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March 14, 2012

Board of Directors
Indianapolis Public Transportation Corporation
1501 W. Washington Street
Indianapolis, IN 46222

We have reviewed the audit report prepared by Crowe Chizek and Company, LLC, Independent Public Accountants, for the period January 1, 2007 through December 31, 2007. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Indianapolis Public Transportation Corporation, as of December 31, 2007 and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS

**INDIANAPOLIS PUBLIC
TRANSPORTATION CORPORATION
(A COMPONENT UNIT OF THE
CONSOLIDATED CITY OF
INDIANAPOLIS MARION COUNTY
GOVERNMENT REPORTING ENTITY)**

FINANCIAL STATEMENTS

December 31, 2007 and 2006

INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
(A COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS
MARION COUNTY GOVERNMENT REPORTING ENTITY)
Indianapolis, Indiana

FINANCIAL STATEMENTS
December 31, 2007 and 2006

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Crowe Chizek and Company LLC
Member Horwath International

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Indianapolis Public Transportation Corporation
Indianapolis, Indiana

We have audited the accompanying statements of net assets of Indianapolis Public Transportation Corporation (IPTC) (a municipal corporation and a component unit of the consolidated City of Indianapolis-Marion County Government Reporting Entity) as of December 31, 2007 and 2006, and the related statements of revenue, expense and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the IPTC's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IPTC at December 31, 2007 and 2006, and the respective changes in financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 9 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2008 on our consideration of IPTC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the IPTC taken as a whole. The accompanying Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as whole.

Crowe Chizek and Company LLC

Crowe Chizek and Company LLC

Indianapolis, Indiana
June 24, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

**INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2007**

This section of the annual financial report presents a discussion and analysis of the Indianapolis Public Transportation Corporation's (IPTC's) financial performance for the years ended December 31, 2007 and 2006. Please read this section in conjunction with the IPTC financial statements in the section that follows. For more detailed information on long-term debt activity and capital asset activity please refer to the relevant disclosures in the notes accompanying the basic financial statements.

FINANCIAL HIGHLIGHTS

- IPTC's assets exceeded its liabilities at December 31, 2007 by \$29 million (net assets). Of this amount, \$3.3 million (unrestricted net assets) may be used to meet the Company's ongoing obligations arising from providing transportation service to the community.
- Fare revenues for 2007 increased 5.5 percent over that of the prior year.
- Operating expenses before depreciation increased 11 percent over the prior year.
- Net assets increased \$377,380 or 1.3 percent.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of four parts: management's discussion and analysis (this section), the basic financial statements, the notes to the financial statements and reports on compliance and internal control over financial reporting.

The financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units operating as an Enterprise Fund. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statements of Revenue, Expense, and Changes in Net Assets. All assets and liabilities associated with the operation of the IPTC are included in the Statement of Net Assets.

The financial statements provide both short and long-term information about the IPTC's overall financial status. The financial statements include notes to provide more detailed information on important activities. Please refer to these notes for more in depth and detailed information.

**INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2007**

FINANCIAL STATEMENT ANALYSIS

Net Assets

The IPTC's total assets at December 31, 2007 reached almost \$75 million. This represents an increase of approximately \$15.8 million, or 26 percent from the prior year. Total liabilities approximated \$45 million for an increase of 51 percent from the prior year. During 2007, a government mandate to suspend tax bills and an order to reassess property tax values caused delays in property tax settlements between the county treasurer and the recipient agencies (IPTC). The majority of the funds collected were sent to recipient agencies before the end of the calendar year but most of these funds were transferred as advances and not as distributions. This caused IPTC to record a receivable in the amount of \$21.2 million and a liability for \$16.9 million. Total net assets approximated \$29 million for an increase of \$.4 million or 1.3 percent from the prior year. Increases in local property tax funding contributed to the increase in net assets (See Table 1).

TABLE 1 – NET ASSETS

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Assets:			
Current Assets	\$ 44,218,522	\$ 23,070,011	\$ 19,062,849
Capital Assets (net)	30,369,794	35,711,991	36,465,752
Other Assets	193,328	215,736	238,144
Total Assets	<u>74,781,644</u>	<u>58,997,738</u>	<u>51,811,618</u>
Liabilities:			
Current Liabilities	23,422,392	8,528,420	8,791,212
Non-current Liabilities	21,925,009	21,412,455	21,230,001
Total Liabilities	<u>45,347,401</u>	<u>29,940,875</u>	<u>30,021,213</u>
Net Assets:			
Invested in capital assets	14,016,387	19,620,481	19,509,341
Restricted	12,137,992	8,240,635	4,848,101
Unrestricted	3,279,864	1,195,747	1,388,090
Total Net Assets	<u>29,434,243</u>	<u>29,056,863</u>	<u>25,745,532</u>
Total Liabilities and Net Assets	<u>\$ 74,781,644</u>	<u>\$ 58,997,738</u>	<u>\$ 55,766,745</u>

**INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2007**

Changes in Net Assets

The 2007 change in net assets was an increase of \$.4 million, or 1.3 percent. IPTC's total operating revenues increased by \$.4 million, or 5 percent. Total operating expenses increased \$5 million, or approximately 11 percent.

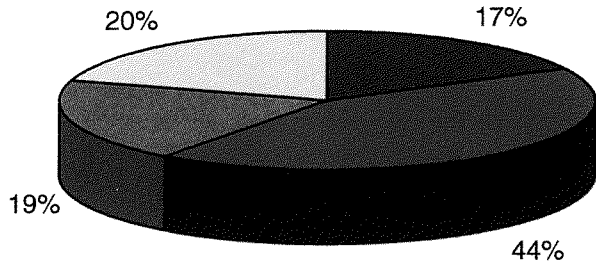
TABLE 2 - CHANGES IN NET ASSETS

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Operating Revenues			
Passenger Fares	\$ 8,535,060	\$ 8,087,140	\$ 7,439,435
Special Service	242,918	249,355	266,104
Advertising	401,995	439,932	231,240
Total Operating Revenues	<u>9,179,973</u>	<u>8,776,427</u>	<u>7,936,779</u>
Non-operating Revenues (Expenses)			
Property and excise tax	22,819,745	21,013,574	20,468,924
Municipalities	10,243,549	9,705,912	8,973,874
FTA assistance	10,779,969	10,304,869	12,151,019
Contributions – capital grants	,761,659	4,502,785	4,555,181
Other net revenues (expenses)	364,193	(541,987)	(395,042)
Total Non-operating Revenues	<u>46,969,115</u>	<u>44,985,153</u>	<u>45,753,956</u>
Total Revenues	56,149,088	53,761,580	53,690,735
Operating Expenses			
Transportation	26,994,527	23,599,772	22,884,668
Maintenance and equipment, including fuel	13,383,447	11,128,235	11,679,630
Administrative and general	6,516,194	7,038,695	6,076,300
Claims and insurance	756,182	1,100,458	771,249
Depreciation	8,121,358	7,583,089	7,389,612
Total Operating Expenses	<u>55,771,708</u>	<u>50,450,249</u>	<u>48,801,459</u>
Change in Net Assets	377,380	3,311,331	4,889,276
Total Net Assets, Beginning of Year	<u>29,056,863</u>	<u>25,745,532</u>	<u>20,856,256</u>
Total Net Assets, End of Year	<u>\$ 29,434,243</u>	<u>\$ 29,056,863</u>	<u>\$ 25,745,532</u>

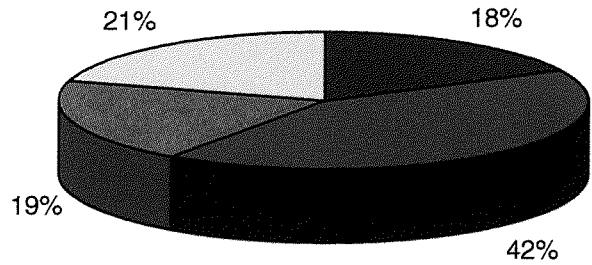
**INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2007**

Revenues: Total operating revenues increased by \$.4 million, or 5 percent. Of that amount, passenger fare revenues increased \$.4 million, or 5.5 percent. Non-operating revenue increased approximately \$1.9 million from the prior year. IPTC received \$1.8 million more in property and excise tax, which contributed to the increase in non-operating revenue. Approximately 83 percent of total 2007 revenue came from non-operating revenue (subsidy) sources.

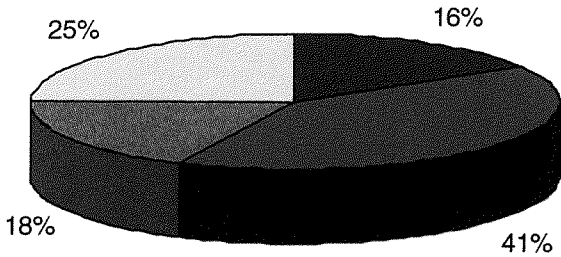
2007 Revenues



2006 Revenues



2005 Revenues

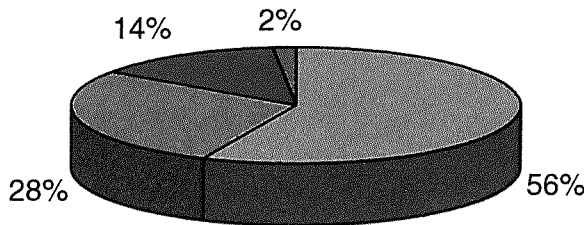


The revenues presented exclude "Contributions-capital grants" and "Other net revenues (expenses)".

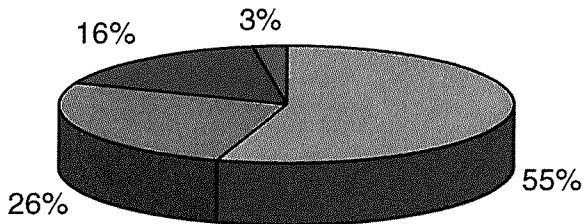
**INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2007**

Expenses: Total operating expenses increased \$4.8 million, or 11 percent. Of this increase, \$1.8 million was due to the accrual of post retirement healthcare benefit liability. The remaining \$3.0 million increase is attributed to a slight increase in the amount of service provided as well as increases in operating costs for labor, benefits and fuel. Claims and insurance decreased \$.3 million from the prior year. This is attributed to an increase in safety awareness and security controls in place. No bargaining unit wage increases occurred during 2007

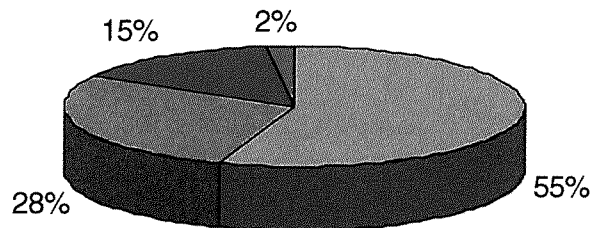
2007 Expenses







2006 Expenses



2005 Expenses



- | | | | |
|---|--------------------------|---|-------------------------------------|
|  | Transportation |  | Maintenance & Equip, including fuel |
|  | Administrative & General |  | Claims and Insurance |

The expenses presented exclude "depreciation" expense.

**INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2007**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2007, IPTC had invested approximately \$30 million in capital assets, net of accumulated depreciation. Compared to the prior year, this amount represents a decrease of approximately \$5 million. The decrease is due to annual depreciation expense exceeding the amount of capital asset acquisitions during the year. Please refer to Note 4 of the financial statements included in the next section of this report for additional information regarding capital assets activity.

In 2004, a facility maintenance plan was finalized that set forth the repairs and replacements necessary to rehabilitate IPTC's only facility. During 2006, IPTC executed the fire alarm and building access components of this plan. In addition, the bus wash system and the fuel island systems were replaced. This plan identified approximately \$10 million of additional improvements that are still needed. The major components still needed are roof replacement and replacement of the HVAC system. IPTC is seeking funding to execute the items remaining on the plan.

During 2005, IPTC installed 35 new bus shelters at key locations throughout the system. An additional 65 units were installed during 2007. IPTC completed a pilot signage program in 2006 that included the placement of new signs that demark the bus route and provides GPS identification and mapping for stops within the system. The signage project was completed as scheduled during 2007.

During 2006, a site was identified for a new downtown transit center; IPTC completed a feasibility study and categorical exclusion and was able to complete an FTA grant application for approximately \$15 million to obtain land for the project. The grant application was approved and negotiations are underway to purchase the land.

Two hybrid electric fixed route buses were purchased in 2004 along with thirty-four paratransit buses. In 2005, nine new fixed route buses were added along with another thirty-four paratransit buses. In 2006, only one new paratransit bus was added. No additional large bus replacements are scheduled before 2009.

During 2004, IPTC completed a technology plan. This plan included approximately \$10 million in technology infrastructure improvements. During 2005, new fixed route and paratransit software was installed. During 2006, a new ERP system and in-bus cameras were installed. Remaining items to be completed include a new communications system (voice and data), an AVL (automated vehicle location) system and MDT's (mobile data terminal) on paratransit buses. Funding to complete the technology plan is in place.

**INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2007**

In 2006, IPTC began installation of a new fare box system on all fixed route coaches costing in excess of \$ 2 million. This project was completed in early 2007.

Management has concentrated on making capital investments in equipment and technology that can be effective in improving service and reducing operating costs. These projects can be implemented only because of the availability of Federal capital funding and the establishment of the cumulative capital fund to provide the local match for Federal capital grants.

Debt Disclosures

As of December 31, 2007, IPTC had approximately \$20 million of notes and bonds payable. During 2007, bonds and notes payable were repaid pursuant to the maturity schedule of each issue. As of December 31, 2007, IPTC management reported compliance with all restrictive covenants on its borrowing agreements. No new long-term debt was issued during either 2006 or 2007. Please refer to Note 5 of the financial statements included in next section of this report for additional information regarding debt activity.

CURRENTLY KNOWN FACTS

Other than the uncertainty of general economic indicators on IPTC, its funding sources, and its customers, there are no significant facts, decisions or conditions that are expected that management believes will have a significant impact on the financial position or results of operations.

The economic environment in which IPTC operates continues to present management with major challenges in sustaining the level and quality of transit service. Management remains concerned over rising variable operating costs such as fuel and health care benefits. Sufficient growth in our revenue sources is necessary to keep pace with the increase in variable costs.

INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
(A COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS
MARION COUNTY GOVERNMENT REPORTING ENTITY)

STATEMENTS OF NET ASSETS

December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Current Assets		
Cash and cash equivalents (Note 2):		
Designated for working capital	\$ 7,164,787	\$ 5,286,623
Restricted for capital asset acquisition	8,338,954	8,240,635
Designated for debt service	157,519	-
Designated for liability reserve accounts	<u>1,658,862</u>	<u>1,298,019</u>
	17,320,122	14,825,277
Receivables (Note 3):		
Federal grants	3,118,666	5,703,817
Other receivables, net	458,876	924,259
Property tax receivables (Note 8)	<u>21,215,364</u>	<u>-</u>
	24,792,906	6,628,076
Other Current Assets:		
Materials and supplies inventories	1,624,635	1,331,976
Deposits and prepaid expenses	<u>480,859</u>	<u>284,682</u>
	<u>2,105,494</u>	<u>1,616,658</u>
Total current assets	<u>44,218,522</u>	<u>23,070,011</u>
Noncurrent assets		
Bond issue cost, unamortized	193,328	215,736
Capital assets (Note 4):		
Buildings and improvements	32,615,341	30,519,489
Revenue vehicles and equipment	47,033,679	46,953,707
Other equipment	7,049,552	5,904,966
Land	1,375,654	1,375,654
Construction in progress	<u>593,967</u>	<u>1,711,565</u>
	88,668,193	86,465,381
Accumulated depreciation	<u>(58,298,399)</u>	<u>(50,753,390)</u>
Capital assets, net of depreciation	<u>30,369,794</u>	<u>35,711,991</u>
Total noncurrent assets	<u>30,563,122</u>	<u>35,927,727</u>
Total assets	<u>\$ 74,781,644</u>	<u>\$ 58,997,738</u>

See accompanying notes to financial statements

INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
(A COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS)
MARION COUNTY GOVERNMENT REPORTING ENTITY)
STATEMENTS OF NET ASSETS
December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts and contracts services payable	\$ 2,340,164	\$ 3,322,440
Accrued payroll and benefits	1,260,733	1,827,266
Deferred fare revenue	221,800	177,881
Current maturities of bonds payable (Note 5)	1,095,000	1,020,000
Risk management - unpaid claim estimates (Note 6)	371,388	496,614
Federal grantor reimbursement payable (Note 10)	991,372	1,519,219
Pension arbitration liability, current (Note 11)	165,000	165,000
Tax advances (Note 8)	<u>16,976,935</u>	<u>-</u>
Total current liabilities	<u>23,422,392</u>	<u>8,528,420</u>
Noncurrent liabilities		
Premium on bonds payable	31,909	35,455
Notes payable (Note 5)	7,018,500	7,087,000
Bonds payable, net of current maturities (Note 5)	12,025,000	13,120,000
Pension arbitration liability, long-term (Note 11)	1,005,000	1,170,000
Post retirement benefit liability (Note 12)	<u>1,844,600</u>	<u>-</u>
Total noncurrent liabilities	<u>21,925,009</u>	<u>21,412,455</u>
Total liabilities	<u>45,347,401</u>	<u>29,940,875</u>
Net assets		
Invested in capital assets, net of related debt	14,016,387	19,620,481
Restricted for capital assets and debt service	12,137,992	8,240,635
Unrestricted	<u>3,279,864</u>	<u>1,195,747</u>
Total net assets	<u>29,434,243</u>	<u>29,056,863</u>
Total liabilities and net assets	<u>\$ 74,781,644</u>	<u>\$ 58,997,738</u>

See accompanying notes to financial statements

INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
(A COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS
MARION COUNTY GOVERNMENT REPORTING ENTITY)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating revenues		
Passenger fares	\$ 8,535,060	\$ 8,087,140
Special services	242,918	249,355
Advertising	<u>401,995</u>	<u>439,932</u>
	<u>9,179,973</u>	<u>8,776,427</u>
Operating expenses		
Transportation	26,994,527	23,599,772
Maintenance of equipment, including fuel	13,383,447	11,128,235
Administrative and general	6,516,194	7,038,695
Claims and insurance	756,182	1,100,458
Depreciation	<u>8,121,358</u>	<u>7,583,089</u>
	<u>55,771,708</u>	<u>50,450,249</u>
Operating loss	(46,591,735)	(41,673,822)
Nonoperating revenues (expenses)		
Operating assistance:		
Property and excise tax (Note 8)	22,819,745	21,013,574
Municipalities	10,243,549	9,705,912
FTA and local operating and planning grants, and preventative maintenance funding	10,779,969	10,304,869
Other net revenues (expenses) (Note 9)	<u>364,193</u>	<u>(541,987)</u>
Total nonoperating revenue (expense)	<u>44,207,456</u>	<u>40,482,368</u>
Net income (loss) before capital contribution	(2,384,279)	(1,191,454)
Contributions - capital grants	<u>2,761,659</u>	<u>4,502,785</u>
Net income	377,380	3,311,331
Net assets, beginning of year	<u>29,056,863</u>	<u>25,745,532</u>
Net assets, end of year	<u>\$ 29,434,243</u>	<u>\$ 29,056,863</u>

See accompanying notes to financial statements.

INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
(A COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS)
MARION COUNTY GOVERNMENT REPORTING ENTITY)
STATEMENTS OF CASH FLOWS
Years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities		
Receipts from customers	\$ 9,689,275	\$ 8,451,958
Payments for transportation	(27,561,061)	(23,717,153)
Payments for maintenance of equipment, including fuel	(14,658,381)	(11,149,425)
Payments for general and administrative	(4,867,770)	(7,027,508)
Claims paid to external parties	<u>(881,409)</u>	<u>(882,178)</u>
Net cash used by operating activities	(38,279,346)	(34,324,306)
Cash flows from noncapital financing activities		
Property and excise tax distributions	1,604,381	21,013,574
Tax Warrants	16,976,935	-
Assistance from municipalities	10,243,549	9,705,912
Proceeds from notes payable	-	36,000
Proceeds/ (payments) from pension arbitration	(165,000)	1,335,000
FTA operating assistance	13,365,120	7,367,829
Other operating subsidies received	<u>246,406</u>	<u>175,073</u>
Net cash provided by noncapital financing activities	42,271,391	39,633,388
Cash flows from capital and related financing activities		
Capital grant receipts	2,761,659	4,502,785
Purchases of capital assets	(2,794,171)	(7,121,305)
Cash proceeds from sale of capital assets	65,440	30,000
Lawsuit and structured settlements	-	(250,000)
Principal paid on debt	(1,020,000)	(945,000)
Interest paid on debt	<u>(1,246,132)</u>	<u>(1,040,277)</u>
Net cash used by capital and related financing activities	(2,233,204)	(4,823,797)
Cash flows from investing activities		
Interest received on cash and investments	<u>736,004</u>	<u>604,056</u>
Net cash provided by investing activities	<u>736,004</u>	<u>604,056</u>
Net increase in cash and cash equivalents	2,494,845	1,089,341
Cash and cash equivalents, beginning of year	<u>14,825,277</u>	<u>13,735,936</u>
Cash and cash equivalents, end of year	<u>\$ 17,320,122</u>	<u>\$ 14,825,277</u>

See accompanying notes to financial statements

INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
(A COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS
MARION COUNTY GOVERNMENT REPORTING ENTITY)

STATEMENTS OF CASH FLOWS
Years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Summary of unrestricted and board restricted cash and cash equivalents:		
Unrestricted cash	\$ 7,164,787	\$ 5,286,623
Restricted - Capital asset acquisition accounts	8,338,954	8,240,635
Designated - Debt service accounts	157,159	-
Designated - Liability reserve accounts	<u>1,658,862</u>	<u>1,298,019</u>
 Total cash and cash equivalents	 <u>\$ 17,320,122</u>	 <u>\$ 14,825,277</u>
 Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$(46,591,735)	\$ (41,673,822)
Adjustments to reconcile income (loss) to net cash:		
Depreciation expense	8,121,358	7,583,089
Changes in assets and liabilities:		
Accounts receivable	465,383	(214,581)
Inventory	(292,659)	222,614
Deposits and prepaids	(196,177)	11,187
Accounts payable	(982,275)	(243,805)
Accrued payroll and benefits	(566,534)	(117,381)
Unredeemed fares	43,919	(109,887)
Risk management	(125,226)	218,280
Post retirement benefit liability	<u>1,844,600</u>	<u>-</u>
 Net cash used by operating activities	 <u>\$ (38,279,346)</u>	 <u>\$ (34,324,306)</u>
 Noncash Activities:		
Capital grant revenue (Note 10)	2,761,659	4,502,785
Capital assets in accounts payable	1,550,225	2,131,791

See accompanying notes to financial statements.

INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
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NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: IPTC operates in one business segment, public transportation, as an enterprise fund. IPTC's purpose is to acquire, provide and maintain an urban mass transportation system for the metropolitan Indianapolis area.

Indianapolis Public Transportation Corporation (IPTC) d/b/a IndyGo was formed on August 7, 1973 by City-County Council General Ordinance No. 36 as a municipal corporation, which has no stockholders, under the provisions of IC 36-9-4. Management of IPTC has determined that it is a component unit of the Consolidated City of Indianapolis-Marion County Government Reporting Entity in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 and is considered financially accountable to such reporting entity.

The Board of Directors of IPTC consists of seven members, three of whom are appointed by the Mayor of the City of Indianapolis (Mayor) and four of whom are appointed by the City of Indianapolis-Marion County Council (Council). The IPTC Board designates the management of IPTC, namely the General Manager, the Assistant General Managers and the other principal members of the management staff. The IPTC Board adopts the budget and tax levy, and approves the issuance of debt. In addition, the Council may review and modify the budget and tax levy, although its approval is not required for the issuance of debt.

Basis of Accounting: IPTC prepares its financial statements in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In 1994, IPTC adopted GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. IPTC has therefore elected to apply all applicable GASB pronouncements. In addition, IPTC follows all Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. IPTC uses the accrual basis of accounting.

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INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
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NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates in Preparation of Financial Statements: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications: Certain prior year amounts have been reclassified to conform to the current year presentation. There is no effect on net income as a result of these reclassifications.

Expense Classification: Expenses have been classified using functional and activity classifications using direct costs and estimated indirect cost allocations based upon time allocation and benefit.

Revenue Recognition: Passenger fares are recorded as revenue at the time such services are performed and revenues pass through the fare box. Sales of tickets are recorded initially as unredeemed fares and recognized as income upon passage through the fare box.

Property Taxes: IPTC records property taxes as earned in the year they are due and payable. Taxes are levied separately for operations, capital asset acquisitions and debt service.

Capital and Operating Grants: Certain expenditures for capital acquisitions, improvements and development of an urban mass transportation system are eligible for federal funding through the Federal Transit Administration (FTA). Matching amounts and other expenditures are funded through state and local sources. Funds provided by governmental authorities for capital and operating assistance are recorded when earned.

Cash Equivalents: For purposes of the statement of cash flows, IPTC considers all liquid investments (including restricted assets) with maturity of three months or less when purchased to be cash equivalents. At December 31, 2007 and 2006, cash equivalents consisted of demand obligations.

Investments: In accordance with Indiana Code Section 5-12 et sequa, it is the policy of the IPTC to deposit public funds into the depositories approved by the Marion County Board of Finance. IPTC is further authorized by statute to invest in obligations of the U. S. Treasury and U. S. Agencies, certificates of deposit, repurchase agreements, passbook savings, money market deposit accounts, and negotiable order of withdrawal accounts. It is the internal policy of IPTC to invest funds with local, federally insured banks that have a principal office within the County and have been approved by the County Board of Finance.

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INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
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NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and certificates of deposit are fully insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposits Insurance Fund. Investments are stated at fair value.

Restricted and Designated Assets: Certain cash and investment balances are laterally restricted or designated as follows:

Capital Asset Acquisition Accounts: Proceeds from the sale of the Indianapolis Local Public Improvement Bond Bank Bonds, Series 1999C and Series 2002C issued by the Indianapolis Local Public Improvement Bond Bank and capital asset acquisition funds generated as a separate tax (cumulative funds) are restricted to expenditures for the acquisition of additional revenue vehicles and other capital equipment.

Debt Service Accounts: Property and excise tax revenues designated for bond interest and retirements, as well as interest earned on investments of the debt service accounts, are restricted to retiring the bonds and paying the related interest on the outstanding bonds.

Liability Reserve Accounts: Funds deposited in these accounts are set aside from the general operations of IPTC and used only for the payment of claims arising from accidents involving IPTC that exceed \$100,000.

Materials and Supplies Inventories: Materials and supplies inventories are valued at the lower of average cost (determined on a first-in, first-out basis) or market.

Capital Assets: Capital assets acquired with federal, state and local funds are capitalized at cost. IPTC adheres to the FTA circular regarding capitalization of assets by capitalizing all assets with a value in excess of \$5,000 per unit and a useful life in excess of one year and IPTC adheres to the FTA capitalization policy as appropriate for items which are (a) homogeneous and not individually identifiable; (b) may or may not have a units cost meeting the threshold level for a capitalized asset but where the practice is to purchase in groups and capitalize the total group; and (c) will be maintained together or in the same general area, should be listed by homogeneous grouping. Examples include desks, cubicles, file cabinets, furniture, office equipment, and certain technology hardware. Expenditures for maintenance and repairs are charged to operations as incurred.

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INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
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NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

IPTC recognizes depreciation on capital assets on a straight-line basis over the estimated useful lives of the assets, as follows:

	<u>Years</u>
Land improvements	10
Buildings and shelters	10 to 25
Coaches:	
Large bus	12
Body on chassis	3 to 5
Autos and trucks	3 to 10
Fare handling and maintenance equipment	3 to 10
Office furniture and equipment	2 to 20

Compensated Absences: Essentially all employees are eligible for and receive compensation for vacations, holidays, illness and certain other qualifying absences. The number of days compensated for the various categories of absence is generally based on length of service. Vacation leave, which has been earned but not paid, has been accrued in the accompanying financial statements. Compensation for holiday and other qualifying absences is not accrued in the accompanying financial statements because rights to such compensation amounts either do not accumulate or they do not vest.

Accumulated unused sick leave benefits are nonvesting and are only paid out upon retirement. The maximum accumulation per employee is 1,800 hours and the maximum paid out per employee is 540 hours. Accumulated unused sick leave benefits are accrued based upon historical information, for employees with at least one year of service regardless of age.

Risk Management Claims: Property damage claims and liabilities for personal injury are recognized as incurred based on the estimated cost to IPTC upon resolution.

(Continued)

INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
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NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE 2 – CASH DEPOSITS AND INVESTMENTS

The following summarizes the IPTC's policies on deposit and investment activity:

Investment Policy and Legal and Contractual Provisions Governing Cash Deposits: In accordance with Indiana Code Section 5-12 et sequel, it is the policy of the IPTC to deposit public funds into the depositories approved by the Marion County Board of Finance. IPTC is further authorized by statute to invest in obligations of the U. S. Treasury and U. S. Agencies, certificates of deposit, repurchase agreements, passbook savings, money market deposit accounts, and negotiable order of withdrawal accounts. It is the internal policy of IPTC to invest funds with local, federally insured banks that have a principal office within the County and have been approved by the County Board of Finance. IPTC does not have specific investment policies on concentration of credit risk, custodial credit risk, interest rate risk, or foreign currency risk.

During the years ending December 31, 2007 and 2006, IPTC only held demand deposit accounts with Indiana financial institutions and one institutional money market deposit account. Demand deposits are fully insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposits Insurance Fund.

Credit Risk and Custodial Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Custodial credit risk is the risk that the IPTC will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party if the counter party fails. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized or collateralized with securities held by the pledging financial institution.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss that may arise in the event of default by a single issuer. IPTC has no institutional money market deposit accounts.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investments. The nature of IPTC deposits and investments do not present high exposure to interest rate market risks due to their short term nature.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. All IPTC deposits and investments are denominated in United States currency.

(Continued)

INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
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NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE 2 – CASH DEPOSITS AND INVESTMENTS (Continued)

Cash Deposits: IPTC maintains cash deposits with area financial institutions. A summary of these deposits at December 31, 2007 and 2006 is as follows:

	2 0 0 7		2 0 0 6	
	Carrying Value	Bank Balance	Carrying Value	Bank Balance
On hand	\$ 1,000	\$ -	\$ 1,000	\$ -
On deposit				
Insured by FDIC	200,000	200,000	200,000	200,000
Insured by Indiana Public Deposits Insurance Fund	<u>17,119,122</u>	<u>18,006,358</u>	<u>14,624,277</u>	<u>15,170,283</u>
	<u>\$ 17,320,122</u>	<u>\$ 18,206,358</u>	<u>\$ 14,825,277</u>	<u>\$ 15,370,283</u>

NOTE 3 - FEDERAL GRANTS RECEIVABLE AND OTHER RECEIVABLES

Federal grants receivable were \$3,118,666 and \$5,703,817 at December 31, 2007 and 2006. Management has not made a provision for an allowance for uncollectible accounts because they deemed no allowance was necessary.

Other receivables are from transportation related services with the following:

	2007	2006
Other receivables	\$ 519,103	\$ 944,486
Allowance for uncollectible accounts	<u>(60,227)</u>	<u>(20,227)</u>
	<u>\$ 458,876</u>	<u>\$ 924,259</u>

(Continued)

INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
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NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE 4 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance January 1, <u>2007</u>	<u>Changes During Year</u>		Balance December 31, <u>2007</u>
		<u>Additions</u>	<u>Reductions</u>	
<u>Capital Assets Cost</u>				
<u>Depreciable Assets:</u>				
Buildings and improvements	\$ 30,519,489	\$ 2,095,852	\$ -	\$ 32,615,341
Revenue vehicles and equipment	46,953,707	696,806	(616,834)	47,033,679
Other equipment	5,904,966	1,183,776	(39,190)	7,049,552
<u>Non-Depreciable Assets:</u>				
Land	1,375,654	-	-	1,375,654
Construction in progress	<u>1,711,565</u>	<u>(1,117,598)</u>	<u>-</u>	<u>593,967</u>
Total Capital Assets Cost	<u>\$ 86,465,381</u>	<u>\$ 2,858,836</u>	<u>\$ (656,024)</u>	<u>\$ 88,668,193</u>
<u>Accumulated Depreciation</u>				
<u>Depreciable Assets:</u>				
Buildings and improvements	\$ (24,802,633)	\$ (1,838,912)	\$ -	\$ (26,641,545)
Revenue vehicles and equipment	(24,088,469)	(4,991,104)	537,159	(28,542,414)
Other equipment	<u>(1,862,288)</u>	<u>(1,291,342)</u>	<u>39,190</u>	<u>(3,114,440)</u>
Total Accumulated Depreciation	<u>\$ (50,753,390)</u>	<u>\$ (8,121,358)</u>	<u>\$ 576,349</u>	<u>\$ (58,298,399)</u>
<u>Capital Assets, Net</u>				
<u>Depreciable Assets:</u>				
Buildings and improvements	\$ 5,716,856	\$ 256,940	\$ -	\$ 5,973,796
Revenue vehicles and equipment	22,865,238	(4,294,298)	(79,675)	8,491,265
Other equipment	4,042,678	(107,565)	-	3,935,113
<u>Non-Depreciable Assets:</u>				
Land	1,375,654	-	-	1,375,654
Construction in progress	<u>1,711,565</u>	<u>(1,117,598)</u>	<u>-</u>	<u>593,967</u>
Total Capital Assets, Net	<u>\$ 35,711,991</u>	<u>\$ (5,262,522)</u>	<u>\$ (79,675)</u>	<u>\$ 30,369,794</u>

(Continued)

INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
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NOTE 4 - CHANGES IN CAPITAL ASSETS (Continued)

	Balance January 1, <u>2006</u>	<u>Changes During Year</u>		Balance December 31, <u>2006</u>
		<u>Additions</u>	<u>Reductions</u>	
<u>Capital Assets Cost</u>				
<u>Depreciable Assets:</u>				
Buildings and improvements	\$ 29,610,651	\$ 908,838	\$ -	\$ 30,519,489
Revenue vehicles and equipment	47,538,726	2,518,560	(3,103,579)	46,953,707
Other equipment	3,827,150	2,976,170	(898,354)	5,904,966
<u>Non-Depreciable Assets:</u>				
Land	1,375,654	-	-	1,375,654
Construction in progress	<u>993,828</u>	<u>717,737</u>	<u>-</u>	<u>1,711,565</u>
Total Capital Assets Cost	<u>\$ 83,346,009</u>	<u>\$ 7,121,305</u>	<u>\$ (4,001,933)</u>	<u>\$ 86,465,381</u>
<u>Accumulated Depreciation</u>				
<u>Depreciable Assets:</u>				
Buildings and improvements	\$ (23,429,826)	\$ (1,372,807)	\$ -	\$ (24,802,633)
Revenue vehicles and equipment	(21,313,158)	(5,587,968)	2,812,657	(24,088,469)
Other equipment	<u>(2,137,273)</u>	<u>(622,314)</u>	<u>897,299</u>	<u>(1,862,288)</u>
Total Accumulated Depreciation	<u>\$ (46,880,257)</u>	<u>\$ (7,583,089)</u>	<u>\$ 3,709,956</u>	<u>\$ (50,753,390)</u>
<u>Capital Assets, Net</u>				
<u>Depreciable Assets:</u>				
Buildings and improvements	\$ 6,180,825	\$ (463,969)	\$ -	\$ 5,716,856
Revenue vehicles and equipment	26,225,568	(3,069,408)	(290,922)	22,865,238
Other equipment	1,689,877	2,353,856	(1,055)	4,042,678
<u>Non-Depreciable Assets:</u>				
Land	1,375,654	-	-	1,375,654
Construction in progress	<u>993,828</u>	<u>717,737</u>	<u>-</u>	<u>1,711,565</u>
Total Capital Assets, Net	<u>\$ 36,465,752</u>	<u>\$ (461,784)</u>	<u>\$ (291,977)</u>	<u>\$ 35,711,991</u>

(Continued)

INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
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NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE 5 - DEBT OBLIGATIONS

The following disclosure provides detail on IPTC debt obligations. At December 31, 2007 and 2006, IPTC debt consisted of bonds payable and notes payable. Changes in debt and accrued interest were as follows:

	Balance January 1, <u>2007</u>	<u>Changes During Year</u>		Balance December 31, <u>2007</u>
		<u>Additions</u>	<u>Reductions</u>	
Bonds payable	\$ <u>14,140,000</u>	\$ <u>-</u>	\$ <u>(1,020,000)</u>	\$ <u>13,120,000</u>
Notes payable	\$ <u>7,087,000</u>	\$ <u>37,000</u>	\$ <u>(105,500)</u>	\$ <u>7,018,500</u>

	Balance January 1, <u>2006</u>	<u>Changes During Year</u>		Balance December 31, <u>2006</u>
		<u>Additions</u>	<u>Reductions</u>	
Bonds payable	\$ <u>15,085,000</u>	\$ <u>-</u>	\$ <u>(945,000)</u>	\$ <u>14,140,000</u>
Notes payable	\$ <u>7,301,000</u>	\$ <u>36,000</u>	\$ <u>(250,000)</u>	\$ <u>7,087,000</u>

Bonds Payable: This consists of the Indianapolis Local Public Improvement Bond Bank Bonds, Series 1999C and Indianapolis Local Public Improvement Bond Bank Bonds, Series 2002C. The amounts outstanding at December 31, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Series 1999C	\$ 9,020,000	\$ 9,825,000
Series 2002C	<u>4,100,000</u>	<u>4,315,000</u>
	13,120,000	14,140,000
Less: Current portion	<u>1,095,000</u>	<u>1,020,000</u>
Noncurrent portion	<u>\$ 12,025,000</u>	<u>\$ 13,120,000</u>

(Continued)

INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
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NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE 5 - DEBT OBLIGATIONS (Continued)

Indianapolis Local Public Improvement Bond Bank Bonds, Series 1999C - The Indianapolis Local Public Improvement Bond Bank Bonds, Series 1999C, dated April 1, 1999, were issued in the aggregate principal amount of \$14,530,000, at a discount of \$137,711. The Series 1999C Bonds were used to finance the refunding of the Public Transportation Revenue Notes of 1996 and to provide local matching funds for FTA grants to acquire new and replacement coaches and other vehicles and equipment and to perform preventative maintenance on equipment and rehabilitation of the facility.

The remaining Series 1999C Bonds bear interest rates varying from 4.5 to 5%, payable on January 10 and July 10 of each of the years 2001 to 2016. The Series 1999C Bonds maturing on or after January 10, 2010 may be redeemed on or after January 10, 2009, at the redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the date of redemption. Debt service requirements to maturity for the outstanding bonds are as follows:

<u>Years Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 870,000	\$ 430,823	\$ 1,300,823
2009	905,000	387,323	1,292,323
2010	60,000	346,598	1,306,598
2011	1,045,000	303,398	1,348,398
2012	1,155,000	255,328	1,410,328
Thereafter	<u>4,085,000</u>	<u>414,105</u>	<u>4,499,105</u>
	<u>\$ 9,020,000</u>	<u>\$ 2,137,575</u>	<u>\$ 11,157,575</u>

Interest expense on the Indianapolis Local Public Improvement Bond Bank Bonds, Series 1999C was \$471,073 and \$507,072 for the years ended December 31, 2007 and 2006.

Indianapolis Local Public Improvement Bond Bank Bonds, Series 2002 - The Indianapolis Local Public Improvement Bond Bank Bonds, Series 2002C, dated December 18, 2002, were issued in the aggregate principal amount of \$5,000,000, at a premium of \$49,626. The Series 2002C Bonds were used to provide local matching funds for FTA grants to acquire capital assets. Bond proceeds were also used to redeem the 2001 Bond Anticipation Note. The Series 2002C Bonds bear interest rates varying from 2.6 to 4%, payable on January 10 and July 10 commencing July 10, 2004 and have serial maturities from 2006 through 2017. The Series 2002C Bonds maturing on or after January 10, 2013 may be redeemed on or after January 10, 2012, at the redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the date of redemption.

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INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
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 NOTES TO FINANCIAL STATEMENTS
 December 31, 2007 and 2006

NOTE 5 – DEBT OBLIGATIONS (Continued)

Debt service requirements to maturity for the outstanding bonds are as follows:

<u>Years Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 225,000	\$ 186,956	\$ 411,956
2009	275,000	179,081	454,081
2010	300,000	168,906	468,906
2011	300,000	157,206	457,206
2012	280,000	145,206	425,206
Thereafter	<u>2,720,000</u>	<u>461,555</u>	<u>3,181,555</u>
	<u>\$ 4,100,000</u>	<u>\$ 1,298,910</u>	<u>\$ 5,398,910</u>

Interest expense was \$193,944 and \$200,694 for the years ended December 31, 2007 and 2006.

Notes Payable: Notes payable consists of two note agreements as follows:

Indianapolis Public Transportation Taxable Notes of 2004 - In March 2004, IPTC approved a resolution to issue notes payable designated as "Indianapolis Public Transportation Taxable Notes of 2004" in an aggregate amount of \$5,000,000. The notes were purchased by the Indianapolis Local Public Improvement Bond Bank (Bond Bank) from proceeds of Bond Bank Notes with Chase, NA. The notes have a five-year term with the first two years at a fixed rate of 3.04% and the final three years at variable rate based on the LIBOR rate plus 40 basis points. The purpose of the transaction was to provide a revolving line of credit to be used for operating cash flow. Principal is due at the end of term of the agreement and is categorized as a noncurrent liability.

Interest expense was \$284,478 and \$243,018 for the years ended December 31, 2007 and 2006.

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 NOTES TO FINANCIAL STATEMENTS
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NOTE 5 - DEBT OBLIGATIONS (Continued)

City of Indianapolis Loan Agreement - During 2004, IPTC entered into a \$2 million loan agreement with the City of Indianapolis to provide working capital to cover operating expenses, to prevent future service reductions in bus routes, to provide alternative forms of transportation for passengers affected by planned route changes, and review existing routes to plan for needed service change.

The total repayment will be adjusted for the actual amount of money loaned and/or expenses paid by the City and will be discounted back to the baseline year 2005, at the investment grade interest rate in effect at that time. The City reserves the right to permanently waive repayment of principal or repayment of interest on all or any portion of the loan by mutual agreement with IPTC.

The original term of the loan agreement was through December 31, 2007. During 2007 an agreement to extend the loan was executed. As extended, the loan is payable no later than December 31, 2010. Concurrent with the extension of the agreement, the City expressly waived repayment of interest that had been accrued from date of origination through the date of extension of the agreement amounting to \$105,500.

Note interest expense was \$37,000 and \$36,000 for the year ended December 31, 2007 and 2006.

Tax Anticipation Warrants - A summary of activity related to short-term debt is as follows:

	Balance January 1, <u>2007</u>	<u>Changes During Year</u>		Balance December 31, <u>2007</u>
		<u>Additions</u>	<u>Reductions</u>	
Tax Anticipation Warrants	\$ <u> -</u>	\$ <u>12,779,530</u>	\$ <u>(12,779,530)</u>	\$ <u> -</u>

The short-term debt was issued in the form of tax anticipation warrants, to provide short-term operating cash at a discount rate of 4%. There was no tax anticipation warrant activity for the year ended December 31, 2006.

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INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
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NOTES TO FINANCIAL STATEMENTS
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NOTE 6 - RISK MANAGEMENT

IPTC is exposed to various risks of loss related to theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which IPTC carries commercial insurance and maintains certain risks. Detail of the claims liability, based upon the requirements of GASB Statement No. 10, is provided below. This Statement requires that a liability for claims be reported if information before the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the liability can be reasonably estimated. The liability is estimated based upon historical experience. There is no significant incremental claim adjustment expense, salvage, or subrogation attributable to this liability. Activity for the years ended December 31, 2007 and 2006 was as follows:

	<u>2007</u>	<u>2006</u>
Unpaid claims, beginning of year	\$ 496,614	\$ 278,334
Incurred claims and changes in claim estimates	620,322	935,545
Claim payments	<u>(745,548)</u>	<u>(717,265)</u>
Unpaid claims, end of year	<u>\$ 371,388</u>	<u>\$ 496,614</u>

On December 23, 1986, IPTC's Board of Directors approved the establishment of a non-reverting fund (Liability Reserve Accounts) for payment of personal injury and property damage claims in excess of \$100,000. For claims in excess of \$100,000, the amount of the claim exceeding \$100,000 will be paid out of the liability reserve accounts. Claims up to \$100,000 will be paid out of the general accounts of IPTC. IPTC is self-insured for worker's compensation up to \$275,000 per occurrence and is entirely self-insured for personal injury. It is completely self-insured for property damage to coaches. The balance of the reserve was \$1,658,862 and \$1,298,019 at December 31, 2007 and 2006.

Estimates of expected losses to IPTC resulting from personal injuries for which claims have been filed or for which it is anticipated claims will be filed have been provided for in the financial statements. Litigation occasionally results from such claims. When, in the opinion of management, such litigation will result in a loss to IPTC, provision is made in the financial statements for loss expected upon resolution. There were no significant reductions in insurance coverage during 2007 and 2006 and there were no settlements that exceeded insurance coverage during 2007 and 2006 for those risks that IPTC purchased insurance.

(Continued)

INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
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 NOTES TO FINANCIAL STATEMENTS
 December 31, 2007 and 2006

NOTE 7 - OPERATING LEASES

IPTC has lease obligations through February 2009 for the Transit Store premises and certain office equipment that are accounted for as operating leases. Lease rental expense for the years ended December 31, 2007 and 2006 was \$39,063 and \$61,860. A schedule of future minimum operating lease payments required that have initial or remaining lease terms in excess of one year as of December 31, 2007:

Year Ending December 31:

2008	\$ 31,368
2009	<u>5,228</u>
	<u>\$ 36,596</u>

NOTE 8 - PROPERTY TAXES

IPTC receives substantial funding through property taxes. Property tax revenues represent a portion of the local subsidy for operations and, through separate levies, are used to pay for debt service and capital asset acquisition costs.

Taxable property located within the IPTC taxing district is assessed annually each March 1st. In mid-April of the year subsequent to the assessment, individual property tax statements are to be mailed by the Marion County Treasurer to the owners of record as of the assessed valuation date. Taxes are payable to the Treasurer in equal installments on or before May 10 and November 10 of the year subsequent to assessment. The Treasurer remits collections to IPTC and other governmental units within the county.

If any taxpayer fails to pay the tax installments when due, a penalty of 10% of the tax due shall be payable thereon. Installments not paid by November 10th of the following year are assessed an additional penalty of 5% of the tax due. Installments not paid on or before May 10th of the next year result in the tax sale of the taxable property. The delinquent taxpayers is subject to payment of all costs and expenses that may be incurred in the advertisement of such property and the collection of such taxes through any method authorized by the statutes or laws of the State of Indiana.

During 2007, a government mandate to suspend tax bills and an order to reassess property tax values caused delays in property tax settlements between the county treasurer and the recipient agencies (IPTC). The majority of the funds collected were sent to recipient agencies before the end of the calendar year but most of these funds were transferred as advances and not as distributions. This caused IPTC to record a distribution receivable in the amount of \$21,215,364 and an advance liability for \$16,976,935. During 2006, there was no comparable tax receivable or payable recorded.

(Continued)

INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
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NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE 9 - OTHER NON-OPERATING REVENUE (EXPENSE)

Other non-operating revenue (expense) consisted of the following:

	<u>2007</u>	<u>2006</u>
Other revenues:		
Interest income	\$ 736,004	\$ 604,056
Gain on sale of capital assets	33,870	-
Miscellaneous	314,618	178,619
FTA grant reimbursement	<u>559,416</u>	<u>-</u>
	<u>1,643,908</u>	<u>782,675</u>
Other expenses:		
Interest - payable from restricted debt service assets	(512,616)	(707,766)
Interest - payable from unrestricted assets	(665,016)	(332,511)
Amortization of bond issue costs	(22,408)	(22,408)
Loss on sale of capital assets	<u>(79,675)</u>	<u>(261,977)</u>
	<u>(1,279,715)</u>	<u>(1,324,662)</u>
	<u>\$ 364,193</u>	<u>\$ (541,987)</u>

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Grant Agreements: Under the terms of its grants, IPTC is subject to review by grantors and certain costs may be challenged as to allowability resulting from noncompliance with federal and state statutes or failure to abide by any of the terms and conditions of the agreements. Such reviews could lead to reimbursement to the grantor agency. The FTA conducted a special review of IPTC grant agreements and provided a final report dated January 23, 2003. The stated purpose of the review was to reconcile specific grant programs and summarize allowable, unallowable, and reclassified costs on grants with activities. The final report documented unallowable costs of \$2,993,912. The FTA and IPTC worked out a structured settlement agreement whereby IPTC would make an investment in capital assets and FTA would retain a residual ownership interest. FTA accepted the terms on March 22, 2005. Once FTA has satisfied itself that the costs have been incurred, it will release FTA's interest in items associated with the disallowed costs. IPTC agreed to commit, contractually obligate or expend \$3,742,390 in local funds by December 31, 2007 estimated as follows:

	Total <u>Project</u>	Interest Retained <u>by FTA</u>	Local <u>Interest</u>
December 31, 2006	\$ 1,342,390	\$ 1,073,912	\$ 268,478
December 31, 2007	1,200,000	960,000	240,000
December 31, 2008	<u>1,200,000</u>	<u>960,000</u>	<u>240,000</u>
	<u>\$ 3,742,390</u>	<u>\$ 2,993,912</u>	<u>\$ 748,478</u>

(Continued)

INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
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NOTE 10 - COMMITMENTS AND CONTINGENCIES (Continued)

Through December 31, 2007, IPTC has expended \$2,542,637 of project funds for long-lived capital assets with an FTA interest of \$2,034,110 and a local interest of \$508,527. After the above application of payment, a balance of \$1,199,753 of project funds remain with an interest retained by FTA of \$959,802 and a local interest of \$239,951. These funds were committed and contractually obligated prior to December 31, 2007.

Other Commitments and Contingencies: Various claims and lawsuits arising from the normal course of business are pending against IPTC. The nature of the IPTC's operations sometimes subjects the IPTC to litigation resulting from workmen's compensation claims, and property damages and personal injury. General Counsel for the IPTC is of the opinion that ultimate settlement of such claims in excess of insurance coverage will not result in a material adverse effect on IPTC's financial statements as of December 31, 2007 and 2006. IPTC has recorded an estimated liability for risk management unpaid claims of \$371,388 and \$496,614 at December 31, 2007 and 2006 (see Note 6).

The IPTC anticipates entering into an agreed order with the Indiana Department of Environmental Management regarding a contamination issue traced to leaking underground storage tanks. The cost of remediation can't be reasonably estimated at this time.

NOTE 11 - BENEFIT PLANS

Defined Contribution Plan: IPTC maintains a defined-contribution plan, the Indianapolis Public Transportation Corporation Pension Plan, for the benefit of substantially all of its employees. All employees who are regularly scheduled to work at least 30 hours per week become eligible for the Plan on the first day of the month following commencement of employment or completion of any applicable probationary period. The Plan may be amended by action of IPTC's Board of Directors, subject to any applicable collective bargaining agreement obligations. The plan requires the employees to contribute 3.5% of their compensation. For some employees, the employer contributes 3.5% to this plan and for other employees the employer contributes 3% to this plan and .5% to the defined benefit plan pursuant to an arbitration award. Participant contributions for 2007 and 2006 were \$839,044 and \$494,752 respectively. Employer contributions for 2007 and 2006 were \$577,205 and \$494,752 respectively.

Deferred Compensation Plan: IPTC maintains an IRS Code Section 457 plan, the Indianapolis Public Transportation Corporation Deferred Compensation Plan. Employees become eligible to participate in the Plan on the first day of the second month following commencement of employment or completion of any applicable probationary period. The Plan allows for employee contributions only. Plan assets are held in a trust separate from IPTC's assets. Contributions by employees to the Plan were approximately \$251,448 and \$196,289 for the years ended December 31, 2007 and 2006.

(Continued)

INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
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NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE 11 - BENEFIT PLANS (Continued)

Defined Benefit Pension Plan:

Plan Description: IPTC provides pension benefits through a single-employer defined-benefit exempt governmental plan known as the Indianapolis Public Transportation Corporation Pension Plan. The Plan is part of an agreement between IPTC and ATU.

Effective December 31, 1997, the Plan was amended to freeze all accrued benefits. While the Plan continues to exist, no further contributions were to be made by either the employees or IPTC. Full-time IPTC employees who had completed sixty working days of continuous service, on or before December 31, 1997, were eligible to participate in the Plan.

For purposes of computing normal retirement benefits, employees' total earnings through December 31, 1997, will be considered. In addition, effective December 31, 1997, the Plan was amended to remove the disability benefit provisions.

Normal retirement benefits are payable for employees who have attained age 65 and completed 15 years of service. Early retirement benefits are available for employees who have attained age 55 and completed 15 years of continuous service. Employees are considered 100% vested upon reaching early retirement eligibility.

Prior to December 31, 1997, the normal retirement benefit was equal to 2.75% of total employee earnings since January 1, 1950, plus .75% of the average annual earnings of the occupation group to which the employee belonged for the five years preceding 1950, multiplied by the years of continuous service prior to 1950.

Early retirement benefits were available at reduced amounts. Participating employees contributed 3.5% of total compensation to the Plan, and the IPTC contributed 3.5% of the total compensation of the participating employees. Employees' contributions plus interest is to be refunded in the event of separation of service or death.

Funding Policy: After December 31, 1997, there are no contribution requirements for either the employer or the employees. Before the Plan was frozen, the contribution requirements of Plan members and IPTC were established by an agreement between IPTC and Local 1070 of the ATU. Contribution requirements were not actuarially determined, but rather were set at 3.5% of annual covered payroll each for employees and the employer.

(Continued)

INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
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December 31, 2007 and 2006

NOTE 11 - BENEFIT PLANS (Continued)

On January 10, 2006, a binding interest arbitration award was issued regarding the single-employer defined-benefit exempt governmental plan (Defined Benefit Pension Plan) known as the Indianapolis Public Transportation Corporation Pension Plan. The arbitration award effectively modified the existing plan agreement for retirees, participants, Indianapolis Public Transportation Corporation and Amalgamated Transit Union, Local 1070.

IPTC, prior to this award, was not obligated to make any further contributions to this plan. Subsequent to this award, IPTC is now obligated to contribute \$1,500,000 to the plan over a ten-year period. IPTC contributed \$165,000 to the plan in both 2007 and 2006.

The agreement allows for certain participants to be returned contributions they made to the plan without interest and are to be withdrawn for future participation in this plan. These employees will be able to participate/continue to participate in the employee defined contribution plan (401A). Future contributions made by employees into the defined contribution plan will continue to be at 3.5%. The employer match percentage will remain at 3.5%, however only 3% will go the match employee contributions into the defined contribution plan while the remaining .5% will be directed to the defined benefit plan.

Certain other vested participants are to remain in the defined benefit plan while actively employed at IPTC and are to begin making contributions to the plan at a rate of 4.5%. The employer will match their contributions up to 3.5%. Participants remaining in the defined benefit plan will not be allowed to make future contributions to their defined contribution accounts.

The interest arbitration award eliminated the early retirement provision previously provided for in the defined benefit plan.

Annual Pension Cost and Net Pension Obligation: Because the Plan was frozen as of December 31, 1997, and because, before the freeze, the contribution requirements were not actuarially determined, many of the accounting and disclosure requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, are not applicable. There are no annual required contributions for 2007 and 2006 and no annual pension cost. IPTC has determined that it has no pension liability (asset) at transition as defined by GASB Statement No. 27.

(Continued)

INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
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NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE 11 - BENEFIT PLANS (Continued)

The Plan's obligations exceeded the market value of its assets by approximately \$6,785,278 and \$6,036,807 at December 31, 2007 and 2006. This obligation remains that of the Plan rather than of IPTC. In the event that the Plan does not attain full funding, pursuant to the Plan agreement, the net assets of the Plan will first be applied to repay individual employee contributions in excess of any employee contributions previously disbursed. The remainder of net assets will be distributed in the proportion that each employee's actuarially determined accrued benefit has to the accrued benefits of all covered employees.

The Plan's obligation was determined as part of the December 31, 2007 actuarial valuation using the aggregate actuarial cost method. The actuarial assumptions included an 8% investment rate of return (net of administrative expenses) and projected salary increases of 0% due to the Plan's freeze as of December 31, 1997. No inflation component has been considered. The projected benefit equals the employee's actual benefit (based on total compensation through December 31, 1997) with no future benefit accruals. Three-year trend information for the plan reflects that IPTC has no annual pension cost or net pension obligation.

NOTE 12 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description: The Plan consists of IPTC providing medical, dental and life insurance benefits to retirees. Retirees under the 1997 program and their spouses under the age of 65 not covered by Medicare are eligible under the provisions to continue these benefits but must pay 20% of the medical premium. COBRA eligible or employees who are not receiving pay from the Corporation must submit the employee's portion or the COBRA premiums to Human Resources no later than the first day of the month the premium is due to retain insurance coverage. IPTC will pay \$75 towards the COBRA continuation or conversion of group health insurance retained by any employee who retires early or is on disability with IPTC pension. If, after the 18th month of continuation group coverage, the retiree is still under the age of 65, IPTC reimburses the retiree up to a maximum of \$75 on a quarterly basis towards the cost of the premiums. Retirees also qualify for a life insurance policy with benefits of \$5,500 if they retire on or after the age of 55 with at least 15 years of service.

Funding Policy: No contributions were made to the plan in 2007. There is no requirement for IPTC to fund these benefits; therefore, IPTC discloses the cumulative deficiency on its financial statements. The discount rate used to calculate the liabilities must reflect the expected investment income of whatever funds are set aside for prefunding. If there is no prefunding then the discount rate will be much lower and the liabilities significantly higher than if the benefits are prefunded.

(Continued)

INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
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NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE 12 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Annual OPEB Cost and NET OPEB Obligation: The other post employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the annual cost for the year, the amount actually contributed to the plan and changes in the net OPEB obligation:

Annual required contribution	\$ 1,844,600
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>\$ 1,844,600</u>
Contributions made	-
Increase in net OPEB obligation	<u>\$ 1,844,600</u>
Net OPEB obligation – beginning of year	-
Net OPEB obligation – end of year	<u>\$ 1,844,600</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2007 is as follows:

Fiscal Year	Annual	Percentage of	Net
<u>Ending</u>	<u>OPEB Cost</u>	<u>Annual OPEB</u>	<u>OPEB</u>
12/31/2007	\$1,844,600	<u>Cost Contributed</u>	<u>Obligation</u>
		0%	\$1,844,600

Funded Status and Funded Progress: As of December 31, 2007, the most recent actuarial valuation date, the actuarial accrued liability was \$1,844,600 and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$1,844,600. The covered payroll (annual payroll of active employees covered by the plan) was not applicable, and the ratio of the UAAL to the covered payroll was not applicable.

(Continued)

INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
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NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE 12 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Funded Status and Funded Progress (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial valuation of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Since 2007 is the first year that an actuarial valuation was performed, the schedule of funding progress reflects only the transition year's data.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of asset, consistent with the long-term perspective of the calculations.

In the December 31, 2007 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions include a discount rate of 4% and a 30-year amortization period. Other assumptions are as follows:

Turnover and Retirement Rates – The rate of retirement was based on the employee's age.

Medical Inflation and Claims Costs Assumptions – A sensitivity analysis was performed to show the impact of a decrease in inflation. The initial inflation is 10% and would decrease to 5% over the next 6 years.

Mortality - The assumption was based upon how the retiree is likely to receive benefits.

Discount Rate - A 4% discount rate was used based on expected earnings on general funds.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability Entry Age (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll (b-a)/c
<u>Post Employment</u> 01/01/2008	\$0	\$1,844,600	\$1, 844,600	0%	N/A	N/A

SUPPLEMENTARY INFORMATION

INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
 (A COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS
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 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 December 31, 2007

Federal Federal Grantor/ Program or Cluster Title	<u>CFDA Number</u>	<u>Federal Expenditures</u>
Department of Transportation – Federal Transit Administration		
Direct programs:		
Federal Transit Cluster:		
Federal Transit Capital Investment Grants	20.500	\$ 120,985
Federal Transit Formula Grants	20.507	<u>11,937,512</u>
		12,058,497
 Federal Transit Highway Planning and Construction	 20.205	 <u>972,913</u>
 Job Access and Reverse Commuter Grant	 20.516	 <u>423,889</u>
 Total Expenditure of Federal Awards		 <u><u>\$ 13,455,299</u></u>

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of IPTC, for the year ended December 31, 2007 and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.



Crowe Chizek and Company LLC
Member Horwath International

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Indianapolis Public Transportation Corporation
Indianapolis, Indiana

We have audited the financial statements of Indianapolis Public Transportation Corporation (IPTC), as of and for the year ended December 31, 2007, and have issued our report thereon dated June 24, 2008. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the IPTC's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of IPTC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of IPTC's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

(Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the IPTC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreement, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management and federal awarding agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

Crowe Chizek and Company LLC

Crowe Chizek and Company LLC

Indianapolis, Indiana
June 24, 2008



Crowe Chizek and Company LLC
Member Horwath International

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Indianapolis Public Transportation Corporation
Indianapolis, Indiana

Compliance: We have audited the compliance of Indianapolis Public Transportation Corporation (IPTC), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. IPTC's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of IPTC's management. Our responsibility is to express an opinion on IPTC's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about IPTC's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on IPTC's compliance with those requirements.

In our opinion, IPTC complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

(Continued)

INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2007

SECTION 1 - SUMMARY OF AUDITORS' RESULTS

December 31, 2007 Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:
Material weakness(es) identified? ___ yes X no
Reportable condition(s) identified that are not
considered to be material weaknesses? ___ yes X none reported

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal control over major programs:
Material weakness(es) identified? ___ yes X no
Reportable condition(s) identified that are not
considered to be material weaknesses? ___ yes X none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to reported
in accordance with section 510(a) of Circular A-133 ___ yes X no

Identification of major programs:

CFDA 20.500/20.507 - Federal Transit Cluster
CFDA 20.205 – Federal Transit Highway Planning and Construction
CFDA 20.516 – Job Access and Reverse Commuter Grant

Dollar threshold used to distinguish between type A and type B programs: \$ 403,659

Auditee qualified as low-risk auditee? X yes ___ no

SECTION 2 - FINANCIAL STATEMENT FINDINGS

None

SECTION 3 - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

(Continued)

INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
(A COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS
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SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2007

PRIOR AUDIT FINDINGS:

None