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STATE BOARD OF ACCOUNTS
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ANNUAL FINANCIAL REPORT

2006

BLOOMINGTON PUBLIC
TRANSPORTATION CORPORATION
CITY OF BLOOMINGTON
MONROE COUNTY, INDIANA

FILED
10/30/2007

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OFFICIALS

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

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, 2006. 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 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, 2006, 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, 2006, 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

June 14, 2007

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, 2006. 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

	2006	2005
Current and other assets	$ 2,199,042	$ 2,278,354
Noncurrent assets	10,968,670	10,798,141
Total assets	13,167,712	13,076,495
Long-term liabilities outstanding	-	-
Current liabilities	304,750	279,373
Total liabilities	304,750	279,373
Net Assets	$ 12,862,962	$ 12,797,122

Invested in capital assets, net

of related debt	$ 9,814,314	$ 9,643,785
Restricted	-	-
Unrestricted	3,048,648	3,153,337
Total Net Assets	$ 12,862,962	$ 12,797,122

Total assets at December 31, 2006 were $13,167,712, an increase of .7 percent from the prior year. Net capital assets comprised of $9,814,314 of the $13,167,712 in assets.

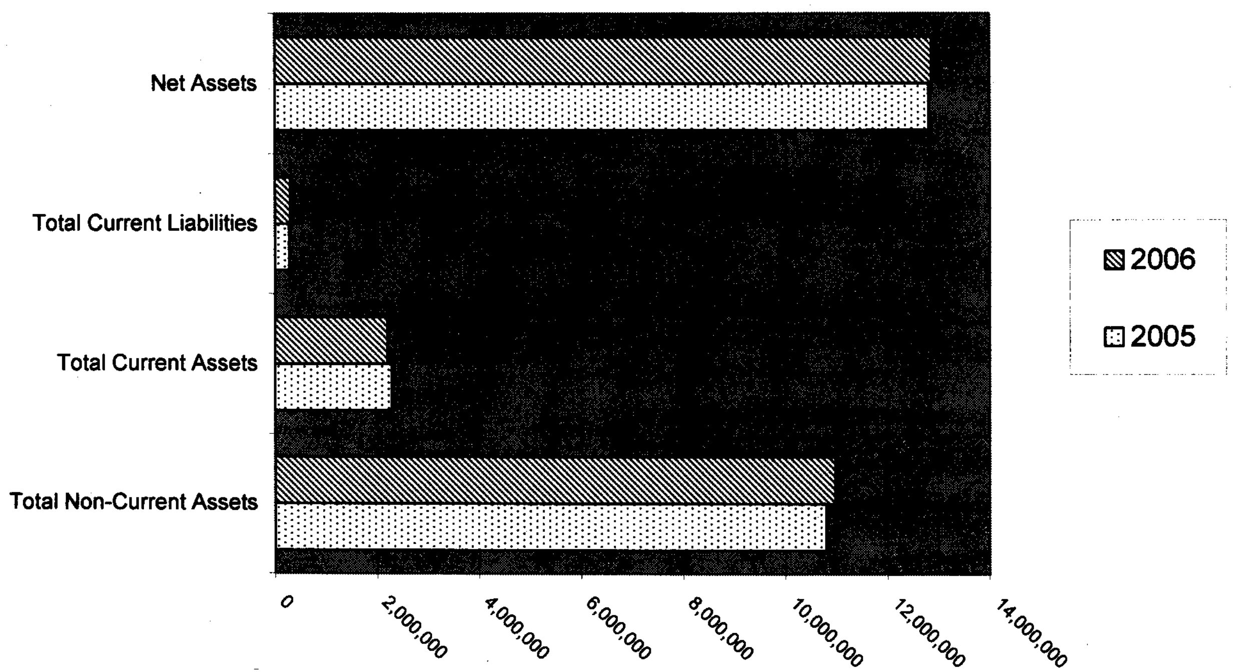
Total liabilities at December 31, 2006 were $304,750, compared to $279,373 from the prior year. BPTC had no long-term liabilities at year end.

Total net assets at December 31, 2006 were $12,862,962, an increase of $65,840 from the prior year. The breakout of net assets is shown below:

Capital assets net of related debt	$ 9,814,314
Restricted net assets	-
Unrestricted net assets	3,048,648
Total net assets	**$12,862,962**

The composition of current and non-current assets and liabilities and net assets is displayed below for both the 2005 and 2006 calendar year ends:

Statement of Net Assets



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

	2006	2005
Operating Revenues:		
Fares/Advertising	$1,126,590	$ 1,062,151
Other	93,934	95,527
Total operating revenues	1,220,524	1,157,678
Operating Expenses:		
Operations and maintenance	88,970	91,736
Administration and general	61,160	67,822
Depreciation	992,716	1,051,444
Salaries and wages	2,116,918	2,109,589
Employee pensions and benefits	471,615	420,792
Materials and supplies	949,986	907,599
Contractual services	822,094	722,310
Advertising	39,502	34,461
Utilities	55,445	92,065
Insurance expense	205,384	177,040
Total operating expenses	5,803,790	5,674,858
Operating loss	(4,583,266)	(4,517,180)
Non-operating Revenues (Expenses):		
Interest and investment revenue	119,131	86,132
Local taxes	855,073	811,983
Intergovernmental revenue	2,677,490	2,244,604
Loss on disposal of assets	-	(36,974)
Total non-operating revenue (expenses)	3,651,694	3,105,745
Loss before contributions	(931,572)	(1,411,435)
Capital contributions	997,412	1,328,432
Change in net assets	65,840	(83,003)
Net assets -- January 1st	12,797,122	12,923,060
Change in accounting principle	-	(42,935)
Net assets -- beginning, restated	12,797,122	12,880,125
Net assets -- December 31st	$ 12,862,962	$12,797,122

REVENUES

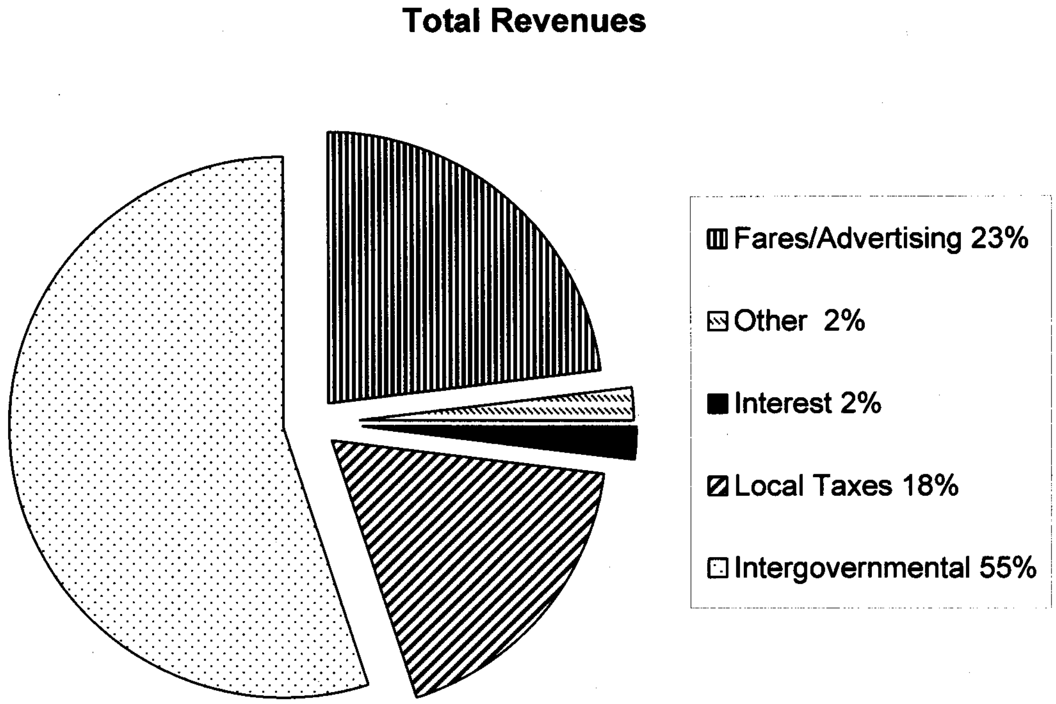
Operating revenues at BPTC for December 31, 2006 year end increased 5% over the previous year end. The changes in revenues are as follows:

- Fare/Advertising revenues were $1,126,590 in 2006 compared to $1,062,151 in 2005, an overall increase of 6%.
- Other revenue of $93,934 was a decrease of 2% over the previous year of $95,527. Other revenue includes insurance and IU reimbursements and miscellaneous revenue.

Total non-operating revenues increased by 16% from December 31, 2005, from $3,142,719 to $3,651,694.

- Interest and investment revenue increased 38%, from $86,132 at December 31, 2005, to $119,131 at December 31, 2006. This was a result of increase in both investment returns and in the principal invested.
- Local taxes increased from $811,983 to $855,073, or 5%.
- Intergovernmental revenues increased from $2,244,604 to $2,677,490 in 2006 an increase of 19%. This includes state funds through the Public Mass Transportation fund, the largest single source of non-operating revenue. These funds were increased 9% in 2006 from $1,430,383 to $1,555,918.

In summary, total revenue of BPTC increased by $571,821, from $4,300,397 to $4,872,218, an overall increase of 13%. The composition of these revenues is displayed in this graph for 2006:

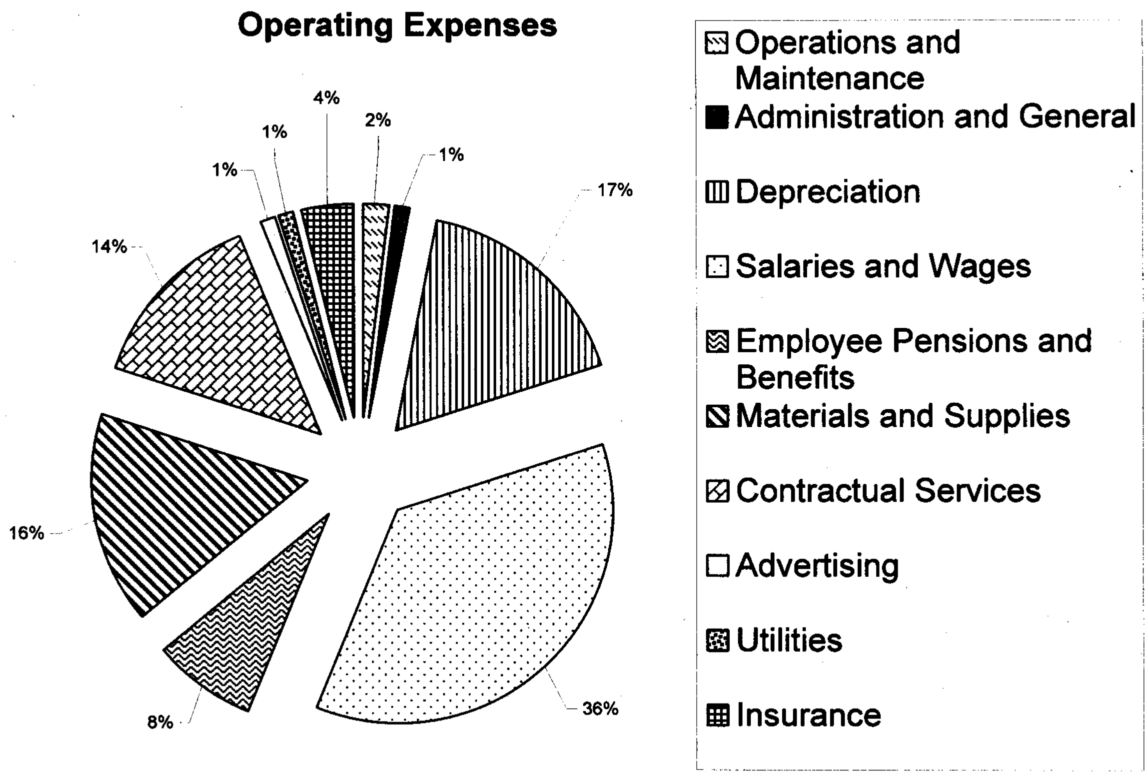


EXPENSES

Operating expenses were $5,803,790 for 2006. This was an increase over the previous year of $128,932, or 2%. Changes in the major categories of expenses are as follows:

- Operations and maintenance expenses decreased by $2,766, or 3% from 2005.
- Administration and general expenses decreased by 10% for 2006, from $67,822 to $61,160.
- Depreciation expense saw a net decrease from 2005. Current depreciation expense of $992,716 is $58,728 less than 2005. 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 .3% for 2006, from $2,109,589 to $2,116,918.
- Employee pensions and benefits increased by $50,823, or 12% from 2005.
- Materials and supplies increased by $42,387, or 5%, from $907,599 to $949,986.
- Contractual services increased by $99,784 or 14% in 2006. BPTC contractual paratransit operations are a major contributing factor in this category with a 20% increase over 2005.
- Advertising expenses increased from $34,461 in 2005 to $39,502 in 2006. This was an increase of $5,041, or 15%.
- Utilities decreased by 40% from $92,065 in 2005 to $55,445 in 2006. Utilities expense was affected by a change in classification of shared expenses with Indiana University.
- Insurance expense increased in 2006 by $28,344, or 16% from the prior year.

The composition of total expenses is displayed below by major category for 2006:



CAPITAL ITEMS

On the Statement of Revenues, Expenses, and Other Changes in Fund Net Assets, the net loss before contributions was $931,572. This was an decrease of $479,863 from the prior year loss of $1,411,435.

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 increased by $65,840 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 $12,862,962, compared to ending net assets in 2005 of $12,797,122. This was a .5% increase 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.

Cash Flows for the Period

	December 31, 2006	December 31, 2005
Net cash provided (used) by:		
Operating activities	$ (3,562,188)	$ (3,397,693)
Noncapital financing activities	3,171,731	3,378,055
Capital and related financing activities	(165,835)	(153,671)
Investing activities	119,690	82,917
Net decrease in cash	(436,602)	(90,392)
Beginning cash and cash equivalents balances	2,872,422	2,962,814
Ending cash and cash equivalents balances	**$ 2,435,820**	**$ 2,872,422**

Cash used by operating activities increased by $164,495 from 2005 to 2006. The use of cash was impacted by a $215,753 increase from the previous year in payments to suppliers and contractors and payment to employees. Payment to supplies and contractors was impacted by fuel prices and paratransit provider contract increase. This increase in cash outlay was offset by an increase in inflows from operating receipts of $51,258.

Noncapital financing activities decreased $206,324 from the prior year. The largest dollar decrease in this section was in operating grant monies at $463,081 which makes up the largest portion of noncapital financing and had a 17% decrease over the prior year.

Cash flows from capital and related debt decreased by $12,164. The primary driver of this decrease was the decrease in the purchase of capital equipment in 2006.

Cash flows from investing activities saw an increase of $36,773, impacted mainly by proceeds from the sales and maturities of investments.

No substantial changes in cash flows are expected in 2007.

BUDGETARY HIGHLIGHTS

- During 2006, BPTC was granted an additional appropriation of $700,000 in excess of the established current year budget of $5,724,966. This was due to additional fuel expense and for the purchase of one additional 35' low floor bus which was not included in the original 2006 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The BPTC's capital assets as of December 31, 2006, equal $9,814,314 (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 $170,529 or 2 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 2007 total budget increased from $5,724,966 in FY 2006 to $7,868,612 in FY 2007 primarily due to land acquisition/environmental assessment for the downtown transfer facility at $1,500,000 and the increase in fuel cost. Operating expenses are budgeted to increase from $4,529,798 in FY 2006 to $5,039,812 in FY 2007.

Notable revenue changes in the 2007 budget include a budgeted increase in Federal Transit grant funds from $1,507,735 in 2006 to $2,980,000 in 2007. Also, state operating grant revenue seen an increase from $1,430,383 in 2006 to $1,600,000 in 2007.

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 2007 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 2007 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, 2006

Assets	
Current assets:	
Cash and cash equivalents	$ 1,281,464
Interest receivable	5,945
Accounts receivable	17,716
Grant receivable	490,477
Taxes receivable	33,645
Inventories	348,089
Prepaid items	21,706
Total current assets	2,199,042
Noncurrent assets:	
Restricted cash, cash equivalents and investments:	
Capital improvement reserve	1,154,356
Capital assets:	
Capital assets (net of accumulated depreciation)	9,814,314
Total capital assets	9,814,314
Total noncurrent assets	10,968,670
Total assets	13,167,712
Liabilities	
Current liabilities:	
Accounts payable	138,590
Accrued payroll/withholdings payable	134,157
Deferred revenue - unearned	500
Deferred revenue - unavailable	31,503
Total liabilities	304,750
Net Assets	
Invested in capital assets	9,814,314
Unrestricted	3,048,648
Total net assets	$ 12,862,962

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

BLOOMINGTON PUBLIC TRANSPORTATION CORPORATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
As Of And For The Year Ended December 31, 2006

Operating revenues:	
Fares/advertising	$ 1,126,590
Other	93,934
Total operating revenues	1,220,524
Operating expenses:	
Operations and maintenance	88,970
Administration and general	61,160
Depreciation and amortization	992,716
Salaries and wages	2,116,918
Employee pensions and benefits	471,615
Materials and supplies	949,986
Contractual services	822,094
Advertising	39,502
Utilities	55,445
Insurance expense	205,384
Total operating expenses	5,803,790
Operating loss	(4,583,266)
Nonoperating revenues:	
Interest and investment revenue	119,131
Local taxes	855,073
Intergovernmental revenue	2,677,490
Total nonoperating revenues	3,651,694
Loss before contributions	(931,572)
Capital contributions	997,412
Change in net assets	65,840
Total net assets - beginning	12,797,122
Total net assets - ending	$ 12,862,962

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, 2006

Cash flows from operating activities:	
Receipts from customers and users	$ 1,214,190
Payments to suppliers and contractors	(2,192,223)
Payments to employees	(2,584,155)
Net cash used by operating activities	(3,562,188)
Cash flows from noncapital financing activities:	
Taxes received	957,674
Operating grants received	2,214,057
Net cash provided by noncapital financing activities	3,171,731
Cash flows from capital and related financing activities:	
Capital contributions	997,412
Acquisition and construction of capital assets	(1,163,247)
Net cash used by capital and related financing activities	(165,835)
Cash flows from investing activities:	
Interest received	119,690
Net cash provided by investing activities	119,690
Net decrease in cash and cash equivalents	(436,602)
Cash and cash equivalents, January 1	2,872,422
Cash and cash equivalents, December 31	$ 2,435,820
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	$ (4,583,266)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	992,716
(Increase) decrease in assets:	
Accounts receivable	(8,481)
Inventories	(1,038)
Prepaid items	12,504
Increase (decrease) in liabilities:	
Accounts payable	19,017
Accrued payroll/withholdings payable	4,214
Deferred revenue - unearned	(2,215)
Deferred revenue - unavailable	4,361
Total adjustments	1,021,078
Net cash used by operating activities	$ (3,562,188)

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.

B. Fund Financial Statements

Business-type activity financial statements consist of the Statement of Net Assets; Statement of Revenues, Expenses, and 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 or 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 48 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

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

B. Capital Assets

Capital asset activity for the year ended December 31, 2006, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Buildings	$ 6,422,841	$ 5,367	$ -	$ 6,428,208
Improvements other than buildings	1,900	-	-	1,900
Office equipment	131,876	25,207	13,921	143,162
Shop equipment	66,881	-	-	66,881
Bus/passenger equipment	353,563	72,680	-	426,243
Motor equipment	8,688,912	1,059,993	-	9,748,905
Totals	15,665,973	1,163,247	13,921	16,815,299
Less accumulated depreciated for:				
Buildings	1,687,616	214,095	-	1,901,711
Improvements other than buildings	31	127	-	158
Office equipment	87,528	21,351	13,921	94,958
Shop equipment	55,428	3,343	-	58,771
Bus/passenger equipment	4,120,793	718,444	-	4,839,237
Motor equipment	70,794	35,356	-	106,150
Totals	6,022,190	992,716	13,921	7,000,985
Total capital assets, net	$ 9,643,783	$ 170,531	$ -	$ 9,814,314

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; 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 Utility 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	$ 1,412,063
Interest on net pension obligation	18,632
Adjustment to annual required contribution	(21,233)
Annual pension cost	1,409,462
Contributions made	1,131,685
Increase in net pension obligation	277,777
Net pension obligation, beginning of year	256,995
Net pension obligation, end of year	$ 534,772

Contribution rates:	
Public Transportation Corporation	6.25%
Plan members	3%
Actuarial valuation date	07-01-06
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	06-30-04	$ 896,957	91%	$ 112,330
	06-30-05	1,142,425	111%	256,995
	06-30-06	1,409,462	99%	534,772

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)
07-01-04	$ 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%)
07-01-06	18,933,429	22,771,367	(3,837,938)	83%	19,091,718	(20%)

BLOOMINGTON PUBLIC TRANSPORTATION CORPORATION
CITY OF BLOOMINGTON
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS

Controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient. The Public Transportation Corporation maintains four run sheets for drivers' payroll. These run sheets should all agree for each pay period. During our audit we noted instances where these run sheets did not all agree to one another, resulting in incorrect pay for certain drivers.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BLOOMINGTON PUBLIC TRANSPORTATION CORPORATION
CITY OF BLOOMINGTON
EXIT CONFERENCE

The contents of this report were discussed on September 25, 2007, with Lew May, General Manager; and Christa Browning, Controller. The official response has been made a part of this report and may be found on page 23.

Bloomington Public Transportation Corporation
130 West Grimes Lane • Bloomington, Indiana 47403 • (812) 332-5688 • Fax (812) 332-3660

September 25.2007

302 West Washington Street
Room E418
Indianapolis, IN 46204-2765

Dear To Whom It May Concern:

This response is coming based on our 2006 audit done by Beth Goss, Field Examiner.

We, the officials of Bloomington Public Transportation Corporation (BPTC), agree that there were immaterial payroll issues based upon the sample of 15 individuals on the payroll ended February 11, 2006. As was mentioned during our audit to our field examiner, the payroll procedures had been evaluated and changes were deemed necessary and implemented in March of 2006. We feel that the issues addressed in our audit have been resolved to the best of our knowledge. We will continue to evaluate and take necessary measures to ensure that our payroll is as accurate as possible. We further feel that the proper internal controls are in place to provide reasonable assurance that BPTC's financial statements are accurate and fairly stated.

Sincerely,

Lew May

Lew May, General Manager

Christa Browning

Christa Browning, Controller