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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 Horwath, LLP, Independent Public Accountants, for the period January 1, 2008 through December 31, 2008. 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, 2008 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, 2008 and 2007

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

FINANCIAL STATEMENTS
December 31, 2008 and 2007

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Crowe Horwath LLP
Independent Member Crowe 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, 2008 and 2007, 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, 2008 and 2007, 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.

As discussed in Note 1 to the financial statements, IPTC has restated their December 31, 2008 and 2007 financial statements to properly reflect the impact of reporting for its other post employment benefit plan. IPTC has also restated their December 31, 2008 financial statements and accompanying Schedule of Expenditures of Federal Awards to properly reflect the recognition of grant revenues and expenditures for federal grants. The previously issued report dated June 24, 2009 should not be relied on because the previously-issued financial statements were materially misstated and is hereby replaced by the report on the restated financial statements. The findings and management's response related to these restatements are discussed in the 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.

The Management's Discussion and Analysis on pages 3 through 9 and the Schedule of Funding Progress on page 36 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 22, 2010 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 Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
June 22, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2008

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, 2008 and 2007. 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, 2008 by $37 million (net assets). Of this amount, $11 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 2008 increased 15 percent over that of the prior year.
- Operating expenses before depreciation increased 15 percent over the prior year.
- Net assets increased $6,057,804 or 19 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.

FINANCIAL STATEMENT ANALYSIS

Net Assets

The IPTC's total assets at December 31, 2008 reached $83.6 million. This represents an increase of approximately 12 percent from prior year. A 95 percent increase in assets designated for working capital attributed to the increase in total assets. Liabilities approximated $46 million for an increase of 6 percent for 2008. Assets and liabilities for 2008 remain inflated due to continued delays with property tax settlements from prior year. This caused IPTC to record a receivable in the amount of $21.6 million and a liability for $19 million in 2008.

For 2007, Net assets increased by $2.2 million or 8 percent. The increase is due to a $4 million increase in receivables restricted for capital acquisitions and a $5.6 million decrease in capital asset investments from 2006 (See Table 1).

TABLE 1 – NET ASSETS

	2008	2007	2006
Assets:			
Current Assets	$ 52,694,433	$ 44,218,522	$ 23,070,011
Capital Assets (net)	30,745,499	30,369,794	35,711,991
Other Assets	170,920	193,328	215,736
	$ 83,610,852	$ 74,781,644	$ 58,997,738
Liabilities:			
Current Liabilities	$ 27,567,542	$ 23,422,392	$ 8,528,420
Non-current Liabilities	18,706,663	20,080,409	21,412,455
Total Liabilities	46,274,205	43,502,801	29,940,875
Net Assets:			
Invested in Capital Assets	14,846,493	15,860,987	19,620,481
Restricted	11,486,965	12,137,992	8,240,635
Unrestricted	11,003,189	3,279,864	1,195,747
Total Net Assets	37,336,647	31,278,843	29,056,863
Total Liabilities and Net Assets	$ 83,610,852	$ 74,781,644	$ 58,997,738

Changes in Net Assets

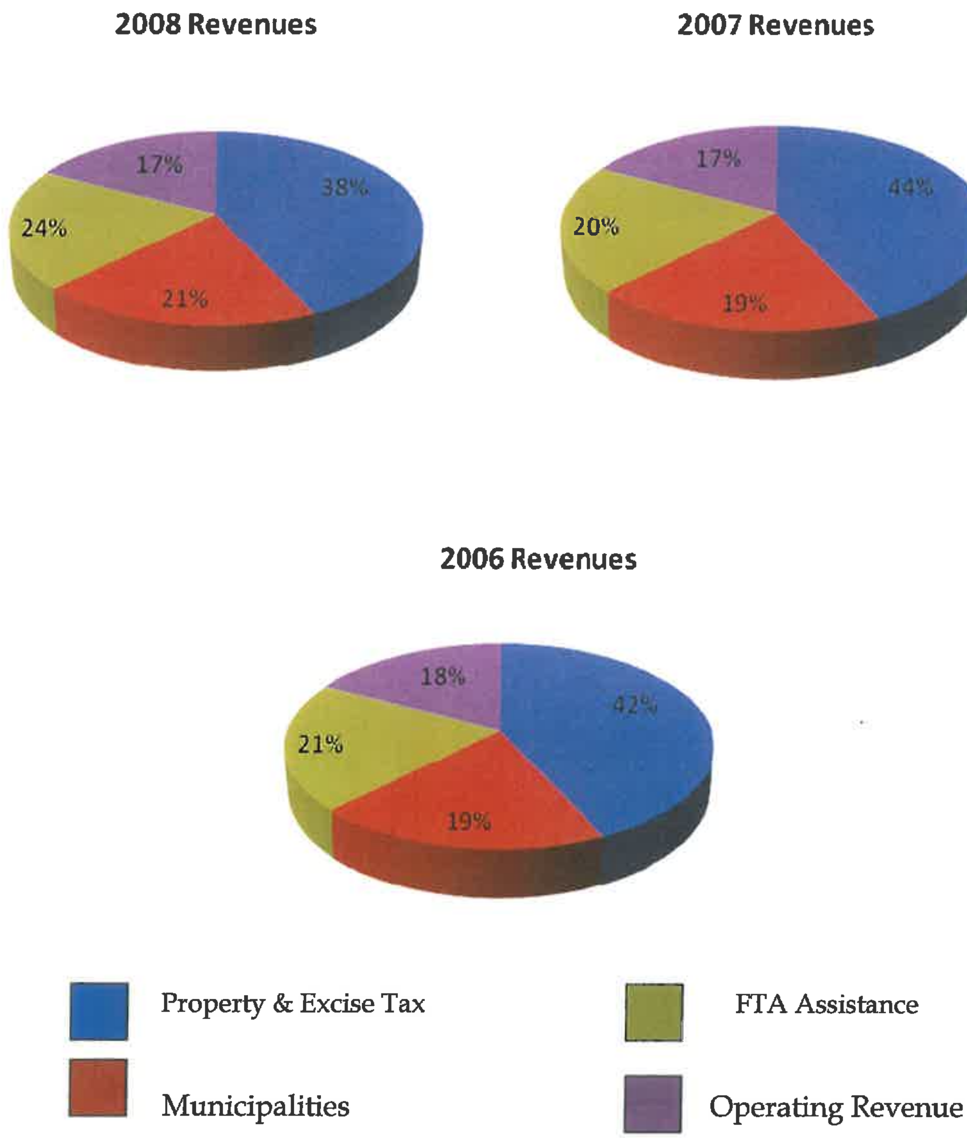
The change in net assets for 2008 represents an increase of approximately $6 million, or 19%. This significant increase is reflected in a $1.2 million, or 15 percent increase in passenger fares, a $2.6 million, or 26 percent increase in funding from municipalities and a $3.7 million, or 35 percent increase in federal assistance. Additionally, The IPTC received in excess of $2.7 million, or 100 percent more in capital grant contributions in 2008. The change in net assets for 2007 reflects a decrease of approximately 33 percent. Increasing labor, maintenance, transportation and fuel costs contributed to this.

TABLE 2 – CHANGES IN NET ASSETS

	2008	2007	2006
Operating Revenues			
Passenger Fares	$ 9,811,303	$ 8,535,060	$ 8,087,140
Special Service	175,351	242,918	249,355
Advertising	368,689	401,995	439,932
Total Operating Revenues	10,355,343	9,179,973	8,776,427
Non-operating Revenues (Expenses)			
Property and excise tax	22,670,695	22,819,745	21,013,574
Municipalities	12,887,164	10,243,549	9,705,912
FTA assistance	14,527,052	10,779,969	10,304,869
Contributions – capital grants	5,430,248	2,761,659	4,502,785
Other net revenues (expenses)	275,525	364,193	(541,987)
Total Non-operating Revenues	55,790,684	46,969,115	44,985,153
Total Revenues	66,146,027	56,149,088	53,761,580
Operating Expenses			
Transportation	29,541,787	26,994,527	23,599,772
Maintenance of equipment, including fuel	14,538,889	13,383,447	11,128,235
Administrative and general	6,863,256	4,671,594	7,038,695
Claims and insurance	1,516,932	756,182	1,100,458
Depreciation	7,627,359	8,121,358	7,583,089
Total Operating Expenses	60,088,223	53,927,108	50,450,249
Change in Net Assets	6,057,804	2,221,980	3,311,331
Total Net Assets, Beginning of Year	31,278,843	29,056,863	25,745,532
Total Net Assets, End of Year	$ 37,336,647	$ 31,278,843	$ 29,056,863

Revenues: For 2008, total operating revenues increased approximately $1.2 million, or 13 percent. Of that amount, fare revenues increased $1.2 million, or 15 percent. Non operating revenue excluding capital grant contributions and other revenue (expenses) increased approximately $6.2 million or 14 percent. IPTC received approximately 26 percent more in funding from municipalities and 35 percent more in FTA assistance which contributed to the overall increase in non operating revenue.

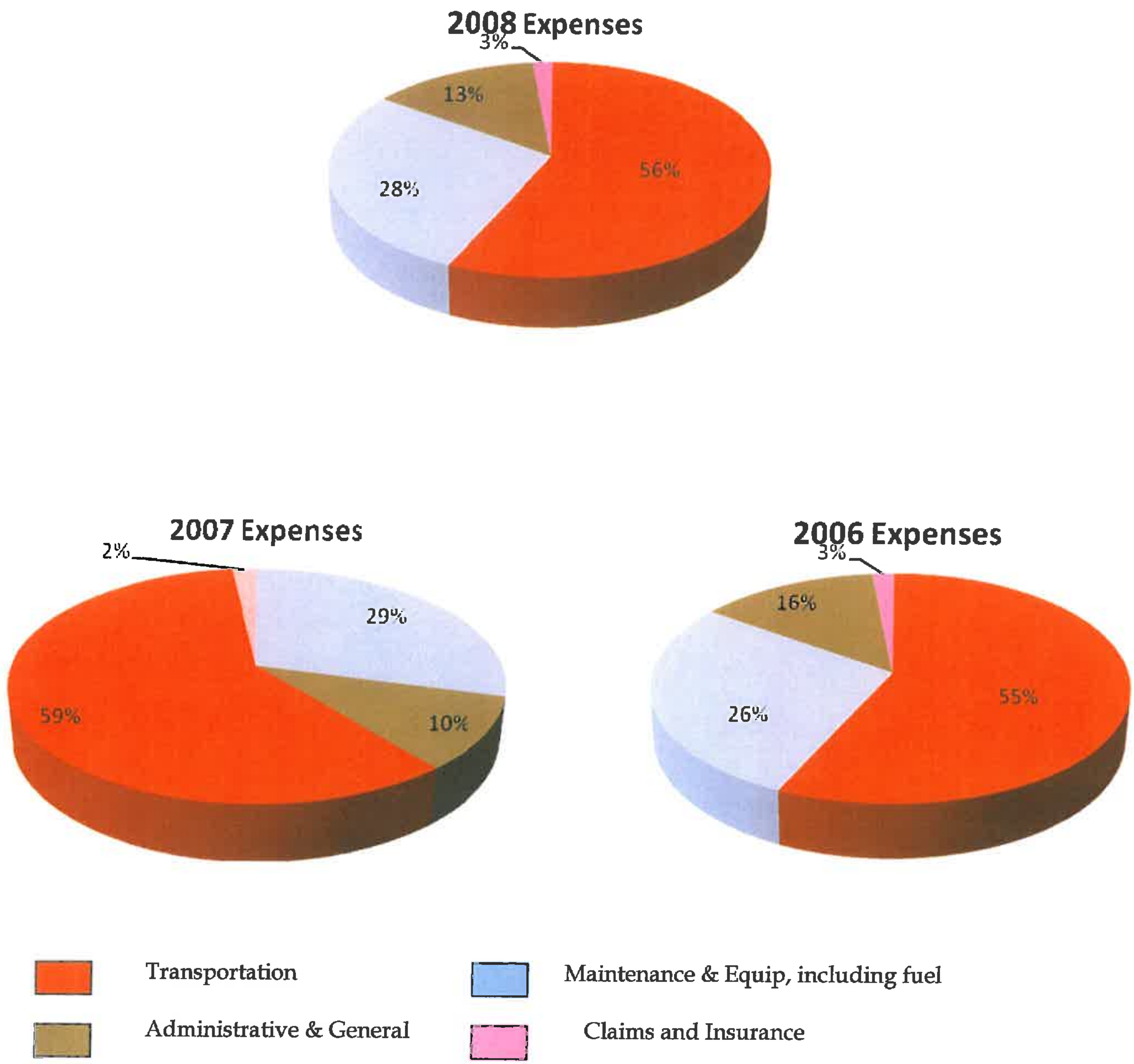
The increase in operating revenue for 2007 is mainly attributable to a 13 percent increase in ridership. An 8.5 percent increase in property and excise tax receipts was reflected in the increase of non operating revenue.



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

Expenses: Total operating expenses including depreciation are $60 million for 2008. This is an increase of $6.4 million, or 11 percent from prior year. This increase is largely attributable to a $2.5 million, or 9 percent increase in transportation costs. Demand response transportation services that IPTC outsources increased approximately $2.5 million. Additionally, fuel costs increased 8 percent; other increases were due to rising operating costs for labor, benefits and claims.

In 2007, total operating expenses increased by $3.5 million or 7 percent this was due to rising service costs and increased cost of fuel and vehicle maintenance services.



The expenses presented exclude "depreciation" expense.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2008, IPTC had invested approximately $35 million in capital assets, net of accumulated depreciation. Compared to the prior year, this amount represents an increase of approximately $5 million. The increase is due to capital asset acquisitions exceeding the amount of annual depreciation expense 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.

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.

Significant capital asset acquisitions during 2008 included the following:

- IPTC acquired 10 new fixed route coaches during the year at a cost in excess of $3 million and 4 new paratransit vehicles at approximately $.2 million.
- Midlife replacement of engines and transmissions at a cost in excess of $.2 million.
- Over $.9 million was spent on mobile radios to enhance communication.
- Approximately $.5 million was spent on upgrades to passenger facilities with the installation of new shelters and bus stop signs.

Other Project Activity includes:

- 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 will utilize stimulus funding to execute the items remaining on the plan in 2009.

- 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 2007 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.

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

- 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.

- 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.

- 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.

- 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. In 2008, IPTC began installing a new communications system (voice and data), an AVL (automated vehicle location) system and MDT's (mobile data terminal) on all fixed route and paratransit buses. Expected completion date for this project is late 2009.

Debt Disclosures

As of December 31, 2008, IPTC had approximately $19 million of notes and bonds payable. During 2008, bonds and notes payable were repaid pursuant to the maturity schedule of each issue. As of December 31, 2008, IPTC management reported compliance with all restrictive covenants on its borrowing agreements. No new long-term debt was issued during either 2007 or 2008. 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, 2008 and 2007

	2008	2007
ASSETS		
Current Assets		
Cash and cash equivalents (Note 2):		
Working capital	$ 10,169,622	$ 7,164,787
Capital asset acquisition	11,486,965	8,338,954
Debt service	27,638	157,519
Liability reserve accounts	1,690,810	1,658,862
	23,375,035	17,320,122
Receivables (Note 3):		
Federal grants	5,139,130	3,118,666
Other receivables, net	550,670	458,876
Property tax receivables (Note 8)	21,642,446	21,215,364
	27,332,246	24,792,906
Other Current Assets:		
Materials and supplies inventory	1,798,916	1,624,635
Deposits and prepaid expenses	188,236	480,859
	1,987,152	2,105,494
Total current assets	52,694,433	44,218,522
Noncurrent assets		
Bond issue cost, unamortized	170,920	193,328
Capital assets (Note 4):		
Buildings and improvements	33,232,191	32,615,341
Revenue vehicles and equipment	50,618,662	47,033,679
Other equipment	8,231,202	7,049,552
Land	1,375,654	1,375,654
Construction in progress	2,598,726	593,967
	96,056,435	88,668,193
Accumulated depreciation	(65,310,936)	(58,298,399)
Capital assets, net of depreciation	30,745,499	30,369,794
Total noncurrent assets	30,916,419	30,563,122
Total assets	$ 83,610,852	$ 74,781,644

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, 2008 and 2007

	2008	2007
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts and contracts services payable	$ 4,742,491	$ 2,340,164
Accrued payroll and benefits	1,365,514	1,260,733
Deferred fare revenue	306,129	221,800
Bonds payable (Note 5)	1,180,000	1,095,000
Risk management - unpaid claim estimates (Note 6)	745,565	371,388
Federal grantor reimbursement payable (Note 10)	15,400	991,372
Pension arbitration liability (Note 11)	165,000	165,000
Tax advances and warrants (Note 5 and 8)	19,047,443	16,976,935
Total current liabilities	27,567,542	23,422,392
Noncurrent liabilities		
Premium on bonds payable	28,363	31,909
Notes payable (Note 5)	7,053,500	7,018,500
Bonds payable (Note 5)	10,845,000	12,025,000
Pension arbitration liability, (Note 11)	840,000	1,005,000
Post retirement benefit liability (asset) (Note 12)	(60,200)	-
Total noncurrent liabilities	18,706,663	20,080,409
Total liabilities	46,274,205	43,502,801
Net assets		
Invested in capital assets, net of related debt	14,846,493	15,860,987
Restricted for capital assets and debt service	11,486,965	12,137,992
Unrestricted	11,003,189	3,279,864
Total net assets	37,336,647	31,278,843
Total liabilities and net assets	$ 83,610,852	$ 74,781,644

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, 2008 and 2007

	2008	2007
Operating revenues		
Passenger fares	$ 9,811,303	$ 8,535,060
Special services	175,351	242,918
Advertising	368,689	401,995
Total operating revenues	10,355,343	9,179,973
Operating expenses		
Transportation	29,541,787	26,994,527
Maintenance of equipment, including fuel	14,538,889	13,383,447
Administrative and general	6,863,256	4,671,594
Claims and insurance	1,516,932	756,182
Depreciation	7,627,359	8,121,358
Total operating expenses	60,088,223	53,927,108
Operating loss	(49,732,880)	(44,747,135)
Nonoperating revenues (expenses)		
Operating assistance:		
Property and excise tax (Note 8)	22,670,695	22,819,745
Municipalities	12,887,164	10,243,549
FTA and local operating and planning grants, and preventative maintenance funding	14,527,052	10,779,969
Other net revenues (expenses) (Note 9)	275,525	364,193
Total nonoperating revenue	50,360,436	44,207,456
Change in net assets before capital contribution	627,556	(539,679)
Contributions - capital grants	5,430,248	2,761,659
Change in net assets	6,057,804	2,221,980
Net assets, beginning of year, as restated (Note 1)	31,278,843	29,056,863
Net assets, end of year, as restated	$ 37,336,647	$ 31,278,843

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, 2008 and 2007

	2008	2007
Cash flows from operating activities		
Receipts from customers	$ 8,087,858	$ 9,689,275
Payments for transportation	(29,879,135)	(27,561,061)
Payments for maintenance of equipment, including fuel	(11,868,723)	(14,658,381)
Payments for general and administrative	(6,818,362)	(4,867,770)
Claims paid to external parties	(1,142,744)	(881,409)
Net cash used by operating activities	(41,621,106)	(38,279,346)
Cash flows from noncapital financing activities		
Property and excise tax distributions	22,670,695	1,604,381
Tax Warrants	2,070,508	16,976,935
Assistance from municipalities	12,887,164	10,243,549
Payments on pension arbitration	(165,000)	(165,000)
FTA operating assistance	14,527,052	13,365,120
Other operating subsidies received (used)	(13,179)	246,406
Net cash provided by noncapital financing activities	51,977,240	42,271,391
Cash flows from capital and related financing activities		
Capital grant receipts	5,430,248	2,761,659
Purchases of capital assets	(7,990,801)	(2,794,171)
Cash proceeds from sale of capital assets	22,000	65,440
Principal paid on debt	(1,095,000)	(1,020,000)
Interest paid on debt	(979,917)	(1,246,132)
Net cash used by capital and related financing activities	(4,613,470)	(2,233,204)
Cash flows from investing activities		
Interest received on cash and cash equivalents	312,249	736,004
Net cash provided by investing activities	312,249	736,004
Net increase in cash and cash equivalents	6,054,913	2,494,845
Cash and cash equivalents, beginning of year	17,320,122	14,825,277
Cash and cash equivalents, end of year	$ 23,375,035	$ 17,320,122

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, 2008 and 2007

	2008	2007
Summary of unrestricted and board restricted cash and cash equivalents:		
Unrestricted cash	$ 10,169,622	$ 7,164,787
Capital asset acquisition accounts	11,486,965	8,338,954
Debt service accounts	27,638	157,519
Liability reserve accounts	1,690,810	1,658,862
Total cash and cash equivalents	$ 23,375,035	$ 17,320,122
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	$ (49,732,880)	$ (44,747,135)
Adjustments to reconcile income (loss) to net cash:		
Depreciation expense	7,627,358	8,121,358
Changes in assets and liabilities:		
Receivables	(2,539,340)	465,383
Materials and supplies inventory	(174,281)	(292,659)
Deposits and prepaid expense	292,623	(196,177)
Accounts and contract services payable	2,402,327	(982,275)
Accrued payroll and benefits	104,781	(566,534)
Deferred fare revenue	84,329	43,919
Risk management	374,177	(125,226)
Post retirement benefit liability	(60,200)	-
Net cash used by operating activities	$ (41,621,106)	$ (38,279,346)
Noncash Activities:		
Capital assets in accounts payable	$ 4,016,561	1,550,225
Federal grant reimbursement – inkind exchange	$ 991,372	-

See accompanying notes to financial statements.

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.

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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications: Certain prior year amounts have been reclassified to conform to the current year presentation. There was no effect on the change in net assets 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 have received significant federal funding through the Federal Transit Administration (FTA). The balance of such expenditures is 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, 2008 and 2007, cash equivalents consisted of demand obligations.

Investments: In accordance with Indiana Code Section 5-12 et sequal, 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.

Restricted Assets: Certain cash and investment balances are restricted 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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Assets: Major items of 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.

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

	Years
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

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)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences: Essentially all employees receive compensation for vacations, holidays, illness and certain other qualifying absences. The number of days compensated for the various categories of absence is based generally 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.

Change in Accounting Principles: In May 2007, the GASB issued Statement No. 50 *Pension Disclosures*. The Statement more closely aligns financial reporting requirements for pensions with those for other post-employment benefits (OPEB) and provides enhanced information in the notes to financial statements and required supplementary information for users of government financial statements. Statement No. 50 is effective and has been implemented for the year ended December 31, 2008.

Prior Period Adjustment: IPTC previously reported the actuarial accrued liability for other post employment benefit (OPEB) plan as an accounting liability at December 31, 2008 and 2007. IPTC has determined that in accordance with generally accepted accounting principles only the net OPEB obligation should be recorded as an accounting liability. The net OPEB obligation is defined as the cumulative difference from the implementation date of GASB Statement No. 45 between the annual OPEB cost and the employer's actual contributions to an OPEB plan. IPTC also made corrections for errors in reporting federal grants receivables, revenues and expenditures.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following is a summary of changes to the prior years' statements of net assets and statements of revenues, expenses and changes in net assets for the years ended December 31, 2008 and 2007.

	2008		2007	
	Originally Reported	As Restated	Originally Reported	As Restated
Receivables:				
Federal grants	$ 4,582,063	$ 5,139,130	n/a	n/a
Other receivables, net	920,209	550,670	n/a	n/a
Post employment benefit liability (asset)	1,988,300	(60,200)	$ 1,844,600	$ -
Net assets	35,100,619	37,336,647	29,434,243	31,278,843
Operating expenses:				
Administrative and general	7,067,156	6,863,256	6,516,194	4,671,594
FTA and local operating and planning grants and preventative maintenance funding	14,122,254	14,527,052	n/a	n/a
Contributions - capital grants	5,647,518	5,430,248	n/a	n/a
Change in net assets	5,666,376	6,057,804	377,380	2,221,980

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 sequal, 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.

(Continued)

NOTE 2 - CASH DEPOSITS AND INVESTMENTS (Continued)

During the years ending December 31, 2008 and 2007, IPTC only held demand deposit accounts with Indiana financial institutions and no institutional money market deposit accounts. 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.

Cash Deposits: IPTC maintains cash deposits with area financial institutions. A summary of these deposits at December 31, 2008 and 2007 is as follows:

	2008		2007	
	Carrying Value	Bank Balance	Carrying Value	Bank Balance
On hand	$ 1,000	$ -	$ 1,000	$ -
On deposit				
Insured by FDIC	500,000	500,000	200,000	200,000
Insured by Indiana Public Deposits Insurance Fund	22,874,035	23,695,081	17,119,122	18,006,358
	$ 23,375,035	$ 24,195,081	$ 17,320,122	$ 18,206,358

(Continued)

NOTE 3 - FEDERAL GRANTS RECEIVABLE AND OTHER RECEIVABLES

Federal grants receivable were $5,139,130 and $3,118,666 at December 31, 2008 and 2007. Management has not made a provision for an allowance for uncollectible accounts. Other receivables for transportation related services have an allowance of $150,000 and $60,227 at December 31, 2008 and 2007, respectively.

NOTE 4 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance January 1, 2008	Changes During Year Additions	Changes During Year Reductions	Balance December 31, 2008
Capital Assets Cost:				
Depreciable Assets:				
Buildings and improvements	$ 32,615,341	$ 616,850	$ -	$ 33,232,191
Revenue vehicles and equipment	47,033,679	4,230,876	(645,893)	50,618,662
Other equipment	7,049,552	1,181,650	-	8,231,202
Non-Depreciable Assets:				
Land	1,375,654	-	-	1,375,654
Construction in progress	593,967	2,004,759		2,598,726
	$ 88,668,193	$ 8,034,135	$ (645,893)	$ 96,056,435
Accumulated Depreciation:				
Depreciable Assets:				
Buildings and improvements	$ (26,641,545)	$ (1,853,404)	$ -	$ (28,494,949)
Revenue vehicles and equipment	(28,542,414)	(4,239,196)	614,821	(32,166,789)
Other equipment	(3,114,440)	(1,534,758)	-	(4,649,198)
	$ (58,298,399)	$ (7,627,358)	$ 614,821	$ (65,310,936)
Capital Assets, Net:				
Depreciable Assets:				
Buildings and improvements	$ 5,973,796	$ (1,236,554)	$ -	$ 4,737,242
Revenue vehicles and equipment	18,491,265	(8,320)	(31,072)	18,451,873
Other equipment	3,935,112	(353,108)	-	3,582,004
Non-Depreciable Assets:				
Land	1,375,654	-	-	1,375,654
Construction in progress	593,967	2,004,759	-	2,598,726
	$ 30,369,794	$ 406,777	$ (31,072)	$ 30,745,499

(Continued)

NOTE 4 - CHANGES IN CAPITAL ASSETS (Continued)

	Balance January 1, 2007	Changes During Year Additions	Changes During Year Reductions	Balance December 31, 2007
Capital Assets Cost:				
Depreciable Assets:				
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
Non-Depreciable Assets:				
Land	1,375,654	-	-	1,375,654
Construction in progress	1,711,565	(1,117,598)		593,967
	$ 86,465,381	$ 2,858,836	$ (656,024)	$ 88,668,193
Accumulated Depreciation:				
Depreciable Assets:				
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	(1,862,288)	(1,291,342)	39,190	(3,114,440)
	$ (50,753,390)	$ (8,121,358)	$ 576,349	$ (58,298,399)
Capital Assets, Net:				
Depreciable Assets:				
Buildings and improvements	$ 5,716,856	$ 256,940	$ -	$ 5,973,796
Revenue vehicles and equipment	22,865,238	(4,294,298)	(79,675)	18,491,265
Other equipment	4,042,678	(107,566)	-	3,935,112
Non-Depreciable Assets:				
Land	1,375,654	-	-	1,375,654
Construction in progress	1,711,565	(1,117,598)	-	593,967
	$ 35,711,991	$ (5,262,522)	$ (79,675)	$ 30,369,794

(Continued)

NOTE 5 - DEBT OBLIGATIONS

The following disclosure provides detail on IPTC noncurrent debt obligations. At December 31, 2008 and 2007, IPTC debt consisted of bonds payable and notes payable. Changes in debt were as follows:

	Balance January 1, 2008	Changes During Year Additions	Changes During Year Reductions	Balance December 31, 2008
Bonds payable	$ 13,120,000	$ -	$ (1,095,000)	$ 12,025,000
Notes payable	$ 7,018,500	$ 35,000	$	$ 7,053,500

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

Bonds Payable: Debt 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, 2008 and 2007 are as follows:

	2008	2007
Series 1999C	$ 8,150,000	$ 9,020,000
Series 2002C	3,875,000	4,100,000
	12,025,000	13,120,000
Current portion	$ 1,180,000	$ 1,095,000
Noncurrent portion	$ 10,845,000	$ 12,025,000

(Continued)

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:

Years Ending December 31	Principal	Interest	Total
2009	$ 905,000	387,323	1,292,323
2010	960,000	346,598	1,306,598
2011	1,045,000	303,398	1,348,398
2012	1,155,000	255,328	1,410,328
2013	1,260,000	201,041	1,461,041
Thereafter	2,825,000	213,062	3,038,062
	$ 8,150,000	$ 1,706,750	$ 9,856,750

Interest expense on the Indianapolis Local Public Improvement Bond Bank Bonds, Series 1999C was $430,833 and $471,073 for the years ended December 31, 2008 and 2007.

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 are being used to provide local matching funds for FTA grants to acquire long lived 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.

(Continued)

NOTE 5 - DEBT OBLIGATIONS (Continued)

Debt service requirements for the bonds are:

Years Ending December 31	Principal	Interest	Total
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
2013	275,000	133,726	408,726
Thereafter	2,445,000	327,830	2,772,830
	$ 3,875,000	$ 1,111,955	$ 4,986,955

Bond interest expense was $186,956 and $193,944 for the year ended December 31, 2008 and 2007.

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

<u>**Indianapolis Public Transportation Taxable Notes of 2004**</u> - 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.

In December 2008 the above issued notes were retired and replaced. On December 18, 2008, IPTC issued notes payable designated as "Indianapolis Public Transportation Corporation Taxable Notes of 2008" 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 Fifth Third Bank. The notes have a five-year term with an initial interest rate of 3.09875% and the final four years at a variable rate based on the LIBOR rate plus 125 basis points. The purpose of these transactions 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.

Note interest expense was $207,431 and $284,478 for the year ended December 31, 2008 and 2007.

(Continued)

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.

During 2007, an agreement was executed to extend the loan. 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 $35,000 and $37,000 for the year ended December 31, 2008 and 2007.

Tax Anticipation Warrants: Absent any disruptions to the property tax collection cycle, all property in Marion County is to be assessed by March 1st of each fiscal year and that assessed value is used by qualified entities to set their budget, tax rate, and levy for the subsequent fiscal year. Property taxes are due in equal installments on May and November 10th of the following year by home owners and disbursed by the county auditor to qualifying entities no later than the end of June and December of that year.

From 2003-2005, many taxing jurisdictions – including Marion County – experienced delays in the receipt of taxes. In some cases, the delay was severe leading local units of government to issue tax warrants. While the impact of the 2003-2005 general assessment began to recede, questions of how the property tax burden was reapportioned arose, driving the call for additional property tax reform which resulted in HEA 1001-2008. Under this law, the amount of property taxes a parcel is liable for is limited to 1.5% of its assessed value (for residential), 2.5% (non-homestead residential), 3.5% (all other property) for Pay 2009, dropping to 1.0%, 2.0%, and 3.0% respectively for Pay 2010.

(Continued)

NOTE 5 - DEBT OBLIGATIONS (Continued)

While the terms of HEA 1001-2008 were being finalized, the state also phased in "trending" where property values are to be adjusted on an annual basis so that the next general reassessment would not be as arduous. Trending began in 2007 which caused new collection delays, and in a few counties – including Marion – continued questions of reliability caused the governor to order a reassessment in questionable counties. Marion County's Pay 2007 taxes were delayed as a result. The special reassessment has since been completed, and Pay 2007 was adopted, with a final "true-up' settlement in May 2009. With this, final 2008 tax bills were not expected to be issued until June 2009, causing IPTC to have insufficient funds to repay its tax warrants, therefore leading to an outstanding tax anticipation warrant as of December 31, 2008 in the amount of $6,104,494. This amount is part of the $19,047,443 Tax Advance liability on the Statement of Net Assets.

	Balance January 1, 2008	Changes During Year Issued	Retired	Balance December 31, 2008
Tax Anticipation Warrants	$ -	$ 12,208,988	$ (6,104,494)	$ 6,104,494

	Balance January 1, 2007	Changes During Year Issued	Retired	Balance December 31, 2007
Tax Anticipation Warrants	$ -	$ 12,779,530	$(12,779,530)	$ -

This short-term debt was issued in the form of tax anticipation warrants, to provide short-term operating cash at a discount rate of 4%.

(Continued)

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 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, 2008 and 2007 was as follows:

	2008	2007
Unpaid claims, beginning of year	$ 371,388	$ 496,614
Incurred claims and changes in claim estimates	1,165,724	620,322
Claim payments	(791,547)	(745,548)
Unpaid claims, end of year	$ 745,565	$ 371,388

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.

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 2008, 2007 or 2006 and there were no settlements that exceeded insurance coverage during 2008, 2007 or 2006 for those risks that IPTC purchased insurance.

(Continued)

NOTE 7 - OPERATING LEASES

IPTC is obligated under certain leases through August 2013 for the Transit Store premise, Parking premises and office equipment that are accounted for as operating leases. Lease rental expense for the years ended December 31, 2008 and 2007 was $104,670 and $39,063. 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, 2008:

Year Ending December 31:	
2009	$ 64,550
2010	51,122
2011	4,855
2012	522
2013	174
	$ 121,223

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 debt service and capital asset acquisition costs.

All 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.

During 2007, a government mandate to suspend tax bills and an order to reassess property tax values (as stated in Note 5) 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 $21,642,446 for distributions due, tax advances and tax warrants and a liability for $19,047,443 at December 31, 2008 that consisted of tax advances ($12,942,949) and tax warrants ($6,104,494). A receivable and liability in the amount of $21,215,364 and $16,976,935, respectively, was recorded at December 31, 2007. During 2006, there was no tax receivable or payable recorded.

(Continued)

NOTE 9 - OTHER NON-OPERATING REVENUE (EXPENSE)

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

	2008	2007
Other revenues:		
Interest income	$ 312,249	$ 736,004
Miscellaneous	123,832	314,618
FTA grant reimbursement	991,372	559,416
Pass-Through from grant subrecipients	4,057,872	-
	5,485,325	1,610,038
Other expenses:		
Interest - payable from restricted debt service assets	(397,139)	(512,616)
Interest - payable from unrestricted assets	(617,779)	(665,016)
Miscellaneous	(112,538)	(22,408)
Loss on sale of capital assets	(22,472)	(45,805)
Pass-Through from grant subrecipients	(4,057,872)	-
	(5,209,800)	(1,245,845)
	$ 275,525	$ 364,193

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 would release FTA's interest in items associated with the disallowed costs.

(Continued)

NOTE 10 - COMMITMENTS AND CONTINGENCIES (Continued)

IPTC agreed to commit, contractually obligate or expend $3,742,390 in local funds by December 31, 2008 estimated as follows:

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

Through December 31, 2008, IPTC has expended $3,742,390 of project funds for long-lived capital assets with an FTA interest of $2,993,912 and a local interest of $748,478. On December 17, 2008 the FTA confirmed that IPTC met this settlement obligation and released its interest in items associated with prior disallowed costs.

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, 2008 and 2007. IPTC has recorded an estimated liability for risk management unpaid claims of $745,565 and $371,388 at December 31, 2008 and 2007 (see Note 6).

The IPTC has had preliminary discussions with the Indiana Department of Environmental Management regarding a potential contamination remediation issue traced to leaking underground storage tanks. The cost of remediation can't be reasonably estimated at this time and has not been recorded as a liability on the financial statements.

(Continued)

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 2008 and 2007 were $673,592 and $839,044 respectively. Employer contributions for 2008 and 2007 were $443,207 and $577,205 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 $244,128 and $251,448 for the years ended December 31, 2008 and 2007.

Pension Arbitration Liability: 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 was obligated to contribute $1,500,000 to the plan over a ten-year period ending 2015. IPTC contributed $165,000 to the plan in both 2008 and 2007.

The following is information specific to the defined benefit pension plan:

	2008	2007
Current portion	$ 165,000	$ 165,000
Noncurrent portion	840,000	1,005,000
	$ 1,005,000	$ 1,170,000

(Continued)

NOTE 11 - BENEFIT PLANS (Continued)

Defined Benefit Pension 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 were 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)

NOTE 11 - BENEFIT PLANS (Continued)

The binding interest arbitration award, described above under Pension Arbitration Liability, 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 to 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 2009 and no annual pension cost. IPTC has determined that it has no pension liability (asset) at transition as defined by GASB Statement No. 27.

The Plan's obligations exceeded the market value of its assets by approximately $11,006,242 and $6,785,278 at December 31, 2008 and 2007. 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.

(Continued)

NOTE 11 - BENEFIT PLANS (Continued)

The Plan's obligation was determined as part of the December 31, 2008 and 2007 actuarial valuations 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.

The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial accrued liabilities. Information about funded status and funding progress is presented using the entry age actuarial cost method. The information presented is intended to serve as a surrogate for the funded status and funding progress of the plan.

NOTE 12 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description: The Plan consists of IPTC providing medical 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 per month 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 $225 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. This post employment benefit plan is of the single employee defined benefit variety.

Funding Policy: There is no requirement for IPTC to fund these benefits though IPTC has recorded the cumulative difference between the annual required contributions (ARC) and amounts contributed to the OPEB plan as a net obligation (asset). The following schedule reports ARC and actual contributions made for 2008:

Year Ended December 31	Annual Required Contribution	Actual Contribution Made	Percentage Contributed
2008	$ 85,400	$ 145,600	170%

(Continued)

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

Annual OPEB Cost and net OPEB Obligation (Asset): 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 (asset):

Annual required contribution	$ 85,400
Interest on net OPEB obligation (asset)	-
Adjustment to annual required contribution	-
Annual OPEB cost	85,400
Contributions made	145,600
Increase in net OPEB obligation (asset)	(60,200)
Net OPEB obligation (asset) – beginning of year	-
Net OPEB obligation (asset) – end of year	$ (60,200)

Funded Status and Funding Progress: As of December 31, 2008, the actuarial accrued liability for benefits was $1,988,300 and the actuarial value of assets was $0 resulting in an unfunded actuarial accrued liability (UAAL) of $1,988,300. 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.

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, 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 wit the long-term perspective of the calculations.

(Continued)

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

The actuarial cost method used for determining the benefit obligations is the Projected Unit Credit Cost Method. Under this method, the actuarial present value of projected benefits is the value of benefits expected to be paid for current actives and retirees and is calculated based on the assumptions described in this report and census data. The Actuarial Accrued Liability (AAL) is the actuarial present value of benefits attributed to employee service rendered prior to the valuation date. The AAL equals the present value of benefits multiplied by a fraction equal to service to date over service at expected retirement. The Normal Cost is the actuarial present value of benefits attributed to one year of service. This equals the present value of benefits divided by service at expected retirement. Since retirees are not accruing any more service, their normal cost is zero. In determining the Annual Required Contribution, the Unfunded AAL is amortized as a level percentage payroll (assuming 3% annual increases) over 30 years (open). The actuarial assumptions are summarized below:

Measurement Date:	December 31, 2008
Discount Rate:	4.0% effective annual rate
Health Cost Inflation Trend:	8.5% down to 5% over 9 years
Compensation Increases:	Compensation amounts are assumed to increase 3% per year

Retirement Rates:

Age	%
55-59	5%
60-61	10%
62	30%
63-64	15%
65-69	40%
70+	100%

Spouse Coverage:	80% of employees and retirees are assumed to have a covered spouse in retirement (no dependent children are assumed)
Spouse Age:	Female spouses are assumed to be three years younger than male spouses

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
(A COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS
MARION COUNTY GOVERNMENT REPORTING ENTITY)
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
December 31, 2008

Schedule of Funding Progress: Retiree Health and Life Insurance Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll ((b-a)/c)
12/31/2008	$0	$1,988,300	$1,988,300	0%	N/A	N/A
12/31/2007	$0	$1,844,600	$1,844,600	0%	N/A	N/A

SUPPLEMENTARY INFORMATION

Federal Federal Grantor/ Program or Cluster Title	CFDA Number	Grant or Pass-through Number	Federal Expenditures	Amounts Awarded to Subrecipients
Department of Transportation				
Federal Transit Administration				
Direct programs:				
Federal Transit Cluster:				
Capital Investment Grants	20.500		$ 2,901,018	$ -
Formula Grants	20.507		13,448,890	-
		IN040009	3,952,982	3,952,982
		IN030134	104,890	104,890
Formula Grants - ARRA	20.507		1,591,032	-
Total Federal Transit Cluster			21,998,812	4,057,872
Federal Transit Highway Planning and Construction	20.205		1,288,978	-
Transit Services Programs Cluster:				
Job Access - Reverse Commuter Grant	20.516		558,142	-
New Freedom Program	20.521		16,971	-
Total Transit Services Programs Cluster			575,113	-
Department of Homeland Security				
Office for Domestic Preparedness				
Pass-through from the City of Indianapolis, Indiana:				
Urban Area Security Initiative	97.067		152,269	-
Total Expenditures of Federal Awards			$ 24,015,172	$ 4,057,872

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, 2008 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 Horwath

Crowe Horwath LLP
Independent Member Crowe 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, 2008, and have issued our report thereon dated June 22, 2010. 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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 08-01 to be a significant deficiency in internal control over financial reporting.

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.

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. However, we believe that the significant deficiency described above is a material weakness.

IPTC's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit IPTC's response and, accordingly, we express no opinion on it.

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 Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
June 22, 2010

Crowe Horwath LLP
Independent Member Crowe 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 the 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 its major federal program for the year ended December 31, 2008. IPTC's major federal program is 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 its major federal program 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 of IPTC's compliance with those requirements.

As described in item 08-02 in the accompanying Schedule of Findings and Questioned Costs, IPTC did not comply with requirements regarding reporting that are applicable to the Federal Transit Cluster. Compliance with such requirements is necessary, in our opinion, for IPTC to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, IPTC complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2008.

Internal Control Over Compliance

The management of IPTC is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered IPTC's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of IPTC's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in IPTC's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 08-02 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We believe that the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 08-2 to be a material weakness.

IPTC's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit IPTC's response, and accordingly, we express no opinion on it.

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

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
June 22, 2010

SECTION 1 - SUMMARY OF AUDITORS' RESULTS

December 31, 2008 Financial Statements

Type of auditors' report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness(es) identified?	X yes	___ no
Significant deficiencies 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?	X yes	___ no
Significant deficiencies identified that are not considered to be material weaknesses?	___ yes	X none reported
Type of auditors' report issued on compliance for major programs:		Qualified
Any audit findings disclosed that are required to be reported In accordance with section 510(a) of Circular A-133	___ yes	X no

Identification of major programs:

CFDA 20.500/20.507/20.507 ARRA - Federal Transit Cluster

Dollar threshold used to distinguish between type A and type B programs:		$ 720,455
Auditee qualified as low-risk auditee?	___ yes	X no

SECTION 2 - FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

08-01 Controls over Financial Reporting (Material Weakness)

Condition and Criteria: The financial statements for the years ended December 31, 2008 and 2007 were restated to correct errors in reporting of IPTC's other post employment benefit plan (OPEB) and federal grants. *Statement on Auditing Standards No. 112, Communication of Internal Control Related Matters Identified in an Audit* ("SAS 112"), clarifies management's responsibility to have internal controls in place to provide appropriate and reliable financial reports and to select and apply appropriate accounting principles. SAS 112 indicates that the "identification of a material misstatement in the financial statements for the period under audit that was not initially identified by the entity's internal controls" should be regarded as at least a significant deficiency, or a material weakness.

Cause and Effect: Following is a summary of the restatements:

- OPEB - IPTC previously reported the actuarial liability for the OPEB plan as an accounting liability. IPTC has determined that only the net OPEB obligation should be recorded as an accounting liability under GASB 45. The net OPEB obligation is defined as the cumulative difference from the implementation date of GASB 45 between the annual OPEB cost and the employer's actual contributions. This correction resulted in a decrease to liabilities of $2,048,500 and $1,844,600 at December 31, 2008 and 2007, respectively.

- UASI Grant (CFDA 97.067) - IPTC was a sub-recipient of Federal funds through the City of Indianapolis. IPTC only expended a portion of federal funds under this subgrant agreement in 2008, although, the entire amount of the award was recorded as revenue in 2008. In addition, federal expenditures related to this award were omitted from the Schedule of Expenditures of Federal Awards (SEFA) in 2008. This correction resulted in a decrease in federal grants receivable and revenue of $217,270 as of and for the year ended December 31, 2008, and an increase of federal expenditures reported on the SEFA of $152,269.

- ARRA Grant (CFDA 20.507) - IPTC provided for an accrual of Federal grant revenue for 2008 Preventative Maintenance (PM) under the assumption that these expenditures would be reimbursed under an FTA formula grant that required a 20% local match. Subsequent to the issuance of audited financial statements, IPTC determined that the PM accrued at year end was eligible to be reimbursed under the American Recovery and Reinvestment Act funded formula grant that does not require any local match. Therefore, previously reported grants receivable, revenue and federal expenditures reported on the SEFA were understated by 20% of eligible PM expenditures, or $404,798, as of and for the year ended December 31, 2008. In addition, the SEFA did not reflect that a portion of the expenditures were attributable to ARRA funding.

SECTION 2 - FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Recommendations: We recommend that management continue to evaluate new accounting guidance for the impact on IPTC's financial statements.

We also recommend that management implement a formal process to evaluate all sources of grant funding and properly reconcile grant revenue, expenditures and amounts reported on the SEFA. This evaluation and reconciliation of grant funding should be reviewed by individual(s) independent of the preparation and knowledgeable of IPTC's grant funded activities.

Management Response and Corrective Action Plan: Management will continue to evaluate new accounting guidance. Management will implement a formal process to evaluate sources of grant funding and reconcile grant revenue, expenditures, and amounts reported on the SEFA.

SECTION 3 - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS INCLUDING AUDIT FINDINGS AS DEFINED IN OMB CIRCULAR A-133 SECTION 510(A)

08-02 Federal Reporting (All CFDAs) (Material Weakness)

Condition and Criteria: The Schedule of Expenditures of Federal Awards (SEFA) for the year ended December 31, 2008 was restated to correct for financial statement errors as reported in finding 08-01 as well as other errors. Federal regulations (OMB Circular A-133) require that an accurate SEFA be prepared for the same time period as the financial statements.

Cause and Effect: The above condition is the result of the financial statement restatement and internal controls over the proper reconciliation of federal expenditures recorded in the financial statements to the SEFA. Some examples of errors that have been corrected on the SEFA include reporting of accrued expenditures, an omission of a federal grant source, and recharacterization of ARRA funding.

Questioned Costs: None

Recommendations: We recommend that management implement procedures to reconcile amounts reported on the final SEFA to the general ledger, document that a final review was completed, confirm that all federally funded expenditures are separately identified, verify that all required components are present (separated by granting agency, CFDA #, Pass-through ID, expenditures.

Management Response and Corrective Action Plan: Management will implement procedures to reconcile amount reported on the final SEFA to the general ledger.

PRIOR YEAR FINDINGS:

No prior year findings were reported.