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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, Independent Public Accountants, for the period January 1, 2015 to December 31, 2015. 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, 2015 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 three findings of significant deficiencies 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, 2015

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

FINANCIAL STATEMENTS
December 31, 2015

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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, 2015, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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.

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, 2015, 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.

(Continued)

Emphasis of Matters

As discussed in Note 1 of the financial statements, during the year ended December 31, 2015, IPTC adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

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, the Schedule of Changes in IPTC's Net Pension Liability and Related Ratios on page 34, the Schedule of IPTC'S Contributions on page 35, and the Schedule of OPEB Funding Progress on page 36, be presented to supplement the basic 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 *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is 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 July 22, 2016 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
July 22, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the financial statements presents a discussion and analysis of the Indianapolis Public Transportation Corporation's (IPTC's) financial performance for the year ended December 31, 2015. 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, 2015 by $110.5 million (net position). Of this amount, $16.6 million (unrestricted net position) may be used to meet IPTC's ongoing obligations arising from providing transportation service to the community.
- Fare revenues for 2015 decreased 3 percent over that of the prior year.
- FTA capital contributions for 2015 increased 174 percent from that of the prior year.
- FTA local operating and planning grants and preventative maintenance funding for 2015 increased by 12 percent over that of the prior year.
- Operating expenses before depreciation decreased 8 percent from the prior year.
- Net position increased approximately $37.6 million, or 52 percent.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements consist 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 and deferred outflows of resources at December 31, 2015 were approximately $124.5 million. This represents an increase of approximately 37 percent from the prior year. Total liabilities and deferred inflows of resources approximated $13.9 million, a decrease of 22 percent for 2015. The overall increase in liabilities is attributed to a significant increase in accounts and contract services payable over the prior year.

Approximately $79.3 million, or 72 percent, of the net position reflects investments in capital assets, less related debt. Approximately $14.7 million, or 13 percent, of the net position is restricted for the future acquisition of capital assets. Approximately $16.6 million, or 15 percent, may be used to meet IPTC's ongoing obligations arising from providing transportation services to the community.

TABLE 1 - NET POSITION

	2015	2014 as restated
Assets:		
Current assets	$ 22,824,033	$ 23,442,946
Capital assets (net)	85,815,547	49,419,241
Other noncurrent assets	15,014,978	18,102,486
Total assets	123,654,558	90,964,673
Deferred outflows of resources	812,507	-
Total assets and deferred outflows of resources	$ 124,467,065	$ 90,964,673
Liabilities:		
Current liabilities	$ 10,843,841	$ 14,060,702
Noncurrent liabilities	2,888,629	3,934,983
Total liabilities	13,732,470	17,995,685
Deferred inflow of resources	199,472	-
Net position:		
Net investment in capital assets	79,288,576	42,647,303
Restricted	14,654,766	17,760,498
Unrestricted	16,591,781	12,561,187
Total net position	110,535,123	72,968,988
Total liabilities, deferred inflows of resources and net position	$ 124,467,065	$ 90,964,673

The 2014 figures presented above have been adjusted for the prior period adjustment relating to the implementation of GASB statement No. 68 and 71 which is disclosed in the notes to the financial statements. As a result of the entry, non-current liabilities increased $399,806 and unrestricted net position decreased $399,806.

(Continued)

Changes in Net Position

The change in net position for 2015 represents an increase of approximately $37.6 million, or 52 percent. Of this amount, total revenues increased approximately $24.5 million, or 31 percent. This increase is mainly attributed to a $21.0 million increase in capital grants. Overall operating expenses, excluding depreciation decreased $5.3 million, or 8 percent. This is primarily attributed to an increase in bus service in 2015.

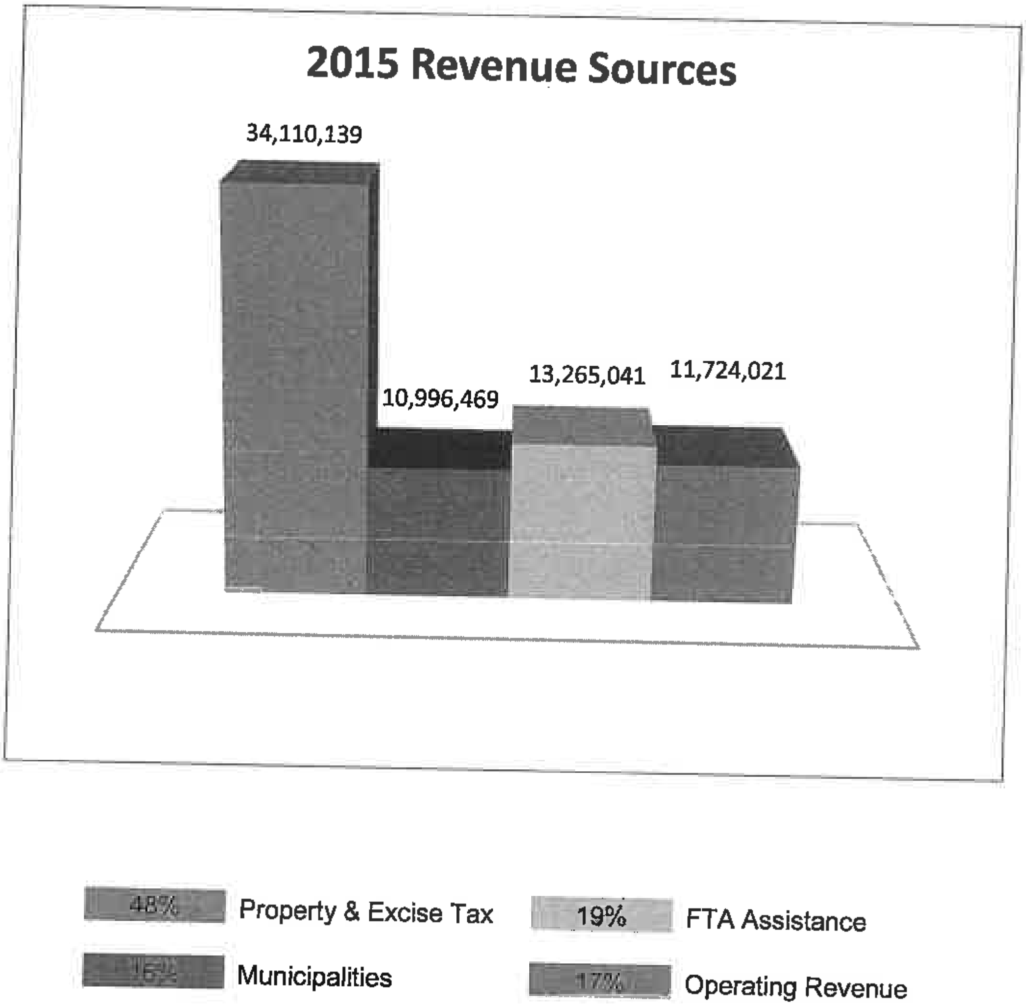
TABLE 2 - CHANGES IN NET POSITION

	2015	2014 as restated
Operating revenues		
Passenger fares	$ 11,232,694	$ 11,617,150
Advertising	491,327	519,732
Total operating revenues	11,724,021	12,136,882
Non-operating revenues (expenses)		
Property and excise tax	34,110,139	31,729,423
Municipalities	10,996,469	10,877,058
FTA Assistance	13,265,041	11,855,317
Contributions – capital grants	33,040,761	12,021,795
Other net revenues (expenses)	75,815	87,036
Total non-operating revenues	91,488,225	66,570,629
Total revenues	103,212,246	78,707,511
Operating expenses		
Transportation	29,787,891	32,424,781
Maintenance of equipment, including fuel	16,952,267	18,932,576
Administrative and general	9,833,426	10,311,180
Claims and insurance	1,322,196	1,566,982
Depreciation	7,750,331	7,883,516
Total operating expenses	65,646,111	71,119,035
Change in net position	37,566,135	7,588,476
Net position, beginning of year	72,968,988	65,780,318
Restatement for GASB Statement 68 and 71	-	(399,806)
Net position, end of year	$ 110,535,123	$ 72,968,988

2014 operating expenses were not adjusted for the prior period adjustment related to implementing GASB Statement No. 68 and 71. The adjustment is shown as an adjustment to beginning net position.

(Continued)

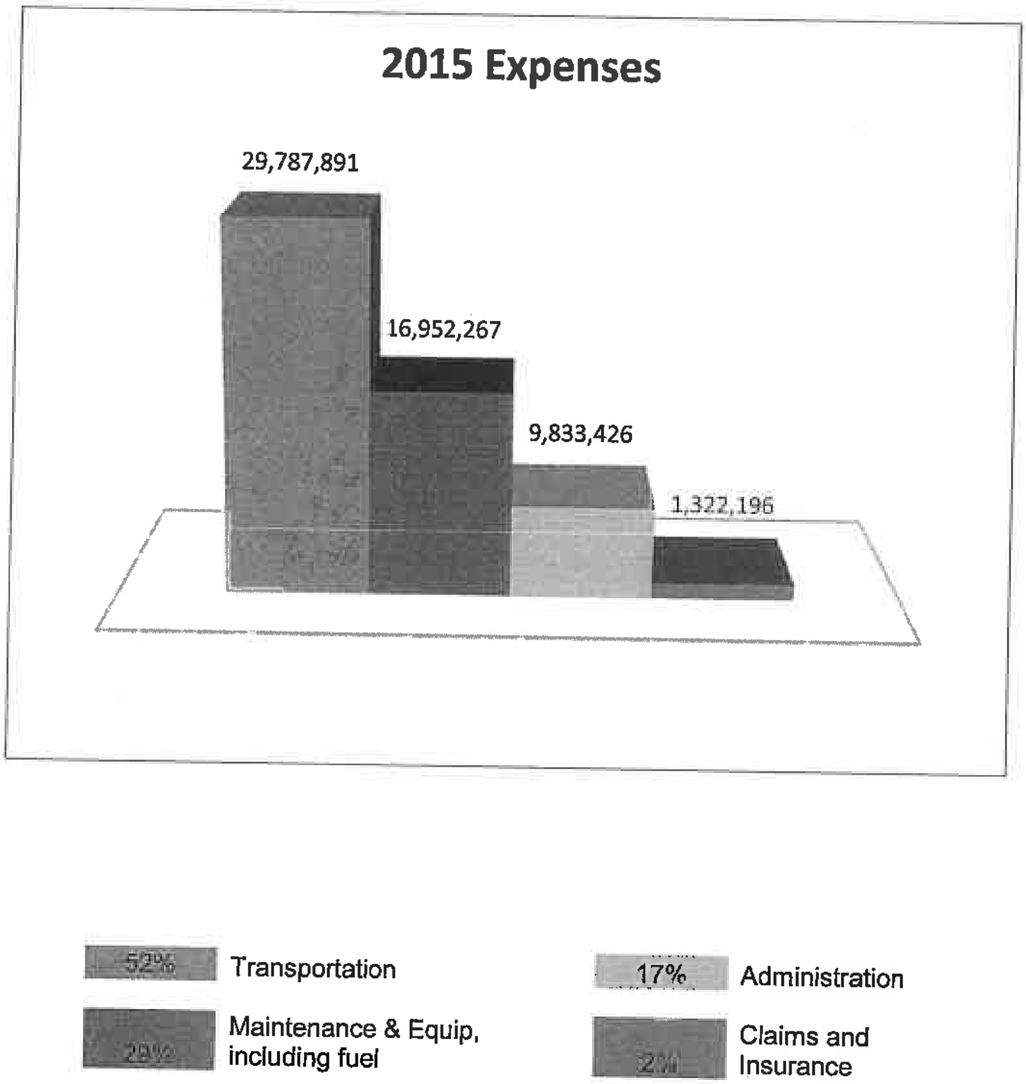
Revenues: For 2015, total operating revenues decreased approximately $412,000 or 3 percent. Non-operating revenue, excluding capital grant contributions and other revenue (expenses), increased by approximately $3.9 million, or 7 percent.



The revenues and percentages presented exclude "Contributions-capital grants" of $33,040,761 and "Other net revenues (expenses)" of $75,815.

(Continued)

Expenses: Total operating expenses, excluding depreciation, are approximately $57.8 million for 2015. This is a decrease of $5.3 million, or 8 percent from prior year. This decrease is primarily attributed to decrease services added in 2015.



The expenses and percentages presented exclude "depreciation" expense of $7,750,331.

(Continued)

CAPITAL ASSET AND DEBT ADMINISTRATION

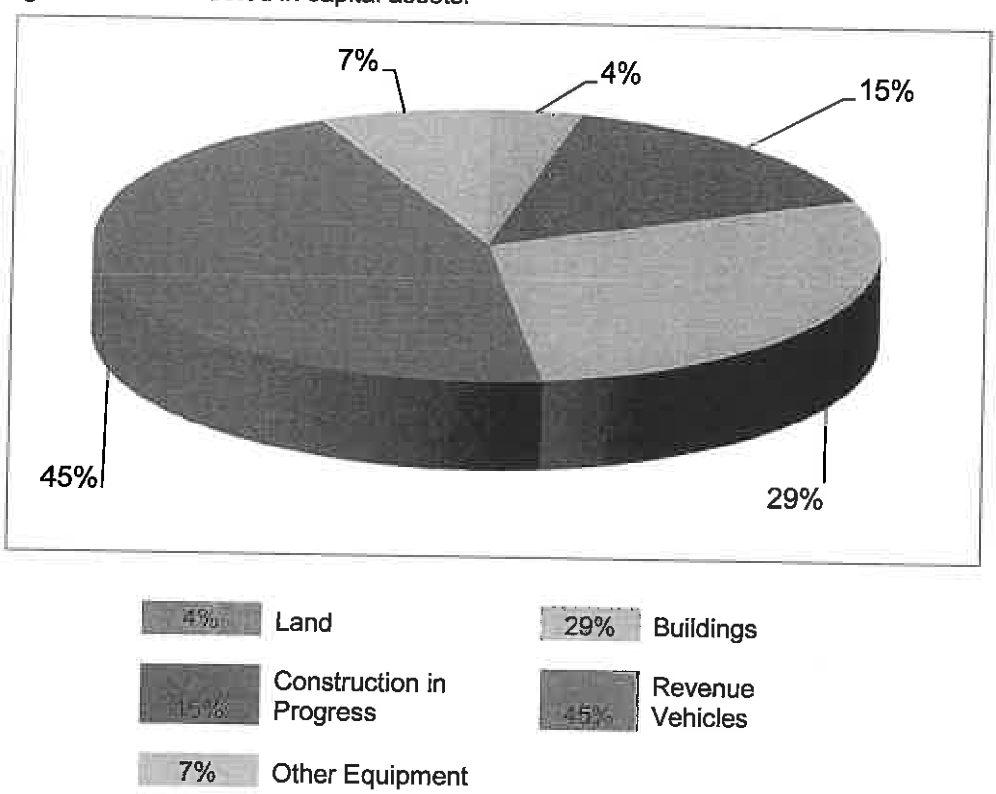
Capital Assets

As of December 31, 2015, IPTC had invested approximately $85.8 million in capital assets, net of accumulated depreciation. Compared to the prior year, this amount represents an increase of approximately $36.4 million. Depreciable capital acquisitions for the year were about $23.4 million with no retirements occurring in 2015 and $20.7 million of net increase in construction in progress. 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 2015 included 23 low floor 40 ft. buses and 18 electric buses totaling approximately $20.3 million and downtown transit center activity as discussed on the following page.

Percentage allocation invested in capital assets:



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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, 2015, IPTC has incurred approximately $15.7 million in downtown transit center construction in process.

Debt Disclosures

As of December 31, 2015, IPTC had approximately $2.6 million of notes and bonds payable. During 2015, bonds and notes payable were repaid pursuant to the maturity schedule of each issue. As of December 31, 2015, 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, 2015

ASSETS	
Current assets	
Cash and cash equivalents (Note 2):	
Unrestricted – Working capital	$ 4,254,997
Restricted – debt service	523,053
Restricted – Liability reserve accounts	5,031,557
Total cash and cash equivalents	9,809,607
Receivables:	
Federal grants	5,593,278
Operations receivables, net	2,987,003
Total receivables	8,580,281
Other current assets:	
Materials and supplies inventory, net	3,096,513
Deposits and prepaid expenses	1,337,632
Total other current assets	4,434,145
Total current assets	22,824,033
Noncurrent assets	
Restricted cash – capital asset acquisition (Note 2)	7,843,095
Restricted investments – capital asset acquisition (Note 2)	6,811,671
Net other post-employment benefit asset (Note 11)	360,212
Capital assets (Note 3):	
Non-depreciable assets:	
Land	6,975,654
Construction in progress	27,993,522
Total non-depreciable assets	34,969,176
Depreciable assets:	
Buildings and improvements	53,022,380
Revenue vehicles and equipment	83,461,756
Other equipment	13,002,020
Total depreciable assets	149,486,156
Total capital assets	184,455,332
Accumulated depreciation	(98,639,785)
Capital assets, net of depreciation	85,815,547
Total noncurrent assets	100,830,525
Total assets	123,654,558
Deferred outflows of resources	
Deferred outflows of pension (Note 10)	812,507
Total assets and deferred outflows of resources	$ 124,467,065

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, 2015

LIABILITIES AND NET POSITION

Current liabilities	
Accounts and contract services payable	$ 5,272,681
Accrued payroll and benefits	1,073,670
Unearned fare revenue	372,280
Notes payable (Note 4)	967,155
Bonds payable, net of premium (Note 4)	1,680,000
Risk management – unpaid claim estimates (Note 5)	276,500
Federal grantor reimbursement payable	1,201,555
Total current liabilities	10,843,841
Noncurrent liabilities	
Risk management – unpaid claim estimate (Note 5)	169,345
Environmental remediation liability (Note 8)	1,826,007
Net pension liability (Note 10)	893,277
Total noncurrent liabilities	2,888,629
Total liabilities	13,732,470
Deferred inflows of resources	
Deferred inflows from pension (Note 10)	199,472
Net position	
Net investment in capital assets	80,424,782
Restricted for capital assets acquisition	14,654,766
Unrestricted	15,455,575
Total net position	110,535,123
Total liabilities, deferred inflows of resources, and net position	$ 124,467,065

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, 2015

Operating revenues	
Passenger fares	$ 11,232,694
Advertising	491,327
Total operating revenues	11,724,021
Operating expenses	
Transportation	29,787,891
Maintenance of equipment, including fuel	16,952,267
Administrative and general	9,833,426
Claims and insurance	1,322,196
Depreciation	7,750,331
Total operating expenses	65,646,111
Operating loss	(53,922,090)
Non-operating revenues (expenses)	
Operating assistance:	
Property and excise tax	34,110,139
Municipalities	10,996,469
FTA and local operating and planning grants, and preventative maintenance funding	13,265,041
Other net revenues (expenses) (Note 7)	75,815
Total non-operating revenue	58,447,464
Change in net position before capital contribution	4,525,374
Contributions - capital grants	33,040,761
Change in net position	37,566,135
Net position, beginning of year	73,368,794
Restatement due to GASB Statement 68 and 71	(399,806)
Net position, beginning of year (as restated)	72,968,988
Net position, end of year	$ 110,535,123

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, 2015

Cash flows from operating activities	
Receipts from customers	$ 11,321,408
Payments for transportation	(29,787,891)
Payments for maintenance of equipment, including fuel	(21,811,813)
Payments for administrative and general	(9,971,215)
Claims and insurance paid to external parties	(1,365,521)
Net cash used by operating activities	(51,615,032)
Cash flows from noncapital financing activities	
Property and excise tax distributions	34,110,139
Assistance from municipalities	8,625,880
FTA operating assistance	17,535,593
Interest paid on notes payable	(156,000)
Net cash provided by noncapital financing activities	60,115,612
Cash flows from capital and related financing activities	
Capital grant receipts	30,145,423
Purchases of capital assets	(43,900,299)
Principal paid on bonds payable	(1,515,000)
Interest paid on bonds payable	(47,000)
Net cash used by capital and related financing activities	(15,316,876)
Cash flows from investing activities	
Purchases of investments	(5,301,135)
Proceeds from sale of investments	5,015,335
Interest received on cash and cash equivalents	72,386
Net cash used by investing activities	(213,414)
Net decrease in cash and cash equivalents	(7,029,710)
Cash and cash equivalents, beginning of year	24,682,412
Cash and cash equivalents, end of year	$ 17,652,702
Statement of Net Position Presentation:	
Cash and cash equivalents – current assets	$ 9,809,607
Cash – noncurrent assets	7,843,095
Cash and cash equivalents, end of year	$ 17,652,702

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, 2015

Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	$ (53,922,090)
Adjustments to reconcile loss to net cash and cash equivalents:	
Depreciation expense	7,750,331
Forgiveness on note payable	(205,970)
Changes in assets and liabilities:	
Other receivables	(205,207)
Materials and supplies inventory	(70,600)
Deposits and prepaid expense	(851,482)
Other post-employment benefit asset	(18,225)
Deferred outflows of resources – pension liability	(812,507)
Accounts and contract services payable	(3,891,471)
Accrued payroll and benefits	(45,993)
Unearned fare revenue	8,564
Risk management	(43,325)
Net pension liability	493,471
Deferred inflows of resources – pension liability	199,472
Net cash used by operating activities	$ (51,615,032)
Supplemental schedule of noncash investing and financing activities:	
Capital assets in accounts payable	$ 3,710,768
Payment of note payable via transfer of other assets	279,800

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.

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, 2015, 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 Federal Transit Administration (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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.
- **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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Commitments: IPTC entered into a fixed unit cost fuel contract for the purchase of 1,875,000 gallons of fuel from February 1, 2015 through January 31, 2016. Total remaining fuel cost commitment under this contracts was approximately $300,000 at December 31, 2015.

During 2015, IPTC entered into a commitment not to exceed $4.9 million for construction projects. At December 31, 2015, the remaining commitment on these projects is approximately $0.8 million. At December 31, 2015, IPTC also has a remaining commitment of approximately $1.2 million related to the 2014 downtown transit center construction contract entered.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Indiana Public Transportation Corporation Pension Plan (IPTCPP) and additions to/deductions from IPTCPP's fiduciary net position have been determined on the same basis as they are reported by IPTCPP. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

New Accounting Pronouncements: In 2015, the IPTC adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.* These Statements require the IPTC to record the excess of the total pension liability over the fiduciary net position of the pension plan as a net pension liability on the statement of net position. The change in accounting for pensions, as discussed in Note 10, resulted in the following restatement at January 1, 2015:

	Beginning Balance	As Restated	GASB 68 Adjustment
Statement of Net Position:			
Net pension liability	$ -	$ 399,806	$ 399,806
Statement of Revenues, Expenses and Changes in Net Position:			
Net position	$ 73,368,794	$ 72,968,988	$ 399,806

New Pronouncements Not Yet Implemented:

- GASB Statement No. 72, *Fair Value Measurement and Application*. The IPTC has not yet adopted this standard and is evaluating the impact it may have on its financial statements.
- 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*. The IPTC has not yet adopted this standard and is evaluating the impact it may have on its financial statements.
- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The IPTC has not yet adopted this standard and is evaluating the impact it may have on its financial statements.
- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The IPTC has not yet adopted this standard and is evaluating the impact it may have on its financial statements.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The IPTC has not yet adopted this standard and is evaluating the impact it may have on its financial statements.
- GASB Statement No. 77, *Tax Abatement Disclosures.* The IPTC has not yet adopted this standard and is evaluating the impact it may have on its financial statements.
- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans.* The IPTC has not yet adopted this standard and is evaluating the impact it may have on its financial statements.
- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants.* The IPTC has not yet adopted this standard and is evaluating the impact it may have on its financial statements.
- GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14.* The IPTC has not yet adopted this standard and is evaluating the impact it may have on its financial statements.
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements.* The IPTC has not yet adopted this standard and is evaluating the impact it may have on its financial statements.
- GASB Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73.* The IPTC has not yet adopted this standard and is evaluating the impact it may 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, 2015 as follows:

	2015
Current assets	
Cash and cash equivalents	
Unrestricted – Working capital	$ 4,254,997
Restricted – debt service	523,053
Restricted – Liability reserve	5,031,557
Noncurrent assets:	
Restricted cash – capital asset acquisition	7,843,095
Restricted investments – capital asset acquisition	6,811,671
	$ 24,464,373
Cash and cash equivalents	$ 17,652,702
Investments	6,811,671
	$ 24,464,373

(Continued)

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

Deposits: IPTC maintains cash and cash equivalents deposits with area financial institutions. A summary of these deposits at December 31, 2015 is as follows:

	2015 Carrying Value	2015 Bank Balance
On hand	$ 1,300	$ -
Cash deposits:		
Insured by FDIC	1,693,216	1,693,216
Insured by IPDIF	15,958,186	16,268,916
	$ 17,652,702	$ 17,962,132

During the year ended December 31, 2015, 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).

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, 2015, IPTC had the following investments and maturities:

Investment Type	Fair Value	Maturities (in Years) Less than 1	Maturities (in Years) 1 - 5
Certificates of Deposit	$ 2,245,563	$ 500,895	$ 1,744,668
Government-backed Mortgage Notes	4,566,108	1,022,950	3,543,158
	$ 6,811,671	$ 1,523,845	$ 5,287,826

(Continued)

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

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, 2015, the IPTC's investments, along with their respective ratings from Moody's Investor Services, as applicable, were as follows:

Investment Type	Fair Value	Credit Rating
Certificates of Deposit	$ 2,245,563	Unrated
Government-backed Mortgage Notes	4,566,108	Aaa
	$ 6,811,671	

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, 2015:

Investment Type	Fair Value	% (rounded)
Certificates of Deposit:		
Ally BK Midvale Utah	$ 249,332	3.7%
BMW Bank North America	248,813	3.6%
Capital One National	249,332	3.7%
Capital one Bank USA	249,333	3.7%
Discover Bank	250,805	3.7%
GE Capital Bank	250,090	3.7%
Goldman Sachs Bank	249,410	3.7%
Medallion Bank	249,050	3.7%
Whiteny Bank	249,398	3.7%
Government-back Mortgage Notes:		
Fannie Mae	518,925	7.5%
Freddie Mac	504,025	7.3%
United States Treasury	3,543,158	52.0%
	$ 6,811,671	

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:

Capital Assets Cost:	Balance January 1, 2015	Changes During Year Additions	Changes During Year Reductions	Balance December 31, 2015
Non-Depreciable Assets:				
Land	$ 6,975,654	$ -	$ -	$ 6,975,654
Construction in progress*	7,253,735	44,517,564	(23,777,777)	27,993,522
	14,229,389	44,517,564	(23,777,777)	34,969,176
Depreciable Assets:				
Buildings and improvements	51,859,730	1,162,650	-	53,022,380
Revenue vehicles and equipment	61,217,557	22,244,199	-	83,461,756
Other equipment	13,002,020	-	-	13,002,020
	126,079,307	23,406,849	-	149,486,156
Total capital assets	$ 140,308,696	$ 67,924,413	$ (23,777,777)	$ 184,455,332

Accumulated Depreciation:	Balance January 1, 2015	Changes During Year Additions	Changes During Year Reductions	Balance December 31, 2015
Depreciable Assets:				
Buildings and improvements	$ (38,850,134)	$ (2,491,791)	$ -	$(41,341,925)
Revenue vehicles and equipment	(39,738,940)	(5,043,642)	-	(44,782,582)
Other equipment	(12,300,381)	(214,897)	-	(12,515,278)
Total accumulated depreciation	$ (90,889,455)	$ (7,750,330)	$ -	$(98,639,785)
Total capital assets, net of depreciation	$ 49,419,241	$ 60,174,083	$ (23,777,777)	$ 85,815,547

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

(Continued)

NOTE 4 - DEBT OBLIGATIONS

The following disclosure provides detail on IPTC debt obligations. At December 31, 2015, IPTC debt consisted of bonds payable and notes payable. Changes were as follows:

	Balance January 1, 2015	Changes During Year Additions	Changes During Year Reductions	Balance December 31, 2015	Noncurrent	Current
Bonds payable	$ 3,260,000	$ -	$ (1,580,000)	$ 1,680,000	$ -	$ 1,680,000
Bond premium	47,507	-	(47,507)	-	-	-
Notes payable	1,316,186	26,324	(375,355)	967,155	-	967,155
	$ 4,623,693	$ 26,324	$ (2,002,862)	$ 2,647,155	$ -	$ 2,647,155

Bonds Payable: Bonds consist of the Indianapolis Local Public Improvement Bond Bank Bond, Series 2012A. The amounts outstanding at December 31, 2015 is as follows:

	2015
Series 2012A	$ 1,680,000
Less: Current portion	1,680,000
Noncurrent portion	$ -

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 and for refunding bonds.

The Series 2009C Bonds had interest rates varying from 2.75% to 4%, payable on January 10 and July 10 commencing January 10, 2010 and had serial maturities through 2015. The outstanding balance was fully paid in 2015. Bond interest expense on Series 2009C Bonds was $35,000 for the year ended December 31, 2015.

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.

(Continued)

NOTE 4 - DEBT OBLIGATIONS (Continued)

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

Years Ending December 31	Principal	Interest	Total
2016	$ 1,680,000	$ 34,440	$ 1,714,440

Bond interest expense on Series 2012A Bonds was $42,025 for the year ended December 31, 2015.

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 replaced 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 continued to be amended to extend the maturity date.

In 2015, the amendment extended the maturity date of the loan to December 31, 2016. Management estimates that the note payable balance of $967,155 will be repaid in 2016.

Interest expense for the year ended December 31, 2015 was $26,324 and has been accrued in the balance of the loan. During 2015, IPTC provided $392,756 in the form of passenger bus tickets, parking lot permits, and investment in capital projects for the benefit of the City of Indianapolis, which reduced the outstanding loan balance.

Line of credit: During 2014, IPTC entered into a $7 million line of credit agreement to fund future operating costs. The line matures on July 8, 2016. 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 2015 and no outstanding balance existed as of December 31, 2015.

(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, 2015 was as follows:

	2015	2014
Unpaid claims, beginning of year	$ 489,170	$ 379,417
Incurred claims and changes in claim estimates	1,234,841	1,595,795
Claim payments	(1,278,166)	(1,486,042)
Unpaid claims, end of year	$ 445,845	$ 489,170
Current portion	276,500	$ 460,000
Noncurrent portion	169,345	29,170
Unpaid claims, end of year	$ 445,845	$ 489,170

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 2015 and there were no settlements that exceeded insurance coverage during 2015, 2014, or 2013 for those risks that IPTC purchased insurance.

NOTE 6 - OPERATING LEASES

IPTC is obligated under certain leases through February 2017 for the Transit Store premise and maintenance and office equipment that are accounted for as operating leases. Lease rental expense for the year ended December 31, 2015 was $126,588. 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, 2015:

Year Ending December 31:	
2016	$ 100,972
2017	3,482
	$ 104,454

(Continued)

NOTE 7 - OTHER NON-OPERATING REVENUE (EXPENSE)

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

	2015
Other revenues:	
Investment income (loss)	$ (23,247)
Miscellaneous	191,028
Pass-through grants for sub-recipients	671,662
	839,443
Other expenses:	
Interest - payable from restricted debt service assets	44,460
Amortization of bond premium	47,506
Pass-through grants to sub-recipients	671,662
	763,628
	$ 75,815

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, 2015 was as follows:

	2015
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 union employees to contribute 3.5% of their compensation in order to receive the 3.0% employer match and non-union employees to contribute 3.5% of their compensation in order to receive the 3.5% employer match. Participant contributions for 2015 were $822,519. Employer contributions for 2015 were $816,596.

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 $180,742 for the year ended December 31, 2015.

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 (Plan). The Plan is part of an agreement between IPTC and ATU. The Plan does not present separately audited financial statements.

Benefits provided: All benefits as of December 31, 1997 were frozen by plan amendment. No additional benefits have been accrued after December 31, 1997.

The retirement benefit is payable monthly during the life of the retired employee. If, at death, the retired employee has not received total benefits at least equal to his contributions to the Plan (plus interest accumulated at 2% per year), his beneficiary or estate will be paid a sum equal to his total contributions plus interest, less the aggregate of the benefits he has received.

Death benefits or termination of employment prior to retirement the return of all employee contributions plus interest at 2% will be made.

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 with 20 years of continuous employment as of January 1, 2006 who have not attained age 65.

Employees covered by benefit terms: All full-time IPTC employees who agree to make employee contributions in accordance with the Pension Plan are covered by the Plan after 60 working days of continuous employment. After December 31, 1997, no new employees entered the Plan. In addition, effective December 31, 1997, the Plan was amended to remove the disability benefit provisions.

(Continued)

NOTE 10 – BENEFIT PLANS (Continued)

At December 31, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	146
Inactive employees entitled to but not yet receiving benefits	8
Active employees	36
	190

Contributions: Effective January 1, 1998, all future employer and employees' contributions to the Plan were eliminated. (Previously the contribution rates were 3.5% of compensation for employees and 3.5% of compensation for the employer). As of January 10, 2006, all vested active employees as of January 1, 2006 who remain in the Plan will contribute 4.5% of their pay. The employer will contribute 3.5% of their pay. Additionally, the employer will contribution 0.5% of pay for all employees who were nonvested plan participants as of January 1, 2006.

Net Pension Liability: The Indianapolis Public Transportation Corporation's net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016.

At December 31, 2015, the Plan's fiduciary net position, or fair value of Plan assets was $9,769,678 compared to a total pension liability of $10,662,955, resulting in a net pension liability of $893,277.

Actuarial assumptions. The total pension liability in the January 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Timing	Funding Valuation is completed on first day of fiscal year
Actuarial Cost Method	Entry Age Normal
Inflation	2.3 percent
Salary increases	3.0 percent, average, including inflation
Investment rate of return	6.5 percent
Cost of Living Adjustment	None
Retirement Age	65
Turnover	Croker-Sarson T4 Table

Mortality rates were based on the RP-2014 Blue Collar Mortality for Employees, Healthy Annuitants, and Disabled Annuitants set forward 1 year with projection per Scale BB to the valuation date.

(Continued)

NOTE 10 – BENEFIT PLANS (Continued)

The building-block method which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	50%	5.9%
Fixed income	45%	2.1%
Cash	5%	0.5%
Total	100%	

Discount rate. The discount rate used to measure the total pension liability was 6.12%, which was a decrease from the prior year discount rate of 6.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually determined contribution rate. The plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate (3.60%, based on the Bond Buyer General Obligation 20-Year Municipal Bond Index) applied to benefit payments, to the extent that the plan's fiduciary net position is not projected to be sufficient.

Changes in net pension liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at December 31, 2014	$ 10,939,287	$ 10,539,481	$ 399,806
Changes for the year:			
Interest	623,493	-	623,493
Effect of economic / demographic gains or losses	(268,255)		(268,255)
Effect of assumptions changes or inputs	333,067		333,067
Benefit payments, including refunds of employee contributions	(964,637)	(964,637)	-
Contributions—employer	-	164,076	(164,076)
Contributions—employee	-	96,872	(96,872)
Net investment income		(44,197)	44,197
Administrative expense	-	(21,917)	21,917
Net changes	(276,332)	(769,803)	493,471
Balances at December 31, 2015	$ 10,662,955	$ 9,769,678	$ 893,277

(Continued)

NOTE 10 – BENEFIT PLANS (Continued)

Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability of the Indianapolis Public Transportation Corporation (IPTC), calculated using the discount rate of 6.12 percent, as well as what the IPTC's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.12 percent) or 1-percentage-point higher (7.12 percent) than the current rate:

	1% Decrease (5.12%)	Current Discount Rate (6.12%)	1% Increase (7.12%)
Total pension liability	$ 11,506,276	$ 10,662,955	$ 9,925,304
Fiduciary net position	9,769,678	9,769,678	9,769,678
Net pension liability	1,736,598	893,277	155,626

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position at December 31, 2015 is below:

Cash and cash equivalents	918,877
Receivable investment income	20,130
Fixed income investments	1,403,151
Stock investments	7,427,520
	$ 9,769,678

Pension expense and deferred outflows of resources and deferred inflows of resources related to pension: For the year ended December 31, 2015, the IPTC recognized pension expense of $44,512. At December 31, 2015, the IPTC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ (199,472)
Changes of assumptions	247,665	-
Net difference between projected and actual earnings on pension plan investments	564,842	-
Total	$ 812,507	$ (199,472)

(Continued)

NOTE 10 – BENEFIT PLANS (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	$ Amount
2016	$ 157,829
2017	157,829
2018	156,165
2019	141,212

Payable to the Pension Plan: At December 31, 2015, IPTC had no outstanding contributions payable to the pension plan required for the year ended December 31, 2015.

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. The Plan does not issue a stand-alone financial report.

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 other post-employment benefit (OPEB) plan as net position. 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	Net OPEB Asset
2015	$ 72,600	$ 78,000	107%	$ 360,213
2014	69,500	84,100	121%	341,988
2013	58,260	77,200	133%	315,555

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

Annual OPEB Cost and net OPEB Obligation (Asset): The OPEB cost is calculated based on the 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	$ 72,600
Interest on net OPEB asset	(12,825)
Annual OPEB cost	59,775
Contributions made	78,000
Increase in net OPEB asset	(18,225)
Net OPEB asset – beginning of year	(341,988)
Net OPEB asset – end of year	$ (360,213)

Funded Status and Funding Progress: As of December 31, 2015, the actuarial accrued liability for benefits was $1,299,000 and the actuarial value of assets was $0 resulting in an unfunded actuarial accrued liability (UAAL) of $1,299,000. 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.

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.

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.

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

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, 2015
Discount Rate:	3.60% compounded annually
Compensation Increase Rate:	3.00% compounded annually
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.
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: $3.65/mo./$1,000 of coverage

Changes since the last valuation include lowering the discount rate from 3.75% to 3.60% and increasing the life insurance premium rates as noted above.

REQUIRED SUPPLEMENTARY INFORMATION

INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN IPTC'S NET PENSION LIABILTY
AND RELATED RATIOS (in thousands)
December 31, 2015

	2015
Total pension liability	
Interest on total pension liability	$ 624
Effect of economic/demographic gains or losses	(268)
Effect of assumption changes or inputs	333
Benefit payments, including refunds of employee	(965)
Net change in total pension liability	(276)
Total pension liability—beginning	10,939
Total pension liability—ending (a)	$ 10,663
Plan fiduciary net position	
Contributions—employer	$ 164
Contributions—employee	97
Net investment income	(44)
Benefit payments, including refunds of employee	(965)
Administrative expense	(22)
Net change in plan fiduciary net position	(770)
Plan fiduciary net position—beginning	10,539
Plan fiduciary net position—ending (b)	$ 9,769
IPTC's net pension liability—ending (a) – (b)	$ 894
Plan fiduciary net position as a percentage of the total pension liability	91.62%
Covered-employee payroll	$ 1,994
IPTC's net pension liability as a percentage of covered-employee payroll	44.83%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, IPTC is presenting information for those years for which information is available.

INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF IPTC'S CONTRIBUTIONS
December 31, 2015

	2015
Contractually required contribution	$ 164,076
Contributions in relation to the contractually required contribution	(164,076)
Annual contribution deficiency (excess)	$ -
IPTC's contributions as a percentage of contractually required contribution for pension	100%
IPTC's covered-employee payroll	$ 1,994,058
Contributions as a percentage of covered-employee payroll	8.23%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, IPTC is presenting information for those years for which information is available.

Valuation date: January 1, 2016
Actuarial cost method: Entry age normal
Amortization method: Level dollar
Remaining amortization period: N/A
Asset valuation method: 0 year smoothing of gains and losses on the market value of assets there is no corridor.
Inflation: 2.30%
Salary increases: 3.00%
Investment rate of return: 6.50%
Mortality: RP-2014 Blue Collar Mortality for Employees. Healthy Annuitants, and Disabled Annuitants set forward 1 year projection per Scale BB to val date.

INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
(A COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS
MARION COUNTY GOVERNMENT REPORTING ENTITY)
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB FUNDING PROGRESS
DECEMBER 31, 2015

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)
12/31/2015	-	1,299,000	1,299,000	0%	N/A	N/A
12/31/2014	-	1,514,000	1,514,000	0%	N/A	N/A
12/31/2013	-	1,461,000	1,461,000	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, 2015

Federal Grantor/ Program or Cluster Title	CFDA Number	Pass Through Number	Federal Expenditures
Department of Transportation			
Federal Transit Administration			
Direct programs:			
Federal Transit Cluster:			
Capital Investment Grants	20.500	n/a	$ 14,105,102
Formula Grants	20.507	n/a	18,484,855
Bus and Bus Facilities			
Formula Program	20.526	n/a	1,138,797
Total Federal Transit Cluster			33,728,754
Transit Services Programs Cluster:			
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	n/a	1,858,138
Job Access and Reverse Commuter Program	20.516	n/a	793,140
New Freedom Program	20.521	n/a	146,150
Total Transit Services Programs Cluster			2,797,428
Alternatives Analysis	20.522	n/a	25,183
National Infrastructure Investments – TIGER Discretionary Grants	20.933	n/a	10,248,480
Total Expenditures of Federal Awards			$ 46,799,845

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

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of IPTC under programs of the federal government for the year ended December 31, 2015. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of IPTC, it is not intended to and does not present the financial position, changes in net assets, or cash flows of IPTC.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. IPTC has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

The Uniform Guidance defines subrecipients 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. During the year ended December 31, 2015, IPTC provided $671,662 in expenditures to subrecipients as follows:

Program Title	CFDA Number	Amount
Transit Services Cluster:		
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	$ 631,796
Job Access and Reverse Commute	20.516	12,248
New Freedom Program	20.521	5,316
Alternative Analysis	20.522	22,302
		$ 671,662

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, 2015, and the related notes to the financial statements, which collectively comprise IPTC's basic financial statements, and have issued our report thereon dated July 22, 2016.

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.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. (Findings 2015-001, 2015-002, and 2015-003)

(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
July 22, 2016

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 (IPTC) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on IPTC's major federal program for the year ended December 31, 2015. IPTC's major federal program is 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 federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for IPTC's major federal program 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance 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 the 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 its major federal program for the year ended December 31, 2015.

(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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
July 22, 2016

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the Financial statements audited were prepared In accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ______ Yes __X__ No

Significant deficiencies identified not considered to be material weaknesses? __X__ Yes ______ 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 2 CFR 200.516(a)? ____ 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

Dollar threshold used to distinguish between Type A and Type B programs: $1,403,995

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

(Continued)

Section II – Financial Statement Findings

Finding 2015-001 - Controls over Financial Reporting (Significant Deficiency)

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.

Condition: During the current year audit, a number of audit adjustments were posted that changed the financial statement results of IPTC.

Context: 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 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 $1,214,000
- Total liabilities were understated by approximately $434,000
- Total revenues were understated by approximately $895,000
- Total expenses were understated by approximately $115,165

Effect: Lack of 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.

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.

Views of responsible officials and planned corrective actions: IPTC has experienced a continuous staff turnover in all Finance related departments since prior to 2014. Efforts to provide continual education and knowledge share has been hindered due to this turnover. Only after a significant and unexpected loss of a few key members of the departments did management became aware of which accounting/financial activities, policies and procedures needed corrected/modified.

Beginning immediately, IPTC staff will incorporate changes to the reconciliation process and procedures by including this as a part of month end close process (quarterly reconciliations may be implemented for a few items). All staff will be trained on the new procedures, the importance of this activity and its impact on the general ledger.

Section II – Financial Statement Findings (Continued)

IPTC has begun the process for replacing the current 10-year-old financial system with a more robust Enterprise Resource Planning (ERP) system which will allow the department to automate much of the reconciliation process and incorporate GAAP standards/requirements for review and approval of all transaction. The ERP system will also incorporate workflow which will help to address potential internal control concerns related to Financial Reporting, Capital Asset Management and Federal Reporting and SEFA preparation.

Lastly, IPTC management is working on a detailed plan to evaluate the training needs of staff and incorporate a cross-training path for each position within the Finance, Accounting and Procurement departments. This will ensure the IPTC has a clear line of separation between essential duties and that there is appropriate staff to perform these duties regardless of turnover.

Finding 2015-002 – Internal Controls over Capital Assets Management (Significant Deficiency)

Criteria: Management is responsible to have internal controls in place to provide appropriate and reliable 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.

Condition: Errors noted in the tracking and recording of capital asset activity increase the risk that internal controls over the capital asset management process and compliance for major and non-major programs related to equipment management may not be effective.

Context: During the testing of capital assets, we noted several internal control deficiencies that when viewed in aggregate rise to the level of a significant deficiency in internal controls. The summary of these deficiencies is presented below.

1. Fixed asset listings failed to appropriately document all necessary asset information including asset tag numbers, acquisition dates, in-service dates, percentage of federal funds used to purchase assets, asset location, and who holds title.

2. IPTC was unable to provide an explanation as to how a number of assets depreciation values were calculated as the fixed asset schedules used for the calculations was missing critical data (such as acquisition dates), and the appropriate review. Further, there was no documented secondary review of the calculation.

3. Capital assets purchased and passed through to subrecipient totaling $481,462 were improperly recorded as capital assets instead of subrecipient expense.

Effect: Lack of internal controls over capital asset management during the year lead to adjustments needed to be made to capital assets records and general ledger.

Cause: The above condition appears to be the result of lack of internal controls over documenting and tracking capital assets placed into service as well as the monthly and annual reconciliation process related to capital assets.

Section II – Financial Statement Findings (Continued)

Recommendations: We recommend management reconcile capital asset activity on a more frequent basis to ensure accurate and timely reporting of capital asset activity on the general ledger. We recommend a secondary review of capital asset and depreciations schedules be performed and documented to verify the accuracy and completeness of the schedules. We also recommend that management review controls in place to track and document necessary capital asset information within the accounting records and maintain supporting documentation for all assets.

Views of responsible officials and planned corrective actions: IPTC has experienced a continuous staff turnover in all Finance related departments since prior to 2014. Efforts to provide continual education and knowledge share has been hindered due to this turnover. Only after a significant and unexpected loss of a few key members of the departments did management became aware of which accounting/financial activities, policies and procedures needed corrected/modified.

Beginning immediately, IPTC staff will incorporate changes to the reconciliation process and procedures by including this as a part of month end close process (quarterly reconciliations may be implemented for a few items). All staff will be trained on the new procedures, the importance of this activity and its impact on the general ledger.

IPTC has begun the process for replacing the current 10-year-old financial system with a more robust Enterprise Resource Planning (ERP) system which will allow the department to automate much of the reconciliation process and incorporate GAAP standards/requirements for review and approval of all transaction. The ERP system will also incorporate workflow which will help to address potential internal control concerns related to Financial Reporting, Capital Asset Management and Federal Reporting and SEFA preparation.

Lastly, IPTC management is working on a detailed plan to evaluate the training needs of staff and incorporate a cross-training path for each position within the Finance, Accounting and Procurement departments. This will ensure the IPTC has a clear line of separation between essential duties and that there is appropriate staff to perform these duties regardless of turnover.

Finding 2015-003 - Internal Controls over Federal Reporting and over Preparation of the Schedule of Expenditures of Federal Awards (Significant Deficiency)

Criteria: The Uniform Guidance requires that proper internal controls are in place over the Schedule of Expenditures of Federal Awards (SEFA). This includes appropriate segregation of duties exists relative to the preparation and review of the SEFA. The SEFA should reconcile to the general ledger balances and any reconciling items should be identified by management. In addition, required nonfinancial information should be included and documented.

Condition: Significant deficiencies in internal controls identified for financial statement reporting increase the risk that internal controls over the reporting of the SEFA and compliance for major and non-major programs may not be effective.

Context: During the review of the controls over the SEFA preparation with management, we noted the Grant Financial Manager has the responsibility for preparation of the SEFA, however, there is no secondary review and approval process in place. Also, errors were noted in the SEFA provided by management, including the failure to properly cluster one of the federal grants and the improper recording of an ECHO leading to an understatement of approximately $686,000 on the SEFA.

Section II – Financial Statement Findings (Continued)

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

Cause: The significant deficiencies 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.

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.

Views of responsible officials and planned corrective actions: IPTC has experienced a continuous staff turnover in all Finance related departments since prior to 2014. Efforts to provide continual education and knowledge share has been hindered due to this turnover. Only after a significant and unexpected loss of a few key members of the departments did management became aware of which accounting/financial activities, policies and procedures needed corrected/modified.

Beginning immediately, IPTC staff will incorporate changes to the reconciliation process and procedures by including this as a part of month end close process (quarterly reconciliations may be implemented for a few items). All staff will be trained on the new procedures, the importance of this activity and its impact on the general ledger.

IPTC has begun the process for replacing the current 10-year-old financial system with a more robust Enterprise Resource Planning (ERP) system which will allow the department to automate much of the reconciliation process and incorporate GAAP standards/requirements for review and approval of all transaction. The ERP system will also incorporate workflow which will help to address potential internal control concerns related to Financial Reporting, Capital Asset Management and Federal Reporting and SEFA preparation.

Lastly, IPTC management is working on a detailed plan to evaluate the training needs of staff and incorporate a cross-training path for each position within the Finance, Accounting and Procurement departments. This will ensure the IPTC has a clear line of separation between essential duties and that there is appropriate staff to perform these duties regardless of turnover.

Section III – Federal Award Findings and Questioned Costs

None.

Finding 2014-001 - Controls over Financial Reporting

Condition: 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

Status: Unresolved. See Finding 2015-001.

Finding 2014-002 - Internal Controls over Federal Reporting and over Preparation of the Schedule of Expenditures of Federal Awards

Condition: 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.

Status: Unresolved. See Finding 2015-003.