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STATE BOARD OF ACCOUNTS
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ANNUAL FINANCIAL REPORT
2005

BLOOMINGTON PUBLIC
TRANSPORTATION CORPORATION
CITY OF BLOOMINGTON

MONROE COUNTY, INDIANA

FILED
12/14/2006

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OFFICIALS

Office	Official	Term
City Controller	Mary Susan Clark	01-01-05 to 12-31-07
Mayor	Mark Kruzan	01-01-05 to 12-31-07
General Manager	Lewis May	01-01-05 to 12-31-06
Public Transportation Corporation Controller	Christa D. Browning	01-01-05 to 12-31-06
Chairman of the Public Transportation Board	Raymond McConn	01-01-05 to 12-31-06

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE BLOOMINGTON PUBLIC TRANSPORTATION CORPORATION, CITY OF BLOOMINGTON, MONROE COUNTY, INDIANA

We have audited the accompanying financial statements of the business-type activities of the Bloomington Public Transportation Corporation (Public Transportation Corporation), a component unit of the City of Bloomington, as of and for the year ended December 31, 2005. These financial statements are the responsibility of the Public Transportation Corporation's management. Our responsibility is to express an 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note I, the financial statements of the Public Transportation Corporation, City of Bloomington, are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the business-type activities of the City that is attributable to the transactions of the Public Transportation Corporation. They do not purport to, and do not, present fairly the financial position of the City of Bloomington as of December 31, 2005, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities for the Public Transportation Corporation, as of December 31, 2005, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management's Discussion and Analysis is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Management's Discussion and Analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

May 15, 2006

BLOOMINGTON PUBLIC TRANSPORTATION CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Bloomington Public Transportation Corporation (BPTC), we offer the following discussion as insight into the financial performance of BPTC for the calendar year ended December 31, 2005. To gain a fair understanding of BPTC's financial position, this discussion and analysis should be read in conjunction with the basic financial statements, and the notes to the basic financial statements.

BPTC is accounted for as an enterprise fund. A fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, with its related liabilities, and corresponding equity balances. An entity is classified as an enterprise fund when a fee is charged to cover the entire cost of an operation. BPTC accounts for its practices using an economic resource measurement focus and the accrual basis of accounting. The economic resource measurement focus includes all assets and liabilities associated with BPTC in the balance sheet. Full accrual accounting records revenues when earned and expenses when incurred.

BPTC's basic financial statements are comprised of the Statement of Net Assets, the Statement of Revenues, Expenses and Other Changes in Fund Net Assets or fund equity, the Statement of Cash Flows, and notes to the financial statements. In addition to the basic financial statements this report includes other supplementary information.

Statement of Net Assets. The Statement of Net Assets presents information on all of BPTC's assets, liabilities and net assets as of the end of the calendar year.

Statement of Revenues, Expenses, and Other Changes in Fund Net Assets. The Statement of Revenues, Expenses, and Other Changes in Fund Net Assets reflects revenues and expenses recognized during the year.

Statement of Cash Flows. The Statement of Cash Flows provides information on all of the cash inflows and outflows for BPTC by major category during the year.

Notes to the financial statements. The notes are a required part of the basic financial statements that provide necessary information for the understanding of the BPTC's financial report.

Other information. BPTC is also required to provide more detailed information about certain issues disclosed in required supplementary information (RSI) schedules. BPTC's RSI schedule includes the Budgetary Comparison Schedule.

STATEMENT OF NET ASSETS

	2005	2004
Current and other assets	$ 2,278,354	$ 2,827,333
Noncurrent assets	10,798,141	10,322,718
Total assets	13,076,495	13,150,051
Long-term liabilities outstanding	-	-
Current liabilities	279,373	226,991
Total liabilities	279,373	226,991
Net Assets	$ 12,797,122	$ 12,923,060

Invested in capital assets, net

of related debt	$ 9,643,785	$ 9,168,362
Restricted	-	-
Unrestricted	3,153,337	3,754,698
Total Net Assets	$ 12,797,122	$ 12,923,060

Total assets at December 31, 2005 were $13,076,495, a decrease of .5 percent from the prior year. Net capital assets comprised of $9,643,785 of the $13,076,495 in assets.

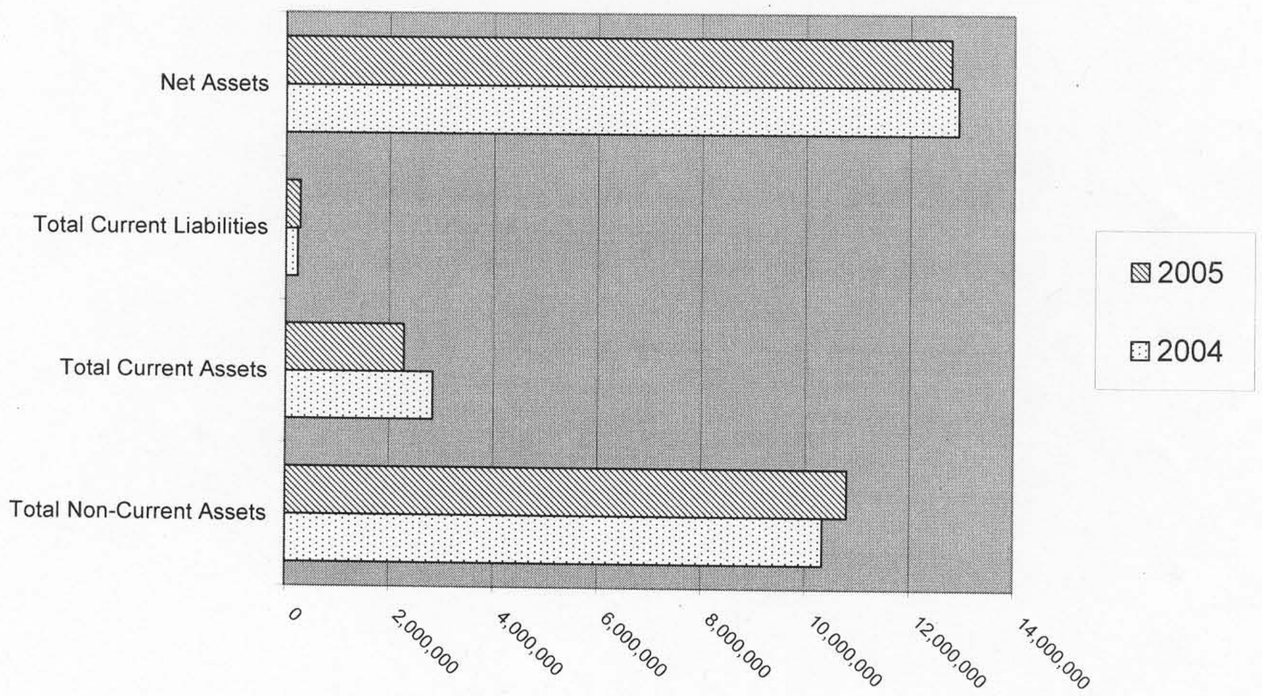
Total liabilities at December 31, 2005 were $279,373, compared to $226,991 from the prior year. BPTC had no long-term liabilities at year end.

Total net assets at December 31, 2005 were $12,797,122, a decrease of $125,938 from the prior year. The breakout of net assets is shown below:

Capital assets net of related debt	$ 9,643,785
Restricted net assets	-
Unrestricted net assets	3,153,337
Total net assets	**$12,797,122**

The composition of current and non-current assets and liabilities and net assets is displayed below for both the 2004 and 2005 calendar year ends:

Statement of Net Assets



STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES IN FUND NET ASSETS

	2005	2004
Operating Revenues:		
Fares/Advertising	$1,062,151	$ 998,959
Other	95,527	97,057
Total operating revenues	1,157,678	1,096,016
Operating Expenses:		
Operations and maintenance	91,736	94,240
Administration and general	67,822	59,484
Depreciation	1,051,444	1,028,589
Salaries and wages	2,109,589	1,889,484
Employee pensions and benefits	420,792	402,123
Materials and supplies	907,599	693,543
Contractual services	722,310	613,161
Advertising	34,461	36,747
Utilities	92,065	72,397
Insurance expense	177,040	161,820
Total operating expenses	5,674,858	5,051,588
Operating loss	(4,517,180)	(3,955,572)
Non-operating Revenues (Expenses):		
Interest and investment revenue	86,132	37,441
Local taxes	811,983	798,691
Intergovernmental revenue	2,244,604	2,104,484
Loss on disposal of assets	(36,974)	-
Total non-operating revenue (expenses)	3,105,745	2,940,616
Loss before contributions	(1,411,435)	(1,014,956)
Capital contributions	1,328,432	174,590
Change in net assets	(83,003)	(840,366)
Net assets -- January 1st	12,923,060	13,763,426
Change in accounting principle	(42,935)	-
Net assets – beginning, restated	12,880,125	-
Net assets -- December 31st	$ 12,797,122	$12,923,060

REVENUES

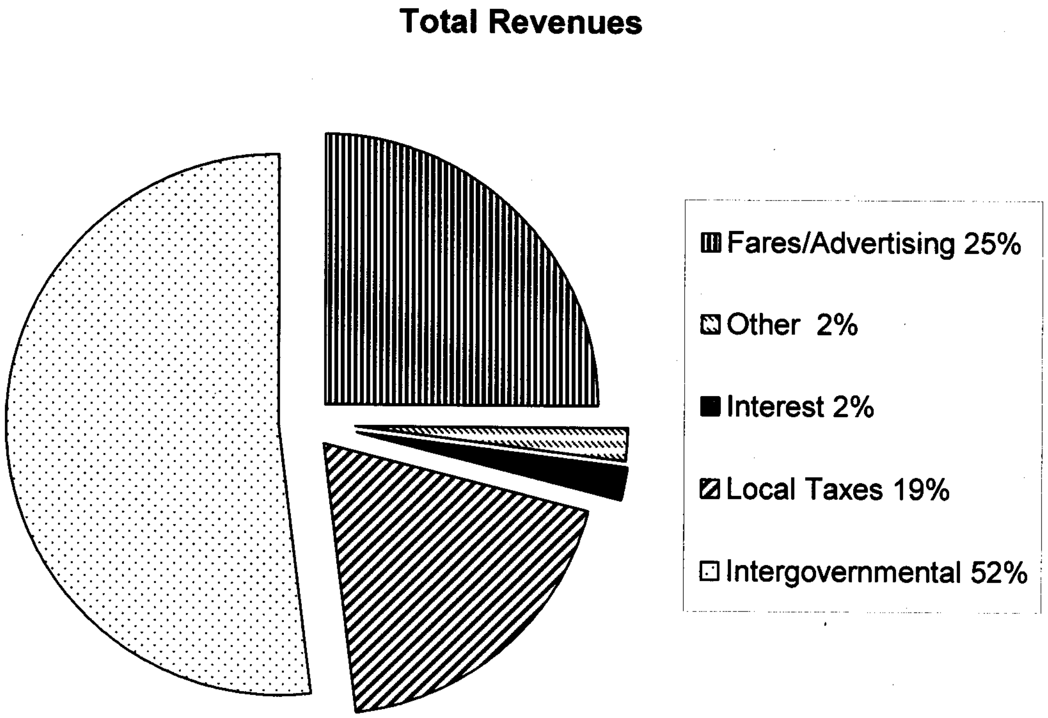
Operating revenues at BPTC for December 31, 2005 year end increased 6% over the previous year end. The changes in revenues are as follows:

- Fare/Advertising revenues were $1,062,151 in 2005 compared to $998,959 in 2004, an overall increase of 6%.
- Other revenue of $95,527 was a decrease of 2% over the previous year of $97,057. Other revenue includes insurance and IU reimbursements and miscellaneous revenue.

Total non-operating revenues increased by 7% from December 31, 2004, from $2,940,616 to $3,142,719.

- Interest and investment revenue increased 130%, from $37,441 at December 31, 2004, to $86,132 at December 31, 2005. This was a result of increase in both investment returns and in the principal invested.
- Local taxes increased from $798,691 to $811,983, or 2%.
- Intergovernmental revenues increased from $2,104,484 to $2,244,604 in 2005 an increase of 7%. This includes state funds through the Public Mass Transportation fund, the largest single source of non-operating revenue. These funds were increased 10% in 2005 from $1,299,754 to $1,430,383.

In summary, total revenue of BPTC increased by $263,765, from $4,036,632 to $4,300,397, an overall increase of 7%. The composition of these revenues is displayed in this graph for 2005:



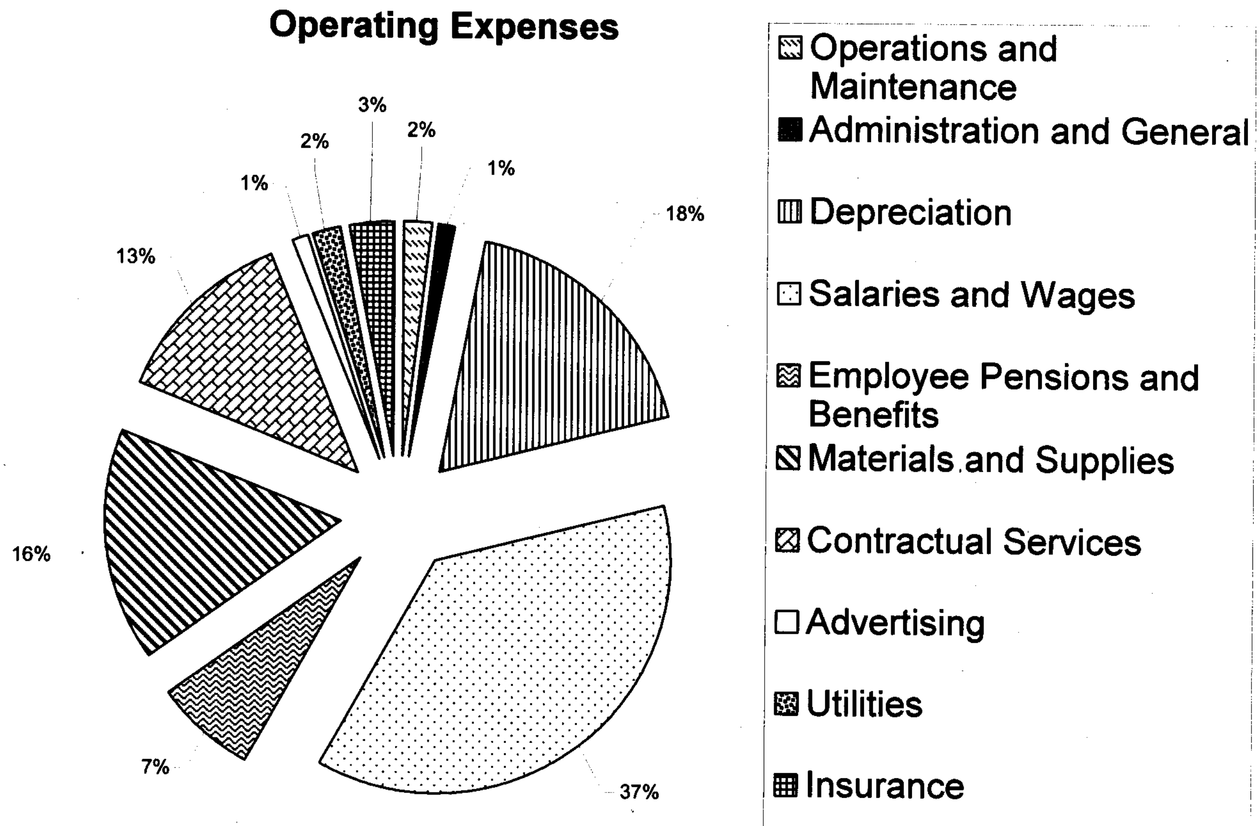
EXPENSES

Operating expenses were $5,674,858 for 2005. This was an increase over the previous year of $623,270, or 12%. Changes in the major categories of expenses are as follows:

- Operations and maintenance expenses decreased by $2,504, or 3% from 2004.
- Administration and general expenses increased by 14% for 2005, from $59,484 to $67,822.
- Depreciation expense saw a net increase from 2004. Current depreciation expense of $1,051,444 is $22,855 more than 2004. Depreciation expense was affected by a change in the capitalization policy dollar value of equipment in 2005.
- Salaries and wages are comprised of salaried, full and part time employees. This category increased by 12% for 2005, from $1,889,484 to $2,109,589.
- Employee pensions and benefits increased by $18,669, or 5% from 2004.
- Materials and supplies increased by $214,056, or 31%, from $693,543 to $907,599. Fuel costs are a major component of this category and increased 72% over the prior year.
- Contractual services increased by $109,149 or 18% in 2005. BPTC contractual paratransit operations are a major contributing factor in this category with a 17% increase over 2004.
- Advertising expenses decreased from $36,747 in 2004 to $34,461 in 2005. This was a decrease of $2,286, or 6%.
- Utilities increased by 27% from $72,397 in 2004 to $92,065 in 2005.
- Insurance expense increased by 2005 of $15,220, or 9% from the prior year.

Non-operating expenses are represented by loss on disposal of assets. A physical inventory of fixed assets was conducted during 2005 and resulted in the net loss of $36,974 during 2005. In addition, a change in accounting principle requiring a write-down of capital assets resulted in a net decrease of $42,935.

The composition of total expenses is displayed below by major category for 2005:



CAPITAL ITEMS

On the Statement of Revenues, Expenses, and Other Changes in Fund Net Assets, the net loss before contributions was $1,411,435. This was an increase of $396,479 from the prior year loss of $1,014,956.

Capital contributions are comprised of state capital funds from the Public Mass Transportation Fund and Federal Transit Administration capital monies received from Federal Transit Capital Formula grants and Federal Transit Capital Improvement Grants.

NET ASSETS

Net assets decreased by $125,938 over the previous year end. Although an increase occurred in operating expenses, overall operating and non-operating revenues increased also, thus off-setting each other. Ending net assets were $12,797,122, compared to ending net assets in 2004 of $12,923,060. This was a 1% decrease in net assets.

STATEMENT OF CASH FLOWS

The statement of cash flows provides a means to assess the health of BPTC by providing relevant information concerning the cash receipts and cash payments during the year. It assists the reader in determining whether BPTC has the ability to generate future net cash flows to meet its obligations as they come due.

<u>*Cash Flows for the Period*</u>

	December 31, 2005	December 31, 2004
Net cash provided (used) by:		
Operating activities	$ (3,397,693)	$ (5,028,831)
Noncapital financing activities	3,378,055	3,841,571
Capital and related financing activities	(153,671)	(18,639)
Investing activities	82,917	38,879
Net decrease in cash	(90,392)	(1,167,020)
Beginning cash and cash equivalents balances	2,962,814	4,129,834
Ending cash and cash equivalents balances	**$ 2,872,422**	**$ 2,962,814**

Cash used by operating activities decreased by $1,631,138 from 2004 to 2005. The use of cash was impacted by a $225,755 increase from the previous year in payments to employees. This increase in cash outlay was offset by a decrease in the outlay to suppliers and vendors by $1,794,719 and an increase in inflows from operating receipts of $62,174.

Noncapital financing activities decreased $463,516 from the prior year. The largest dollar increase in this section was in operating grants at $369,011 which makes up the largest portion of noncapital financing and had a 14% decrease over the prior year.

Cash flows from capital and related debt decreased by $135,032. The primary driver of this decrease was the increase in the purchase of capital equipment in 2005.

Cash flows from investing activities saw an increase of $44,038, impacted mainly by proceeds from the sales and maturities of investments.

No substantial changes in cash flows are expected in 2006.

BUDGETARY HIGHLIGHTS

- During 2005, BPTC was granted an additional appropriation of $250,000 in excess of the established current year budget of $5,579,006. This was due to additional fuel expense and for the Downtown Passenger Transfer Facility study which was not included in the original 2005 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The BPTC's capital assets as of December 31, 2005, equal $9,643,785 (net of accumulated depreciation). Capital assets include land, buildings, improvements-other than buildings, shop and office equipment, and motor equipment. The total increase in the BPTC's capital assets for the current fiscal year was $475,423 or 5 percent.

Long-term Debt. At the end of the current year, BPTC had no bonded debt outstanding and has not issued any in the past.

ECONOMIC OUTLOOK

The FY 2006 total budget increased from $5,579,006 in FY 2005 to $5,724,966 in FY 2006 primarily due to increases in fuel cost. The fuel budget increased $117,074 in 2006 compared to 2005 due to rise in fuel cost nationwide. Operating expenses are budgeted to increase from $4,238,499 in FY 2005 to $4,529,798 in FY 2006.

Notable revenue changes in the 2006 budget include a budgeted decrease in Federal Transit grant funds from $1,616,806 in 2005 to $1,507,735 in 2006. This decrease was offset by the transfer from BPTC reserves.

BPTC is not aware of any additional currently known facts, decisions, or conditions that are expected to have significant effect on the financial position or results of operations during 2006 beyond those unknown variations having a global effect on virtually all types of business operations.

Overall, the financial position of BPTC continues to be strong with 2006 rendering an increase in ridership.

Request for Information

This financial report is designed to provide a general overview of the BPTC's finances. Questions concerning any of the information provided in this report or requests for additional information should be directed to the BPTC's Administrative Office: Bloomington Public Transportation Corporation, 130 West Grimes Lane, Bloomington, Indiana 47403.

BLOOMINGTON PUBLIC TRANSPORTATION CORPORATION
STATEMENT OF NET ASSETS
December 31, 2005

Assets	
Current assets:	
Cash and cash equivalents	$ 1,718,066
Interest receivable	6,504
Accounts receivable	9,235
Grant receivable	27,043
Taxes receivable	136,246
Inventories	347,051
Prepaid items	34,209
Total current assets	2,278,354
Noncurrent assets:	
Restricted cash, cash equivalents and investments:	
Capital improvement reserve	1,154,356
Capital assets:	
Capital assets (net of accumulated depreciation)	9,643,785
Total noncurrent assets	10,798,141
Total assets	13,076,495
Liabilities	
Current liabilities:	
Accounts payable	119,573
Accrued payroll/withholdings payable	129,943
Deferred revenue - unearned	2,715
Deferred revenue - unavailable	27,142
Total liabilities	279,373
Net Assets	
Invested in capital assets	9,643,785
Unrestricted	3,153,337
Total net assets	$ 12,797,122

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

BLOOMINGTON PUBLIC TRANSPORTATION CORPORATION
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS
As Of And For The Year Ended December 31, 2005

Operating revenues:	
Fares/advertising	$ 1,062,151
Other	95,527
Total operating revenues	1,157,678
Operating expenses:	
Operations and maintenance	91,736
Administration and general	67,822
Depreciation and amortization	1,051,444
Salaries and wages	2,109,589
Employee pensions and benefits	420,792
Materials and supplies	907,599
Contractual services	722,310
Advertising	34,461
Utilities	92,065
Insurance expense	177,040
Total operating expenses	5,674,858
Operating loss	(4,517,180)
Nonoperating revenues (expenses):	
Interest and investment revenue	86,132
Local taxes	811,983
Intergovernmental revenue	2,244,604
Loss on disposal of assets	(36,974)
Total nonoperating revenues (expenses)	3,105,745
Loss before contributions	(1,411,435)
Capital contributions	1,328,432
Change in net assets	(83,003)
Net assets - beginning, as originally reported	12,923,060
Change in accounting principle (Note II)	(42,935)
Net assets - beginning, restated	12,880,125
Total net assets - ending	$ 12,797,122

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

BLOOMINGTON PUBLIC TRANSPORTATION CORPORATION
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
As Of And For The Year Ended December 31, 2005

Cash flows from operating activities:	
Receipts from customers and users	$ 1,162,932
Payments to suppliers and contractors	(2,028,503)
Payments to employees	(2,532,122)
Net cash used by operating activities	(3,397,693)
Cash flows from noncapital financing activities:	
Taxes received	700,917
Operating grants received	2,677,138
Net cash provided by noncapital financing activities	3,378,055
Cash flows from capital and related financing activities:	
Capital contributions	1,453,106
Acquisition and construction of capital assets	(1,606,777)
Net cash used by capital and related financing activities	(153,671)
Cash flows from investing activities:	
Interest received	82,917
Net cash provided by investing activities	82,917
Net decrease in cash and cash equivalents	(90,392)
Cash and cash equivalents, January 1	2,962,814
Cash and cash equivalents, December 31	$ 2,872,422

Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	$ (4,517,180)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	1,051,444
(Increase) decrease in assets:	
Accounts receivable	2,827
Interfund services provided or used	-
Allowance for uncollectible accounts	-
Inventories	15,273
Prepaid items	(2,439)
Increase (decrease) in liabilities:	
Accounts payable	51,696
Accrued payroll/withholdings payable	(1,741)
Deferred revenue - unearned	465
Deferred revenue - unavailable	1,962
Total adjustments	1,119,487
Net cash used by operating activities	$ (3,397,693)

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

I. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements reflect only the activity of the Public Transportation Corporation and are not intended to present fairly the position of the City of Bloomington (City), and the results of its operations and cash flows of its enterprise funds. The Public Transportation Corporation, whose operations are controlled by the City, represents a substantial portion of the City's enterprise funds.

B. Fund Financial Statements

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

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

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

Proprietary funds distinguish operating revenues from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

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

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

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

Debt securities are reported at fair value. Debt securities are defined as securities backed by the full faith and credit of the United States Treasury of fully insured or guaranteed by the United States or any United States government agency.

Open-end mutual funds are reported at fair value.

Money market investments that mature within one year or less at the date of their acquisition are reported at amortized cost. Other money market investments are reported at fair value.

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

2. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

3. Capital Assets

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

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

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings	$ 1,000	Straight-line	30 years
Improvements other than buildings	1,000	Straight-line	10 to 30 years
Office equipment	1,000	Straight-line	3 to 10 years
Shop equipment	1,000	Straight-line	5 to 10 years
Bus/passenger equipment	1,000	Straight-line	3 to 10 years
Motor equipment	1,000	Straight-line	3 to 12 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.

4. Compensated Absences

Paid Time Off (PTO) – Public Transportation Corporation employees earn PTO at rates from 5 days to 25 days per year based upon the number of years of service. PTO may be used for any purpose. PTO leave must be used within the calendar year and will not accumulate from year to year. Each employee shall be entitled to carry over 32 hours. These hours can be accumulated to be used no later than December 31st of the calendar year following the year in which they were earned. Any carry over PTO hours not used by the end of the calendar year following the year in which they were earned shall be sent to the employee Sick Bank or paid to the employee at his/her current rate of pay at the option of the employee.

II. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

<u>Investment Policies</u>

Indiana Code 5-13-9 authorizes the City to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the unit to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the City and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

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

B. Capital Assets

Capital asset activity for the year ended December 31, 2005, was as follows:

Primary Government	Beginning Balance	Increases	Decreases	Deletions Due To Change in Capitalization	Ending Balance
Capital assets, being depreciated:					
Buildings	$ 6,409,726	$ 13,115	$ -	$ -	$ 6,422,841
Improvements other than buildings	950	950	-	-	1,900
Office equipment	257,193	5,198	89,068	41,447	131,876
Shop equipment	79,025	-	-	12,144	66,881
Bus/passenger equipment	273,858	140,288	16,495	44,088	353,563
Motor equipment	7,917,007	1,447,225	675,320	-	8,688,912
Totals	14,937,759	1,606,776	780,883	97,679	15,665,973
Less accumulated depreciation for:					
Building	1,473,959	213,658	-	-	1,687,617
Improvements other than buildings	-	32	-	-	32
Office equipment	150,652	31,321	69,349	25,097	87,527
Shop equipment	62,245	3,344	-	10,163	55,426
Bus/passenger equipment	4,003,133	778,750	661,090	-	4,120,793
Motor equipment	79,408	24,341	13,471	19,485	70,793
Totals	5,769,397	1,051,446	743,910	54,745	6,022,188
Total capital assets, net	$ 9,168,362	$ 555,330	$ 36,973	$ 42,934	$ 9,643,785

The Public Transportation Corporation increased their capitalization threshold from $500 to $1,000 during 2005. Net assets have been adjusted for the effect of applying the new method of accounting.

III. Other Information

A. Risk Management

The Public Transportation Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding post employment benefits);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.

B. Rate Structure

The current rate structure was approved by the Public Transportation Board on July 1, 1996.

C. Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The Public Transportation Corporation's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the City, the Public Transportation Corporation and the Utilities is not available. Therefore, the liability for Net Pension Obligation (NPO) is considered an obligation of the City as a whole (and is presented in the governmental activities of the financial statements and is not presented as an asset/liability of the proprietary funds).

Actuarial Information for the Above Plan

	PERF
Annual required contribution	$ 1,143,562
Interest on net pension obligation	8,144
Adjustment to annual required contribution	(9,281)
Annual pension cost	1,142,425
Contributions made	997,760
Increase in net pension obligation	144,665
Net pension obligation, beginning of year	112,330
Net pension obligation, end of year	$ 256,995

Contribution rates:	
Government	5.5%
Plan members	3%
Actuarial valuation date	07-01-05
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	4 year smoothed market

Actuarial Assumptions	
Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	$ 1,001,935	64%	$ 27,850
	06-30-04	896,957	91%	112,330
	06-30-05	1,142,425	111%	256,995

BLOOMINGTON PUBLIC TRANSPORTATION CORPORATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	$ 15,105,968	$ 17,212,634	$ (2,106,666)	88%	$ 15,868,524	(13%)
07-01-04	15,360,487	19,373,381	(4,012,894)	79%	17,712,119	(23%)
07-01-05	16,151,067	22,465,947	(6,314,880)	72%	18,502,301	(34%)

BLOOMINGTON PUBLIC TRANSPORTATION CORPORATION
CITY OF BLOOMINGTON
EXIT CONFERENCE

The contents of this report were discussed on August 14, 2006, with Lewis May, General Manager; and Christa D. Browning, Public Transportation Corporation Controller. Our audit disclosed no material items that warrant comment at this time.