applicable to the agency and therefore, were not performed:

Reporting Manual Federal Funding Allocation Data review procedure n, o, p, q, r, s, and x.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the Federal Funding Allocation Statistics Form. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. Also, we do not express an opinion on the transit agency’s system of internal control taken as a whole.

This report relates only to the information described above, and does not extend to the transit agency’s financial statements taken as a whole or the forms in the transit agency’s NTD report other than the Federal Funding Allocation Statistics Form, for any date or period.

This report is intended solely for the information and use of the Board of Supervisors of the County of Milwaukee, the FTA, and the agency, and is not intended to be and should not be used by anyone other than those specified parties.

Coleman & Williams, Ltd.

Milwaukee, Wisconsin
 July 10, 2014

Independent auditor's report to the members of FirstGroup America, Inc.

We have audited the non-statutory financial statements of FirstGroup America, Inc. for the year ended 31 March 2013, which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes 1 to 29. These Group financial statements have been prepared under the accounting policies set out therein.

This report is made solely for the exclusive use of the directors and solely for the purpose of showing the results of management's stewardship of the resources entrusted to it. Our report is not to be used for any other purpose, recited or referred to in any document, copied or made available (in whole or in part) to any other person without prior written express consent. We accept no duty, responsibility or liability to any other party in connection with the report or this engagement.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on non-statutory financial statements

In our opinion the non-statutory financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2013 and of its profit for the year then ended; and
- the non-statutory financial statements have been properly prepared in accordance with the accounting policies set out therein.



Deloitte LLP
Chartered Accountants
London, United Kingdom
24 July 2013



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June 2, 2014

Owners

Transit Express Services, Inc.
424 West Cherry Street
Milwaukee, WI 53212

To the Owners:

We have audited the financial statements of Transit Express Services, Inc., (the "Company") for the year ended December 31, 2013, and have issued our report thereon dated June 2, 2014. Professional standards require that we provide you with the following information related to our audit:

Our Responsibility Under Auditing Standards Generally Accepted in the United States

As stated in our engagement letter dated December 13, 2013, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States. Our audit of the financial statements does not relieve you or management of your responsibilities.

Other Information in Documents Containing Audited Financial Statements

The auditor's responsibility for other information in documents containing audited financial statements does not extend beyond the financial information identified in our report, and we have no obligation to perform any procedures to corroborate other information contained in a document. Our responsibility is to read the other information and consider whether such information, or the manner of its presentation, is materially inconsistent with information, or the manner of its presentation, appearing in the financial statements. We are not aware of any documents or other information containing audited financial statements and, furthermore, management has not requested us to devote attention to any documents containing audited financial statements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to your representative, Ms. Mary Smarelli, in our engagement letter dated December 13, 2013, accepted by Ms. Smarelli.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Company are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the period under audit.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from management's expectations. The most sensitive estimate affecting the financial statements is the valuation of the insurance reserve.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We proposed no audit adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on the Company's financial reporting process.

Disagreements With Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 2, 2014, a copy of which accompanies this letter.

Owners
Transit Express Services, Inc.
Page 4
June 2, 2014

We appreciate the opportunity to be of service to Transit Express Services, Inc.

This letter is intended solely for the use of the owners, management, the Milwaukee County Department on Aging, and the Milwaukee County Department of Public Works and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Wipfli LLP

Wipfli LLP

Enc.



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Milwaukee, WI 53226

This representation letter is provided in connection with your audit of the financial statements of Transit Express Services, Inc. (the "Company"), which comprise the balance sheet as of December 31, 2013, and the related statements of income and comprehensive income, stockholders' equity, and cash flows for the year then ended, and the related notes to the financial statements for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with accounting principles generally accepted in the United States ("GAAP").

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief as of the date of this letter, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated December 13, 2013.
2. The financial statements referred to above are fairly presented in conformity with GAAP.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of GAAP.

7. All events subsequent to the date of the financial statements and for which GAAP requires adjustment or disclosure have been adjusted or disclosed.
8. We agree with the adjusting journal entries proposed by you and which are given effect to in the financial statements.
9. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with GAAP.
10. Material concentrations have been properly disclosed in accordance with GAAP.
11. Guarantees, whether written or oral, under which the Company is contingently liable, have been properly recorded or disclosed in accordance with GAAP.
12. As part of your audit, you prepared the draft financial statements and related notes. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have assumed all management responsibilities. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.

Information Provided

13. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the Company from who you determined it necessary to obtain audit evidence.
14. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
15. We have no knowledge of any allegations of fraud or suspected fraud affecting the Company involving:
 - a. Management.
 - b. Employees who have significant roles in internal control.
 - c. Others where the fraud could have a material effect on the financial statements.
16. We have no knowledge of any allegations of fraud or suspected fraud affecting the Company's financial statements communicated by employees, former employees, regulators, or others.
17. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.

18. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
19. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with GAAP.
20. We have disclosed to you the identity of the Company's related parties and all the related party relationships and transactions of which we are aware.
21. The Company has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any material asset been pledged, except as disclosed in the notes to the financial statements.
22. Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the balance-sheet date and have been appropriately reduced to their estimated net realizable value.
23. We believe the security in place for the captive insurance plan is adequate to cover anticipated claims and consequently, we do not feel that additional premiums related to the captive insurance plan are required to be accrued at December 31, 2013.
24. The Company has determined that no discretionary contribution shall be made to the profit-sharing plan for the year ended December 31, 2013.
25. The Company has identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and we believe the estimates are reasonable in the circumstances.
26. There are no estimates that may be subject to a material change in the near term that have not been properly disclosed in the financial statements. We understand that near term means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the Company vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements.
27. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
28. We have complied with all restrictions on resources and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance.

29. The Company has elected to be treated as an S Corporation under the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Company's tax status have been disclosed to you. All required filings with tax authorities are up to date.
30. Federal and state income tax returns remain open to review through their respective statutory time periods. There are no examinations by such taxing authorities currently in progress and there are no items in dispute as of the date of this letter

To the best of our knowledge and belief, no events, including instances of noncompliance, have occurred subsequent to the statement of financial position date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

Sincerely,

TRANSIT EXPRESS SERVICES, INC.

John V. Doherty Manager
[Signature, Title]

6-2-2014
[Date]

Kary J. Russell VP
[Signature, Title]

5-30-14
[Date]

Randy Weaver Controller
[Signature, Title]

5-30-14
[Date]