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STATE BOARD OF ACCOUNTS
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November 3, 2016

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, 2014 to December 31, 2014. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Auditor's Report, the financial statements included in the report present fairly the financial condition of Indianapolis Public Transportation Corporation, as of December 31, 2014 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call to your attention the two findings of material weaknesses in internal control over financial reporting referenced in the Independent Auditor's 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 audit report is filed with this letter in our office as a matter of public record.

Paul D. Joyce

Paul D. Joyce, CPA
State Examiner

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

FINANCIAL STATEMENTS
December 31, 2014

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

FINANCIAL STATEMENTS
December 31, 2014

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Crowe Horwath.

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Indianapolis Public Transportation Corporation
Indianapolis, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of the 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 and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise IPTC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Guidelines for Audits of State and Local Governments by Authorized Independent Public Accountants*, issued by the Indiana State Board of Accounts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IPTC, as of December 31, 2014, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 9 and the Schedule of Funding Progress on page 32, be presented to supplement the financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise IPTC's basic financial statements. The schedule of expenditures of federal awards as 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 are not a required part of the financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by _Government Auditing Standards_

In accordance with *Government Auditing Standards,* we have also issued our report dated June 22, 2015 on our consideration of IPTC's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering IPTC's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
June 22, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 year ended December 31, 2014. 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, 2014 by $74.8 million (net position). Of this amount, $14.4 million (unrestricted net position) may be used to meet IPTC's ongoing obligations arising from providing transportation service to the community.
- Fare revenues for 2014 increased 2 percent over that of the prior year.
- FTA capital contributions for 2014 increased 8 percent from that of the prior year.
- IPTC received donated land from the City of Indianapolis appraised at $5.6 million to construct a downtown transit center.
- FTA local operating and planning grants and preventative maintenance funding for 2014 increased by 8 percent over that of the prior year.
- Operating expenses before depreciation increased 7 percent from the prior year.
- Net position increased approximately $9.0 million, or 14 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 required supplementary information.

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 Position. All assets and liabilities associated with the operation of the IPTC are included in the Statement of Net Position.

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.

(Continued)

FINANCIAL STATEMENT ANALYSIS

Net Position

The IPTC's total assets at December 31, 2014 were approximately $91.0 million. This represents an increase of approximately 13 percent from the prior year. Liabilities approximated $16.6 million, an increase of 22 percent for 2014. The overall increase in liabilities is attributed to a significant increase in accounts and contract services payable over the prior year.

Approximately $42.6 million, or 58 percent, of the net position reflects investments in capital assets, less related debt. Approximately $17.8 million, or 24 percent, of the net position is restricted for the future acquisition of capital assets. Approximately $13.0 million, or 18 percent, may be used to meet IPTC's ongoing obligations arising from providing transportation services to the community.

TABLE 1 - NET POSITION

	2014	2013
Assets:		
Current assets	$ 23,442,946	$ 22,927,122
Capital assets (net)	49,419,241	40,880,339
Other non-current assets	18,102,486	16,407,920
Total Assets	$ 90,964,673	$ 80,215,381
Liabilities:		
Current liabilities	$ 14,060,702	$ 8,085,703
Non-current liabilities	3,535,177	6,349,360
Total liabilities	17,595,879	14,435,063
Net position:		
Net investment in capital assets	42,647,303	36,110,326
Restricted	17,760,498	16,092,365
Unrestricted	12,960,993	13,577,627
Total net position	73,368,794	65,780,318
Total liabilities and net position	$ 90,964,673	$ 80,215,381

(Continued)

Changes in Net Position

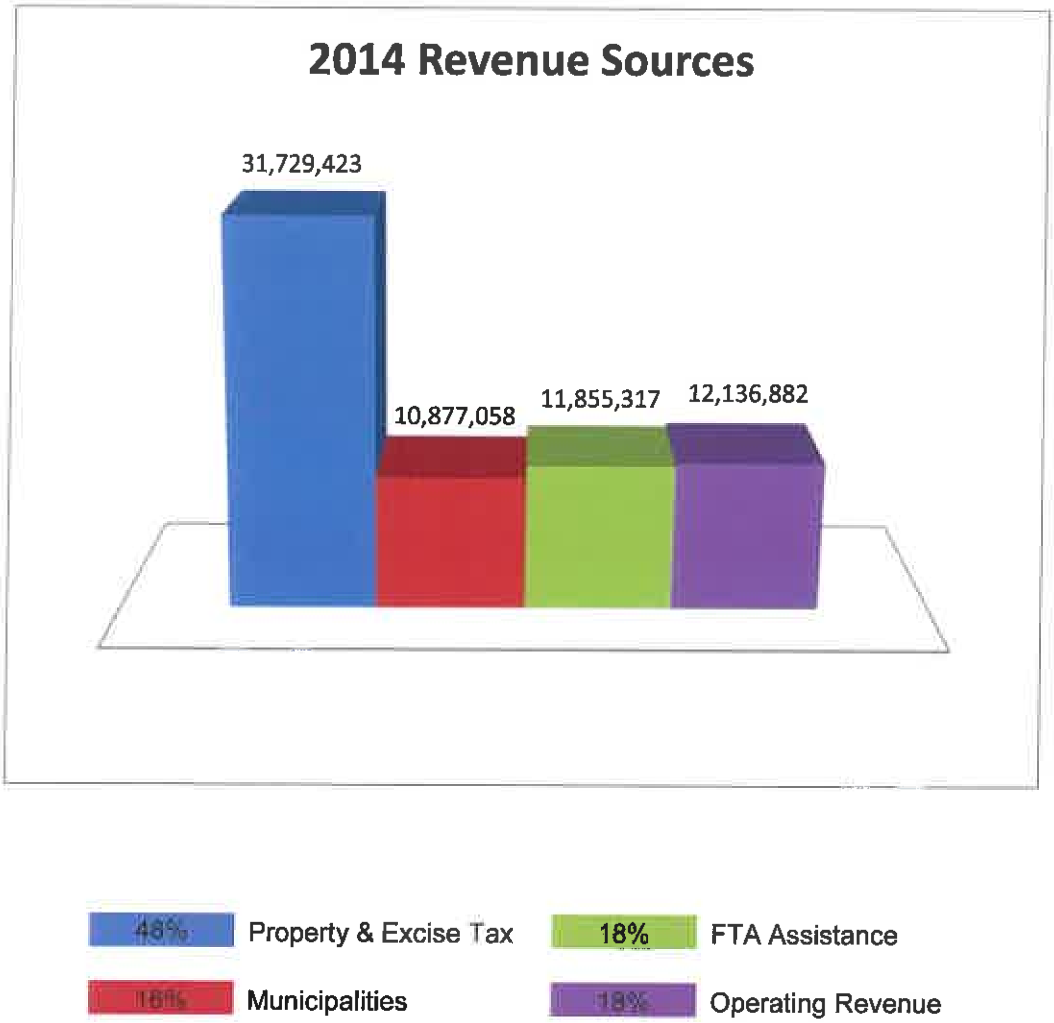
The change in net position for 2014 represents an increase of approximately $7.6 million, or 12 percent. Of this amount, total revenues increased approximately $9.3 million, or 16 percent. This increase is mainly attributed to a $9.2 million increase in capital grants. Overall operating expenses, excluding depreciation increased $4.8 million, or 8 percent. This increase is primarily attributed to an increase in bus service in 2014.

TABLE 2 - CHANGES IN NET POSITION

	2014	2013
Operating revenues		
Passenger fares	$ 11,617,150	$ 11,354,576
Advertising	519,732	383,631
Total operating revenues	12,136,882	11,738,207
Non-operating revenues (expenses)		
Property and excise tax	31,729,423	33,105,656
Municipalities	10,877,058	10,842,244
FTA Assistance	11,855,317	11,017,598
Contributions – capital grants	12,021,795	2,836,387
Other net revenues (expenses)	87,036	(134,156)
Total non-operating revenues	66,570,629	57,667,729
Total revenues	78,707,511	69,405,936
Operating expenses		
Transportation	32,424,781	29,733,176
Maintenance of equipment, including fuel	18,932,576	17,098,609
Administrative and general	10,311,180	10,208,449
Claims and insurance	1,566,982	1,334,836
Depreciation	7,883,516	7,293,959
Total operating expenses	71,119,035	65,669,029
Change in net position	7,588,476	3,736,907
Total net position, beginning of year	65,780,318	62,043,411
Total net position, end of year	$ 73,368,914	$ 65,780,318

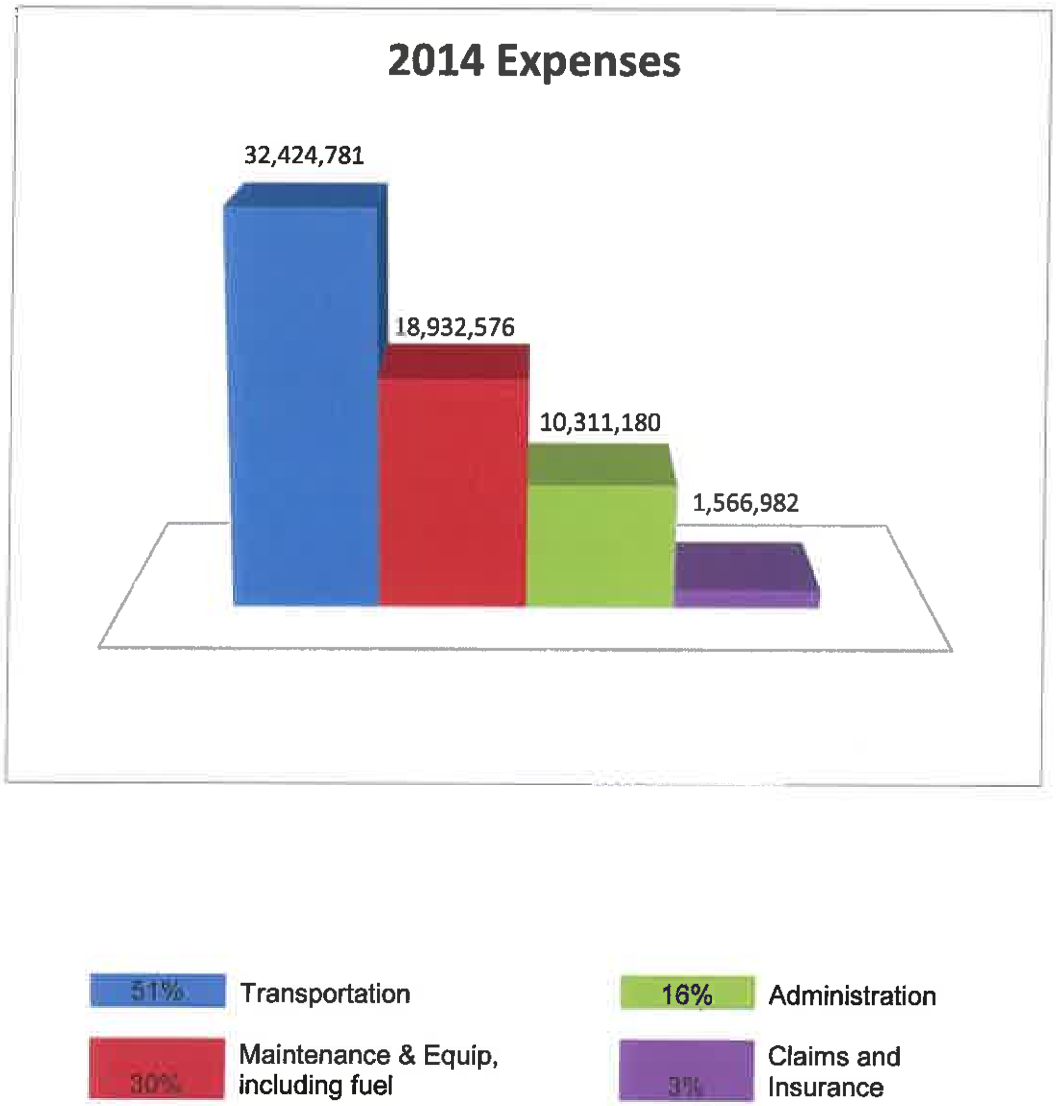
(Continued)

Revenues: For 2014, total operating revenues increased approximately $400,000, or 3 percent. Non-operating revenue, excluding capital grant contributions and other revenue (expenses), decreased by approximately $500,000, or 1 percent.



The revenues and percentages presented exclude "Contributions-capital grants" of $12,021,795 and "Other net revenues (expenses)" of $87,036.

Expenses: Total operating expenses, excluding depreciation, are approximately $63.2 million for 2014. This is an increase of $4.8 million, or 8 percent from prior year. This increase is primarily attributed to increased services added in 2014.



The expenses and percentages presented exclude "depreciation" expense of $7,883,516.

CAPITAL ASSET AND DEBT ADMINISTRATION

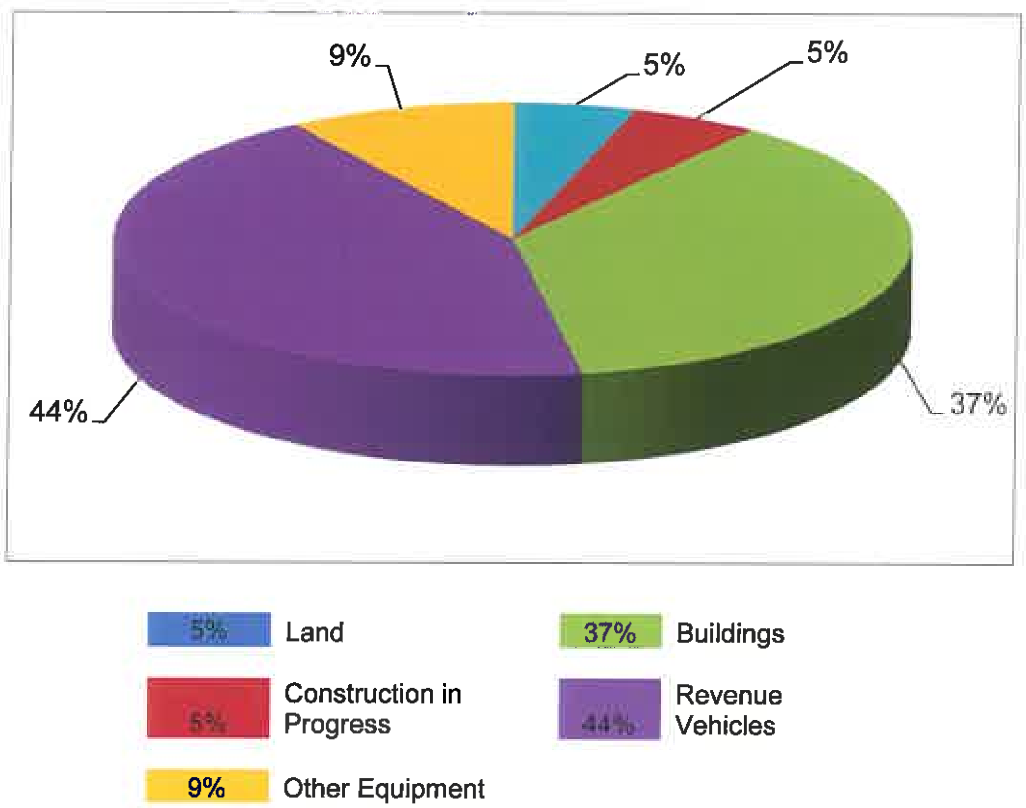
Capital Assets

As of December 31, 2014, IPTC had invested approximately $49.4 million in capital assets, net of accumulated depreciation. Compared to the prior year, this amount represents an increase of approximately $8.5 million. Capital acquisitions for the year were about $23.8 million with retirements of about $1.1 million. Please refer to Note 3 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 2014 included 13 used and remanufactured articulated buses totaling approximately $5.2 million and downtown transit center activity as discussed on the following page.

Percentage allocation invested in capital assets:



CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

- For several years, IPTC has been working with local officials and consulting teams to identify the best location to operate a downtown transit center. In 2011, a site evaluation was conducted at a location in close proximity to current multimodal services (i.e. trains, buses, park and ride, pedestrian and bike). Operational plans for transit services from this site were considered and validated for future development. IPTC has signed a contract and has started construction work for the downtown Transit Center. During 2014, the City of Indianapolis gifted IPTC the land, appraised at $5.6 million, where the transit center will be located. As of December 31, 2014, IPTC has incurred approximately $3.7 million in downtown transit center construction in process.

Debt Disclosures

As of December 31, 2014, IPTC had approximately $4.6 million of notes and bonds payable. During 2014, bonds and notes payable were repaid pursuant to the maturity schedule of each issue. As of December 31, 2014, IPTC had no financial restrictive covenants associated with its outstanding debt. Please refer to Note 4 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.

FINANCIAL STATEMENTS

INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
(A COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS
MARION COUNTY GOVERNMENT REPORTING ENTITY)
STATEMENT OF NET POSITION
December 31, 2014

ASSETS	
Current assets	
Cash and cash equivalents (Note 2):	
Working capital	$ 7,913,339
Restricted – debt service	562,081
Liability reserve accounts	5,021,504
Total cash and cash equivalents	13,496,924
Receivables:	
Federal grants	6,022,752
Operations receivables, net	411,207
Total receivables	6,433,959
Other current assets:	
Materials and supplies inventory, net	3,025,913
Deposits and prepaid expenses	486,150
Total other current assets	3,512,063
Total current assets	23,442,946
Noncurrent assets	
Restricted Cash – capital asset acquisition (Note 2)	11,185,488
Restricted Investments – capital asset acquisition (Note 2)	6,575,010
Net other post-employment benefit asset (Note 11)	341,988
Capital assets (Note 3):	
Non-depreciable assets:	
Land	6,975,654
Construction in progress	7,253,735
Total non-depreciable assets	14,229,389
Depreciable assets:	
Buildings and improvements	51,859,730
Revenue vehicles and equipment	61,217,557
Other equipment	13,002,020
Total depreciable assets	126,079,307
Total capital assets	140,308,696
Accumulated depreciation	(90,889,455)
Capital assets, net of depreciation	49,419,241
Total noncurrent assets	67,521,727
Total assets	$ 90,964,673

See accompanying notes to financial statements.

INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
(A COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS
MARION COUNTY GOVERNMENT REPORTING ENTITY)
STATEMENT OF NET POSITION
December 31, 2014

LIABILITIES AND NET POSITION	
Current liabilities	
Accounts and contract services payable	$ 8,917,815
Accrued payroll and benefits	1,119,663
Unearned fare revenue	363,716
Notes payable (Note 4)	1,316,186
Bonds payable, net of premium (Note 4)	1,627,507
Risk management – unpaid claim estimates (Note 5)	460,000
Federal grantor reimbursement payable	255,815
Environmental remediation liability (Note 8)	-
Total current liabilities	14,060,702
Noncurrent liabilities	
Bonds payable (Note 4)	1,680,000
Risk management – unpaid claim estimate (Note 5)	29,170
Environmental remediation liability (Note 8)	1,826,007
Total noncurrent liabilities	3,535,177
Total liabilities	17,595,879
Net position	
Net investment in capital assets	42,647,303
Restricted for capital assets acquisition	17,760,498
Unrestricted	12,960,993
Total net position	73,368,794
Total liabilities and net position	$ 90,964,673

See accompanying notes to financial statements.

INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
(A COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS
MARION COUNTY GOVERNMENT REPORTING ENTITY)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year ended December 31, 2014

Operating revenues	
Passenger fares	$ 11,617,150
Advertising	519,732
Total operating revenues	12,136,882
Operating expenses	
Transportation	32,424,781
Maintenance of equipment, including fuel	18,932,576
Administrative and general	10,311,180
Claims and insurance	1,566,982
Depreciation	7,883,516
Total operating expenses	71,119,035
Operating loss	(58,982,153)
Non-operating revenues (expenses)	
Operating assistance:	
Property and excise tax	31,729,423
Municipalities	10,877,058
FTA and local operating and planning grants, and preventative maintenance funding	11,855,317
Other net revenues (expenses) (Note 7)	87,036
Total non-operating revenue	54,548,834
Change in net position before capital contribution	(4,433,319)
Contributions - capital grants	12,021,795
Change in net position	7,588,476
Net position, beginning of year	65,780,318
Net position, end of year	$ 73,368,794

See accompanying notes to financial statements.

INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
(A COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS
MARION COUNTY GOVERNMENT REPORTING ENTITY)
STATEMENT OF CASH FLOWS
Year ended December 31, 2014

Cash flows from operating activities	
Receipts from customers	$ 12,193,552
Payments for transportation	(32,424,781)
Payments for maintenance of equipment, including fuel	(16,906,553)
Payments for administrative and general	(10,607,613)
Claims and insurance paid to external parties	(1,457,229)
Net cash used by operating activities	(49,202,624)
Cash flows from noncapital financing activities	
Property and excise tax distributions	31,729,423
Assistance from municipalities	10,877,058
FTA operating assistance	8,929,363
Interest paid on notes payable	(3,558)
Net cash provided by noncapital financing activities	51,532,286
Cash flows from capital and related financing activities	
Capital grant receipts	6,313,130
Purchases of capital assets	(7,735,967)
Proceeds on sale of capital assets	56,483
Principal paid on bonds payable	(1,415,000)
Interest paid on bonds payable	(135,415)
Net cash used by capital and related financing activities	(2,916,769)
Cash flows from investing activities	
Purchases of investments	(613,453)
Proceeds from sale of investments	1,225,307
Interest received on cash and cash equivalents	104,036
Net cash provided by investing activities	697,890
Net increase in cash and cash equivalents	110,783
Cash and cash equivalents, beginning of year	24,571,629
Cash and cash equivalents, end of year	$ 24,682,412
Statement of Net Position Presentation:	
Cash and cash equivalents – current assets	$ 13,496,924
Cash – noncurrent assets	11,185,488
Cash and cash equivalents, end of year	$ 24,682,412

See accompanying notes to financial statements.

INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
(A COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS
MARION COUNTY GOVERNMENT REPORTING ENTITY)
STATEMENT OF CASH FLOWS
Year ended December 31, 2014

Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	$ (58,982,153)
Adjustments to reconcile loss to net cash and cash equivalents:	
Depreciation expense	7,883,516
Changes in assets and liabilities:	
Other receivables	21,069
Materials and supplies inventory	(224,597)
Deposits and prepaid expense	422,186
Other post-employment benefit asset	(26,433)
Accounts and contract services payable	1,870,895
Accrued payroll and benefits	(42,461)
Unearned fare revenue	35,601
Risk management	109,753
Pension arbitration liability	(270,000)
Net cash used by operating activities	$ (49,202,624)

Supplemental schedule of noncash investing and financing activities:	
Capital assets in accounts payable	$ 3,464,431
Payment of note payable via transfer of other assets	263,557
Donated land	5,600,000

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 amended by Statement No. 61 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, tax levy, and the issuance of debt. In addition, the Council approves the budget, tax levy, and the issuance of debt.

Basis of Accounting: The operations of IPTC are accounted for as an enterprise fund on an accrual basis in order to recognize the flow of economic resources. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, depreciation of assets is recognized, and all assets and liabilities associated with the operation of IPTC are included in the statement of net position. The principal operating revenues of IPTC are passenger fares. IPTC also recognizes as operating revenue the fees collected from advertisements on IPTC property and miscellaneous operating revenues. Operating expenses for IPTC include the costs of operating the transit system, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. IPTC's policy is to apply externally restricted funds first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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 (GAAP) 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.

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, 2014, cash equivalents consisted of demand and money market deposit accounts.

Receivables: Management has recorded an allowance of $10,000 for operating receivables. Management has not made a provision for an allowance for uncollectible property tax receivables or federal grants receivables.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Restricted Assets: Certain cash, cash equivalents 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 2011C and Series 2012C 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. In 2004, IPTC established a cumulative transportation fund under IC 36-9-4-48 setting forth a separate tax levy for the acquisition of capital assets.
- **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.
- **Debt Service Account:** Funds deposited in these accounts are set aside to be used for the purpose of payments of debt.

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.

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

Net Position: GASB Statement 34 requires the classification of net position into three components – net investment in capital assets; restricted; and unrestricted. These net position classifications are defined as follows:

- **Net investment in capital assets** - This component consists of capital assets, net of accumulated depreciation reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Restricted** - This component consists of external constraints placed on net position imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. IPTC has restricted net position for capital asset acquisition. If both restricted and unrestricted resources are to be used for the same purpose, restricted resources will be applied first.
- **Unrestricted** - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

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. All taxable property located within the IPTC taxing district is assessed annually March 1. 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.

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.

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.

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

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 and vested 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 non-vesting 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.

Commitments: IPTC entered into fixed unit cost fuel contracts for the purchase of 1,448,100 gallons of fuel. Total fuel cost commitment under these contracts was $4,533,321 at December 31, 2014.

During 2014, IPTC entered into a commitment not to exceed $17.98 million for construction projects. At December 31, 2014, the remaining commitment on these projects is approximately $13.59 million.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Implementation of New Accounting Standards: In June 2012, the GASB issued Statement 67, *Financial Reporting for Pension Plans*. This Statement replaces the requirements of Statement 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and Statement 50, *Pension Disclosures,* as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement 67 enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. Statement 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. The implementation of this Statement did not have a material impact on IPTC.

In January 2013, the GASB issued Statement 69, *Government Combinations and Disposals of Government Operations*. The objective of this Statement is to improve accounting and financial reporting for U.S. state and local governments' combinations and disposals of government operations. Government combinations include mergers, acquisitions, and transfers of operations. A disposal of government operations can occur through a transfer to another government or a sale. The implementation of this Statement did not have a material impact on IPTC.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement (1) requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee; (2) requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities, and (3) specifies the information required to be disclosed by governments that extend nonexchange financial guarantees, and (4) requires new information to be disclosed by governments that receive non-exchange financial guarantees. The implementation of this Statement did not have a material impact on IPTC.

New Pronouncements Not Yet Implemented:

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions*. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). This Statement will be effective for IPTC in the year ending December 31, 2015. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The requirements of this statement should be applied simultaneously with the provisions of Statement 68. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition, GASB issued GASB Statement No. 72, *Fair Value Measurement and Application,* which addresses accounting and financial reporting issues related to fair value measurements, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which completes the suite of pension standards, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which addresses reporting by OPEB plans that administer benefits on behalf of governments, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. These statements will not be effective until future years and management has not determined what impact, if any, these GASB's statement might have on its financial statements.

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments are reported in the accompanying statements of net position as of December 31, 2014 as follows:

	2014
Current assets	
Cash and cash equivalents	
Working capital	$ 7,913,339
Restricted – debt service	562,081
Liability reserve	5,021,504
Noncurrent assets:	
Restricted Cash – Capital asset acquisition	11,185,488
Restricted Investments – Capital asset acquisition	6,575,010
	$ 31,257,422
Cash and cash equivalents	$ 24,682,412
Investments	6,575,010
	$ 31,257,422

Deposits: IPTC maintains cash and cash equivalents deposits with area financial institutions. A summary of these deposits at December 31, 2014 is as follows:

	2014 Carrying Value	2014 Bank Balance
On hand	$ 1,300	$ -
Cash deposits:		
Insured by FDIC	1,954,971	1,954,971
Insured by IPDIF	22,726,141	22,843,651
	$ 24,682,412	$ 24,798,622

During the year ended December 31, 2014, IPTC held interest bearing demand deposit accounts and interest bearing savings accounts with Indiana financial institutions. Demand deposits are fully insured by the Federal Depository Insurance Corporation (FDIC) or by the Indiana Public Deposits Insurance Fund (IPDIF).

(Continued)

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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

Investment Policy and Legal and Contractual Provisions Governing Cash Deposits and 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. IPTC does not have specific investment policies on interest rate risk, credit risk, concentration of credit risk, custodial credit risk, or foreign currency risk.

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. At December 31, 2014, IPTC had the following investments and maturities:

		------Maturities (in Years)------	
Investment Type	Fair Value	Less than 1	1 - 5
Certificates of Deposit	$ 2,015,590	$ 1,514,285	$ 501,305
Government-backed Mortgage Notes	4,559,420	3,507,595	1,051,825
	$ 6,575,010	$ 5,021,880	$ 1,553,130

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. At December 31, 2014, the IPTC's investments, along with their respective ratings from Moody's Investor Services, were as follows:

Investment Type	Fair Value	Credit Rating
Certificates of Deposit	$ 2,015,590	Unrated
Government-backed Mortgage Notes	4,559,420	Aaa
	$ 6,575,010	

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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 places no limit on the amount IPTC may invest in any one issuer. The following table shows investment in issuers and the representative percentage of total investments at December 31, 2014:

Investment Type	Fair Value	% (rounded)
Certificates of Deposit:		
BMW Bank North America	$ 250,090	3.8%
Discover Bank	251,852	3.8%
GE Capital Bank	249,452	3.8%
Key Bank	250,398	3.8%
Merrick Bank	250,150	3.8%
National Bank of Indianapolis	513,500	7.8%
Synovus Bank Georgia	250,148	3.8%
Government-back Mortgage Notes:		
Fannie Mae	3,542,355	53.9%
Freddie Mac	1,017,065	15.5%
	$ 6,575,010	

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.

NOTE 3 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets as follows:

	Balance January 1, 2014	Changes During Year Additions	Changes During Year Reductions	Balance December 31, 2014
Capital Assets Cost:				
Non-Depreciable Assets:				
Land	$ 1,375,654	$ 5,600,000	$ -	$ 6,975,654
Construction in progress*	3,771,654	10,822,422	(7,340,341)	7,253,735
	5,147,308	16,422,422	(7,340,341)	14,229,389
Depreciable Assets:				
Buildings and improvements	51,360,458	499,272	-	51,859,730
Revenue vehicles and equipment	54,511,283	6,773,592	(67,318)	61,217,557
Other equipment	14,004,850	67,477	(1,070,307)	13,002,020
	119,876,591	7,340,341	(1,137,625)	126,079,307
Total capital assets	$ 125,023,899	$ 23,762,763	$ (8,477,966)	$ 140,308,696

(Continued)

NOTE 3 - CHANGES IN CAPITAL ASSETS (Continued)

	Balance January 1, 2014	Changes During Year Additions	Changes During Year Reductions	Balance December 31, 2014
Accumulated Depreciation:				
Depreciable Assets:				
Buildings and improvements	$ (36,348,089)	$ (2,502,045)	$ -	$(38,850,134)
Revenue vehicles and equipment	(35,552,969)	(4,253,289)	67,318	(39,738,940)
Other equipment	(12,242,502)	(1,128,182)	1,070,303	(12,300,381)
Total accumulated depreciation	$ (84,143,560)	$ (7,883,516)	$ 1,137,621	$(90,889,455)
Total capital assets, net of depreciation	$ 40,880,339	$ 15,879,243	$ (7,340,431)	$ 49,419,241

*Construction in progress also includes capital assets not placed in service such as revenue vehicles and equipment.

NOTE 4 - DEBT OBLIGATIONS

The following disclosure provides detail on IPTC debt obligations. At December 31, 2014, IPTC debt consisted of bonds payable and notes payable. Changes were as follows:

	Balance January 1, 2014	Changes During Year Additions	Changes During Year Reductions	Balance December 31, 2014	Noncurrent	Current
Bonds payable	$ 4,675,000	$ -	$ (1,415,000)	$ 3,260,000	$ 1,680,000	$ 1,580,000
Bond premium	95,013	-	(47,506)	47,507	-	47,507
Notes payable	1,549,420	30,975	(264,209)	1,316,186	-	1,316,186
	$ 6,319,433	$ 30,975	$ (1,726,715)	$ 4,623,693	$ 1,680,000	$ 2,943,693

Bonds Payable: Bonds consist of the Indianapolis Local Public Improvement Bond Bank Bonds, Series 2009C and 2012A. The amounts outstanding at December 31, 2014 are as follows:

	2014
Series 2009C	$ 875,000
Series 2012A	2,385,000
Less: Current portion	1,580,000
Noncurrent portion	$ 1,680,000

(Continued)

NOTE 4 - DEBT OBLIGATIONS (Continued)

Series 2009C Bonds - The Indianapolis Local Public Improvement Bond Bank Bonds, Series 2009C, dated August 4, 2009, were issued in the aggregate principal amount of $8,045,000, at a premium of $303,081. Proceeds were used 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. Bond proceeds were also used to refund the Series 1999C Bonds.

The Series 2009C Bonds bear interest rates varying from 2.75% to 4%, payable on January 10 and July 10 commencing January 10, 2010 and have serial maturities through 2015. The bonds are not subject to optional redemption prior to maturity dates.

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

Years Ending December 31	Principal	Interest	Total
2015	875,000	35,000	910,000
	$ 875,000	$ 35,000	$ 910,000

Bond interest expense on Series 2009C Bonds was $91,600 for the year ended December 31, 2014.

Series 2012A Bonds - The Indianapolis Local Public Improvement Bond Bank Bonds, Series 2012A, dated February 15, 2012, were issued in the aggregate principal amount of $3,100,000. The Series 2012A Bonds proceeds were used to redeem Series 2002C Bonds in 2012. The Series 2012A Bonds bear interest at 2.05%, payable on January 10 and July 10 commencing July 10, 2012 and have serial maturities from 2012 through 2016. The bonds are not subject to optional redemption prior to maturity dates.

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

Years Ending December 31	Principal	Interest	Total
2015	705,000	66,472	771,472
2016	1,680,000	34,440	1,714,440
	$ 2,385,000	$ 100,912	$ 2,485,912

Bond interest expense on Series 2012A Bonds was $43,815 for the year ended December 31, 2014.

(Continued)

NOTE 4 - DEBT OBLIGATIONS (Continued)

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

City of Indianapolis Loan Agreement - In 2004, IPTC entered into a $2 million loan agreement with the City of Indianapolis to provide working capital to cover operating expenses, to prevent 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.

In 2007, an agreement was executed to extend the loan. As extended, the loan was 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.

During 2010, IPTC entered into an agreement with the City of Indianapolis that replaces the 2007 loan extension agreement. The new loan agreement extended the due date to December 31, 2011, provided for interest at 2% per annum and provided a mechanism for repayment including investing in capital assets that are mutually beneficial to the City of Indianapolis and IPTC and providing tickets for City employees and beneficiaries of City programs.

The agreement has been amended in previous years to extend the maturity date. In 2013, the amendment extended the maturity date of the loan to December 31, 2015. Management estimates the reduction of the loan to be $1,316,186 in 2015.

Interest expense for the year ended December 31, 2014 was $30,975 and has been accrued in the balance of the loan. During 2014, IPTC provided $224,739 of passenger bus tickets for the benefit of the City of Indianapolis and $38,818 in investments in capital assets which reduced the outstanding loan balance. The balance of the loan at December 31, 2014 was $1,316,186.

Line of credit: During 2014, IPTC entered into a $7 million line of credit agreement to fund future operating costs. The line matures on December 31, 2015. Interest on the line is payable upon maturity at a rate of 30-day LIBOR plus 0.75%. No borrowings were made on the line during 2014 and no outstanding balance existed as of December 31, 2014.

(Continued)

NOTE 5 - 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 year ended December 31, 2014 was as follows:

	2014	2013
Unpaid claims, beginning of year	$ 379,417	$ 637,841
Incurred claims and changes in claim estimates	1,595,795	1,095,119
Claim payments	(1,486,042)	(1,353,543)
Unpaid claims, end of year	$ 489,170	$ 379,417
Current portion	$ 460,000	$ 348,417
Noncurrent portion	29,170	31,000
Unpaid claims, end of year	$ 489,170	$ 379,417

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 without limitation 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 recorded 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 2014 and there were no settlements that exceeded insurance coverage during 2014, 2013, or 2012 for those risks that IPTC purchased insurance.

NOTE 6 - OPERATING LEASES

IPTC is obligated under certain leases through December 2017 for the Transit Store premise, parking premises and maintenance and office equipment that are accounted for as operating leases. Lease rental expense for the year ended December 31, 2014 was $123,444. 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, 2014:

Year Ending December 31:	
2015	$ 110,352
2016	20,892
2017	4,482
	$ 135,726

(Continued)

NOTE 7 - OTHER NON-OPERATING REVENUE (EXPENSE)

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

	2014
Other revenues:	
Investment income	$ 40,450
Miscellaneous	169,028
Pass-through grants for sub-recipients	907,965
	1,117,443
Other expenses:	
Interest - payable from restricted debt service assets	135,415
Interest - payable from unrestricted assets	34,533
Amortization of bond premium	(47,506)
Pass-through grants to sub-recipients	907,965
	1,030,407
	$ 87,036

NOTE 8 - ENVIRONMENTAL REMEDIATION LIABILITY

The IPTC has had discussions with the Indiana Department of Environmental Management regarding a contamination remediation issue traced to leaking underground storage tanks. The cost of remediation is based upon current site knowledge/conditions, past remediation experience of site's with similar environmental issues, and the current IDEM regulations. The estimate is based on the expectation that a remediation system(s) will be required from the site to meet closure criteria under the IDEM RISC Program's Industrial Closure Criteria with an environmental deed restriction placed on the property.

Activity for the year ended December 31, 2014 was as follows:

	2014
Environmental remediation liability, beginning of year	$ 1,826,007
Decreases/Payments	-
Unpaid claims, end of year	$ 1,826,007
Current liability portion	$ -
Noncurrent liability portion	1,826,007
Unpaid claims, end of year	$ 1,826,007

(Continued)

NOTE 9 - BENEFIT PLANS – DEFINED CONTRIBUTION AND DEFERRED COMPENSATION

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 3.0% of their compensation in order to receive the 3.0% employer match. Participant contributions for 2014 were $658,626. Employer contributions for 2014 were $578,549.

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 $208,922 for the year ended December 31, 2014.

NOTE 10 – BENEFIT PLANS – DEFINED BENEFIT PENSION

Defined Benefit Pension Plan: 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. 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, was considered. In addition, effective December 31, 1997, the Plan was amended to remove the disability benefit provisions.

On January 10, 2006, a binding interest arbitration award was issued regarding the single-employer defined-benefit exempt governmental plan (Defined Benefit 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 legally 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 the final $270,000 to the plan in 2014 and IPTC no longer has a pension arbitration liability at December 31, 2014.

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.

(Continued)

NOTE 10 – BENEFIT PLANS – DEFINED BENEFIT PENSION (Continued)

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.

The binding interest arbitration award, described above, 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. Vested participants are to remain in the defined benefit plan while actively employed at IPTC and began making contributions to the plan at a rate of 4.5%. The employer matches 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 2014 and no annual pension cost. IPTC has determined that it has no pension liability (asset) at transition as defined by GASB Statement No. 27.

At December 31, 2014, the Plan's fiduciary net position, or fair value of Plan assets was $10,539,481 compared to a total pension liability of $10,939,287, resulting in a net pension liability of $399,806. 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 position of the Plan will first be applied to repay individual employee contributions in excess of any employee contributions previously disbursed. The remainder of net position will be distributed in the proportion that each employee's actuarially determined accrued benefit has to the accrued benefits of all covered employees.

The Plan's obligation was determined as part of the December 31, 2014 actuarial valuation using the aggregate actuarial cost method. The actuarial assumptions included a 6.5% investment rate of return (net of administrative expenses) and projected salary increases of 3% and inflation of 2.3%. 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 required contribution, annual pension cost or net pension obligation.

The entry age normal 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.

(Continued)

NOTE 11 - 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 asset. The following schedule reports ARC and actual contributions made for the past three years:

Year Ended December 31	Annual Required Contribution	Actual Contribution Made	Percentage Contributed
2014	$ 69,500	$ 84,100	121%
2013	58,260	77,200	133%
2012	63,790	97,900	153%

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 asset:

Annual required contribution	$ 69,500
Interest on net OPEB asset	(11,833)
Annual OPEB cost	57,667
Contributions made	(84,100)
Increase in net OPEB asset	(26,443)
Net OPEB asset – beginning of year	(315,555)
Net OPEB asset – end of year	$ (341,988)

Funded Status and Funding Progress: As of December 31, 2014, the actuarial accrued liability for benefits was $1,514,000 and the actuarial value of assets was $0 resulting in an unfunded actuarial accrued liability (UAAL) of $1,514,000. The covered payroll (annual payroll of active employees covered by the plan) was not applicable, and the ratio of the UAAL to the covered payroll was not applicable.

(Continued)

NOTE 11 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

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

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

The actuarial cost method used for determining the benefit obligations is the Unit Credit Actuarial 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 over 30 years from the valuation date on an open basis in level percent of pay payments. The actuarial assumptions are summarized below:

Measurement Date:	December 31, 2014
Discount Rate:	3.75% compounded annually
Compensation Increase Rate:	3.00%, compounded annually increase
Mortality:	Pre-Retirement: RP-2014 Blue Collar Employee mortality Rates set forward 1 year, projected to the valuation date using Scale BB. Separate rates for males and females. Post-Retirement: RP-2014 Blue Collar Healthy Annuitant mortality rates set forward 1 year, projected to the valuation date using Scale BB. Separate rates for males and females. Post-Disability: RP-2014 Disabled mortality rates set forward 1 year, projected to the valuation date using Scale BB. Separate rates for males and females as appropriate.

(Continued)

NOTE 11 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Employee Turnover/Withdrawal:	Crocker-Sarason T-4 Table	
Disablement:	1965 Railroad Retirement Board Disability Table	
Retirement Rates:	Age	%
	55	2.5%
	56-59	1%
	60	5%
	61	1%
	62	30%
	63	10%
	64	20%
	65+	100%
Life Insurance Premium:	$2.66/mo./$1000 of coverage	

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
DECEMBER 31, 2014

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)
12/31/2014	0	1,514,000	1,514,000	0%	N/A	N/A
12/31/2013	0	1,461,000	1,461,000	0%	N/A	N/A
12/31/2012	0	1,514,000	1,514,000	0%	N/A	N/A

SUPPLEMENTARY INFORMATION

INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
(A COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS
MARION COUNTY GOVERNMENT REPORTING ENTITY)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2014

Federal Grantor/ Program or Cluster Title	CFDA Number	Federal Expenditures	Amounts Awarded to Subrecipients
Department of Transportation			
Federal Transit Administration			
Direct programs:			
Federal Transit Cluster:			
Capital Investment Grants	20.500	$ 2,532,279	$ -
Formula Grants	20.507	14,811,740	-
Bus and Bus Facilities Formula Program	20.526	27,192	-
Total Federal Transit Cluster		17,371,211	-
Transit Services Programs Cluster:			
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	75,664	-
Job Access and Reverse Commuter Program	20.516	367,421	453,087
New Freedom Program	20.521	515,607	437,374
Total Transit Services Programs Cluster		958,692	890,461
Alternatives Analysis	20.522	17,504	17,504
National Infrastructure Investments	20.933	837,670	-
Total Expenditures of Federal Awards		$ 19,185,077	$ 907,965

See accompanying notes to the schedule of expenditures of federal awards.

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, 2014 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.

NOTE 2 - MATCHING COSTS

Matching costs, i.e., the nonfederal share of program costs, are not included in the accompanying Schedule of Expenditures of Federal Awards.

NOTE 3 - SUBRECIPIENTS

In OMB Circular A-133, subrecipients are defined as nonfederal entities that expend federal awards received from a pass-through entity to carry out a federal program, but do not benefit from that program. IPTC passed through certain amounts to subrecipients, which are identified in the Schedule of Expenditures of Federal Awards.

INDEPENDENT AUDITOR'S 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, in accordance with the 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 the *Guidelines for Audits of State and Local Governments by Authorized Independent Public Accountants*, issued by the Indiana State Board of Accounts, the financial statements 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 and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise IPTC's basic financial statements, and have issued our report thereon dated June 22, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered IPTC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of IPTC's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. (Findings 2014-001 and 2014-002)

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether IPTC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

IPTC's Response to Findings

IPTC's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. IPTC's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely 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 effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
June 22, 2015

Crowe Horwath.

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Board of Directors
Indianapolis Public Transportation Corporation
Indianapolis, Indiana

Report on Compliance for Each Major Federal Program

We have audited Indianapolis Public Transportation Corporation's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of IPTC's major federal programs for the year ended December 31, 2014. IPTC's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of IPTC's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of IPTC's compliance.

Opinion on Each Major Federal Program

In our opinion, IPTC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

(Continued)

Report on Internal Control Over Compliance

Management of IPTC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered IPTC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
June 22, 2015

SECTION 1 – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	__X__ Yes ______ No
Significant deficiencies identified not considered to be material weaknesses?	______ Yes __X__ None Reported
Noncompliance material to financial statements noted?	______ Yes __X__ No

Federal Awards

Internal Control over major programs:	
Material weakness(es) identified?	______ Yes __X__ No
Significant deficiencies identified not considered to be material weaknesses?	______ Yes __X__ None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	______ Yes __X__ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
20.500, 20.507, 20.526	Federal Transit Cluster
20.933	National Infrastructure Investments

Dollar threshold used to distinguish between Type A and Type B programs: $575,552

Auditee qualified as low-risk auditee? ______ Yes __X__ No

(Continued)

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

FINDING 2014-001 - Controls over Financial Reporting (Material Weakness)

Condition and Criteria: Management is responsible to have internal controls in place to provide appropriate and reliable financial reports and to select and apply appropriate accounting principles. Management is not required to prepare their financial reports, but management needs to demonstrate the level of qualifications and controls to prepare their financial reports without significant deficiencies in these controls.

During the current year audit, a number of material audit adjustments were posted that changed the financial statement results of IPTC by a material amount.

Many of the adjusting entries were made to balance the general ledger to underlying subsidiary detail reports. The primary reason for the nature, number, and material amounts was that accounts were not properly reconciled to the general ledger on a timely basis during the year, or reconciliations were not performed or properly reviewed. These adjustments impacted federal grants, debt, capital assets, accounts payable and payroll. The net impact on the financial statements is shown below:

- Total assets were understated by approximately $563,000
- Total liabilities and net position was overstated by approximately $3,196,000
- Total revenues were understated by approximately $5,585,000
- Total expenses were understated by approximately $1,825,000

Effect: Lack of materially accurate monthly general ledger financial reporting from management during the year.

Cause: The above condition appears to be the result of lack of internal controls over the monthly and annual reconciliation process and/or insufficient training in the Finance Department.

Questioned Costs: None

Recommendations: We suggest that management establish appropriate procedures and reviews to provide for accurate and timely monthly reconciliations so that the general ledger reflects a complete, accurate representation of financial results. Monthly reconciliations should include posting adjustments identified each month. All reconciliations should be reviewed and approved by someone independent of the preparer. Additionally, management should be reviewing net position and ensuring that it properly rolls forward from the prior year.

Management Response and Corrective Action Plan: In 2014, IPTC engaged a firm to review and evaluate our financial structure and staffing. Upon the completion of the review and approval from the IPTC Board of Directors, IPTC worked diligently to fill four positions identified in the review as essential to improving internal controls. These positions included Director of Budget and Compliance, Grants Manager, Staff Accountant and a part-time Payroll Clerk.

In the third and fourth quarter of 2014 all four position were filled. The training for the incumbents is ongoing but positive impact of these positions is already evident. We expect that these changes will fully resolve the issues identified in this audit.

(Continued)

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

FINDING 2014-002 - Internal Controls over Federal Reporting and over Preparation of the Schedule of Expenditures of Federal Awards (Material Weakness)

Condition and Criteria: Material weaknesses in internal controls identified for financial statement reporting increase the risk that internal controls over the reporting of the Schedule of Expenditures of Federal Awards (SEFA) and compliance for major and non-major programs may not be effective.

In addition, during review of the controls over the SEFA preparation with management, we noted that one person has the main responsibility for preparation of the SEFA with no independent review and approval. Also, errors were noted in the SEFA provided by management, including the failure to properly cluster two of the federal grants.

Effect: The SEFA could be materially misstated or contain incorrect information.

Cause: The material weaknesses identified over financial reporting were primarily focused on the internal controls over and reconciliation of subsidiary detail to the general ledger. The general ledger is the official record for financial statement reporting. The lack of timely and accurate reconciliation between subsidiary detail, supporting federal draws, and the general ledger presents a risk related to internal controls over compliance for allowable costs. The necessary controls surrounding the preparation of the SEFA were not in place in the current year to facilitate the SEFA preparation process.

Questioned Costs: None

Recommendations: We recommend that a reconciliation of subsidiary detail to general ledger detail be performed on a monthly basis to determine that federal draws are properly supported by general ledger records. We also recommend that the reconciliation of federal expenditures and preparation of the SEFA be approved by IPTC staff that is independent of the reconciliation and SEFA preparation process.

Management Response and Corrective Action Plan: In 2014, IPTC engaged a firm to review and evaluate our financial structure and staffing. Upon the completion of the review and approval from the IPTC Board of Directors, IPTC worked diligently to fill four positions identified in the review as essential to improving internal controls. These positions included Director of Budget and Compliance, Grants Manager, Staff Accountant and a part-time Payroll Clerk.

In the third and fourth quarter of 2014 all four position were filled. The training for the incumbents is ongoing but positive impact of these positions is already evident. We expect that these changes will fully resolve the issues identified in this audit.

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

None

SECTION 4 - PRIOR YEAR FINDINGS AND QUESTIONED COSTS

FINDING 2013-001 - Controls over Financial Reporting (Material Weakness)

Condition and Criteria: Management is responsible to have internal controls in place to provide appropriate and reliable financial reports and to select and apply appropriate accounting principles. Management is not required to prepare their financial reports, but management needs to demonstrate the level of qualifications and controls to prepare their financial reports without significant deficiencies in these controls.

During the current year audit, a significant number of material audit adjustments were posted that changed the financial statement results of IPTC by a material amount.

Many of the adjusting entries were made to balance the general ledger to underlying subsidiary detail reports. The primary reason for the nature, number, and material amounts was that accounts were not properly reconciled to the general ledger on a timely basis during the year, or reconciliations were not performed or properly reviewed. These adjustments impacted federal grants, investments, debt, inventory, capital assets, accounts payable and payroll. The net impact on the financial statements is shown below:

- Total assets were understated by approximately $588,000
- Total liabilities were overstated by approximately $63,000
- Total revenues were understated by approximately $340,000
- Total expenses were overstated by approximately $310,000

Management Response and Corrective Action Plan: IPTC engaged a firm to review and evaluate our financial structure and the staffing. This review has been received and adopted by IPTC and is in the process of being implemented. This plan calls for adding four additional positions; Director of Budget and Compliance, Grants Manager, Staff Accountant and a part-time Payroll Clerk. These additions should allow the staff to properly account for the assets of IPTC and improve the internal controls. We fully expect that these changes will resolve the issue identified.

Status: Similar finding in the current year, see Finding 2014-001.

FINDING 2013-002 - Review of Disbursements/Transfers (Material Weakness)

Condition and Criteria: During analysis of bond interest expense, we noted that an interest payment for $399,000 was made in September on 2003D bonds that were not issued by IndyGo. We further noted that the transfer of funds from the operating bank account to the sinking fund bank account, as well as the actual payment to the bank, was approved by management.

Management Response and Corrective Action Plan: IPTC engaged a firm to review and evaluate our financial structure and the staffing. This review has been received and adopted by IPTC and is in the process of being implemented. This plan calls for adding four additional positions; Director of Budget and Compliance, Grants Manager, Staff Accountant and a part-time Payroll Clerk. These additions should allow the staff to properly account for the assets of IPTC and improve the internal controls. We fully expect that these changes will resolve the issue identified.

Status: Resolved.

(Continued)

FINDING 2013-003 - Internal Controls over Federal Reporting and over Preparation of the Schedule of Expenditures of Federal Awards (Material Weakness)

Condition and Criteria: Material weaknesses in internal controls identified for financial statement reporting increase the risk that internal controls over the reporting of the Schedule of Expenditures of Federal Awards (SEFA) and compliance for major and non-major programs may not be effective.

In addition, during review of the controls over the SEFA preparation with management, we noted that one person has the main responsibility for preparation of the SEFA with no independent review and approval. Also, errors were noted in the SEFA provided by management, including the failure to identify two of the federal grants.

Management Response and Corrective Action Plan: IPTC engaged a firm to review and evaluate our financial structure and the staffing. This review has been received and adopted by IPTC and is in the process of being implemented. This plan calls for adding four additional positions; Director of Budget and Compliance, Grants Manager, Staff Accountant and a part-time Payroll Clerk. These additions should allow the staff to properly account for the assets of IPTC and improve the internal controls. We fully expect that these changes will resolve the issue identified.

Status: Similar finding in the current year, see Finding 2014-002.