ANNUAL 2002 REPORT

Indianapolis Public Transportation Corporation
A Component Unit of the Consolidated
City of Indianapolis – Marion County
Reporting Entity

Gilbert L. Holmes, President & CEO
Fred L. Armstrong, P. A., Controller
Wayne Oteham, CPA, C.F.O.

COMPREHENSIVE
ANNUAL
FINANCIAL **R**EPORT
INDIANAPOLIS, INDIANA
FOR THE YEAR ENDING
DECEMBER 31, 2002

Transition. Back to basics. Innovation.

These are the governing values that have defined the progress of the Indianapolis Public Transportation Corporation (IPTC) during the year 2002.

The year also has been marked by several challenges that required decisive action to maintain a healthy financial status. Like many other transit properties across the country, IPTC has been forced to address several daunting trends: a decline in ridership, that was associated with the nation's economic downturn; and significant increases in cost of fuel and other operating costs.

With the arrival of new President and CEO Gil Holmes at mid-year, the company turned its focus toward implementing new policies that would establish sound fiscal management, increased ridership through aggressive marketing strategies and retaining customer loyalty by ensuring that IndyGo employees are committed to delivering reliable service.

A "back-to-basics" emphasis on service has been promoted throughout the organization. Attention was given to creating a culture that promotes a friendly, service-oriented environment through the interactions with our valued customers and partners. The process began with the evaluation of services and operations and continued with setting clear and manageable expectations and focusing on the fundamentals in managing and delivering quality public transportation services.

It is expected that this new service-oriented approach will result in a gradual growth in patronage and income, as a growing number of Indianapolis area commuters consider the advantages of using public transit to travel to work.

Also, IPTC management is shifting the company's public marketing strategy. IndyGo has begun promoting itself as a significant contributor to the economic vitality of the region, instead of providing a service for citizens who lack other transportation alternatives.

In order to gain the confidence of new passengers, IPTC management began a carefully focused effort to examine how its operating units are fulfilling the company's customer-oriented objectives. Employees have been asked to embrace the reality that public transit is actively competing with single occupancy vehicles. In order for IndyGo to succeed in the new marketplace environment of commuter transportation, service must be reliable and operate on time, coaches must be clean and well maintained and customers' overall experience should be friendly, comfortable and reliable. Significant progress was made in each of these areas and will continue forward.

IPTC also moved to bring new, exciting programs to life that will eventually add vitality to Indianapolis' core business district. The company began implementation of projects that will generate new business for retail and entertainment venues by transporting downtown workers and visiting tourists through key travel corridors. Similar opportunities are being explored for students traveling to colleges and universities located throughout Indianapolis.

IndyGo continued it outreach efforts to promote public transit to area employers. Marketing efforts were initiated to increase ridership and educate employers on the IndyWorks pre-tax savings program for employee transportation expenses.

Looking to the future, IPTC has many opportunities to improve existing services and provide additional alternatives to single vehicle travel. Working with area business, community and governmental partners, IndyGo plans include regional transportation services, a new downtown transit center, creation of an airport shuttle service, van pool and ride share initiatives, bus rapid transit service, park n' ride express service, a downtown circulator and enhancement of the Open Door para transit service.

Public transportation is not just for transportation dependent riders. It should be an economical, congestion reducing, environmentally friendly, time saving option for all people. IndyGo will be challenged to attain their visionary objectives due to stretched resources like many businesses and organizations in this difficult economy. Through good stewardship of resources, building partnership with common goals and a renewed focus on our mission and customers, IndyGo will be moving forward with excellence.

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SECTION ONE – INTRODUCTORY

June 1, 2003

The Board of Directors
Indianapolis Public Transportation Corporation
Indianapolis, Indiana

The information presented in this document is the comprehensive annual financial report of the Indianapolis Public Transportation Corporation (IndyGo) for the year ended December 31, 2002.

The report is the product a collaborative effort of the IndyGo management team and staff to represent fairly, accurately and completely the comprehensive financial and functional data depicting IndyGo's operation for 2002.

This report is partitioned into three major sections:

Section 1 – Introductory Material
Section 2 – Financial Information including Audit Report
Section 3 – Unaudited Statistical Information

The Indianapolis Public Transportation Corporation (IndyGo) is a Municipal corporation as defined by the "Urban Mass Transportation Act of 1965", adopted in 1965 by the Indiana General Assembly. In 1973, the company was chartered by city ordinance to provide public transportation for the City of Indianapolis, Marion county, the town of Speedway and the City of Beech Grove.

Service is delivered via 141 buses on 38 fixed routes and an additional fleet of 51 Paratransit (Flexible Service) Vehicles.

Significant Accomplishments in 2003

- Successfully completed the development implementation of comprehensive operating policies and procedure to insure compliance with FTA guidelines.

- Completed 8 hours of ADA Training for all employees.

- Completed a top down re-organization of senior and mid-level management team.

- Redefined and established functional collaborative working relationship with local, state and federal governmental entities and officials.

- Established strong working relationship with private for profit and not for profit business entities.

- Strengthened and professionalized Financial Management and Service Delivery Operations.

- Moved some outside contracted service in house in order to improve services and control expenses.

- Received favorable audit reports from Federal, city and private auditing entities.

- Launched several previously funded capital projects including Downtown Electric Circulator buses, 26 new fixed route buses.

- Began a comprehensive review of all existing operating and service delivery activities and processes with a defined objective of improving service delivery and eliminating unnecessary expense and inefficiency.

- Completed the year's operations within budget.

Goals for 2003 and Beyond

- Continue an all-out effort to improve and deliver high quality, fully accessible service.

- Aggressively launch new business initiatives to expand customer base and ridership in support of changing dynamics of the city and region.

- Champion public transportation as a vital part of the economic well being of the city and region rather than as a social service.

- Evaluate and adopt innovative and emerging technologies and products aimed at improving performance and service delivery while reducing environmental pollution.

- Build and support advocacy for resources to enhance and build a fully functional public transportation system that meets the needs of all of the city and county residents.

FINANCIAL INFORMATION

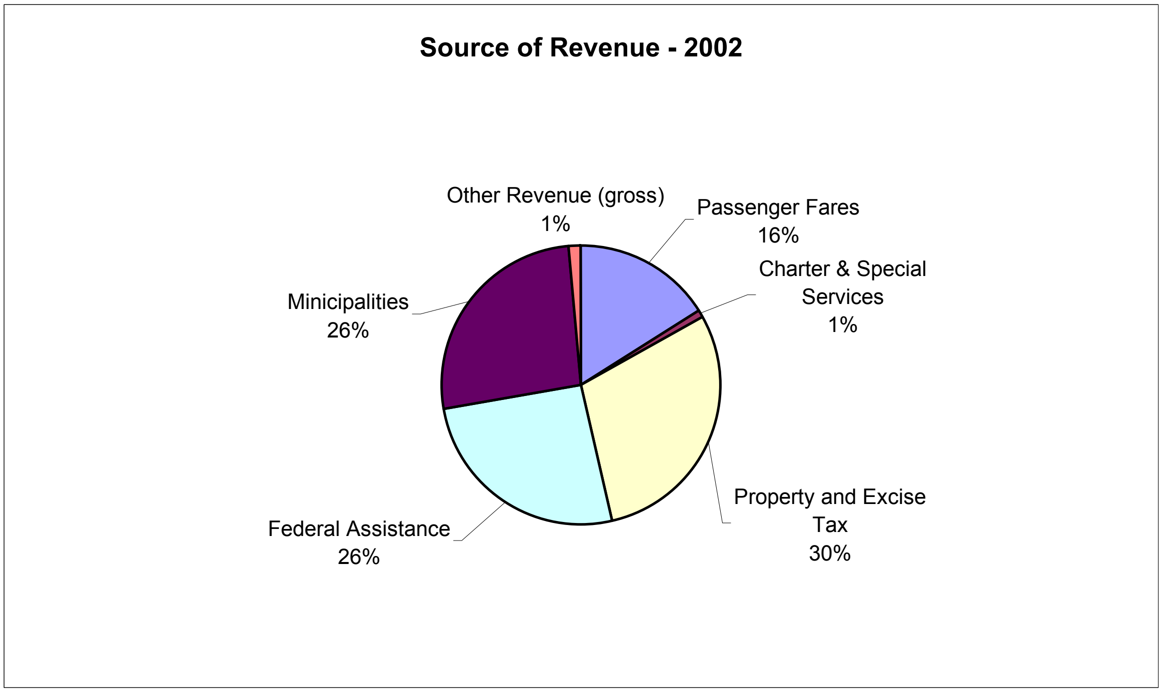
IPTC management is responsible for establishing and maintaining internal controls designed to ensure that assets are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles in the United States of America. Internal controls are designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

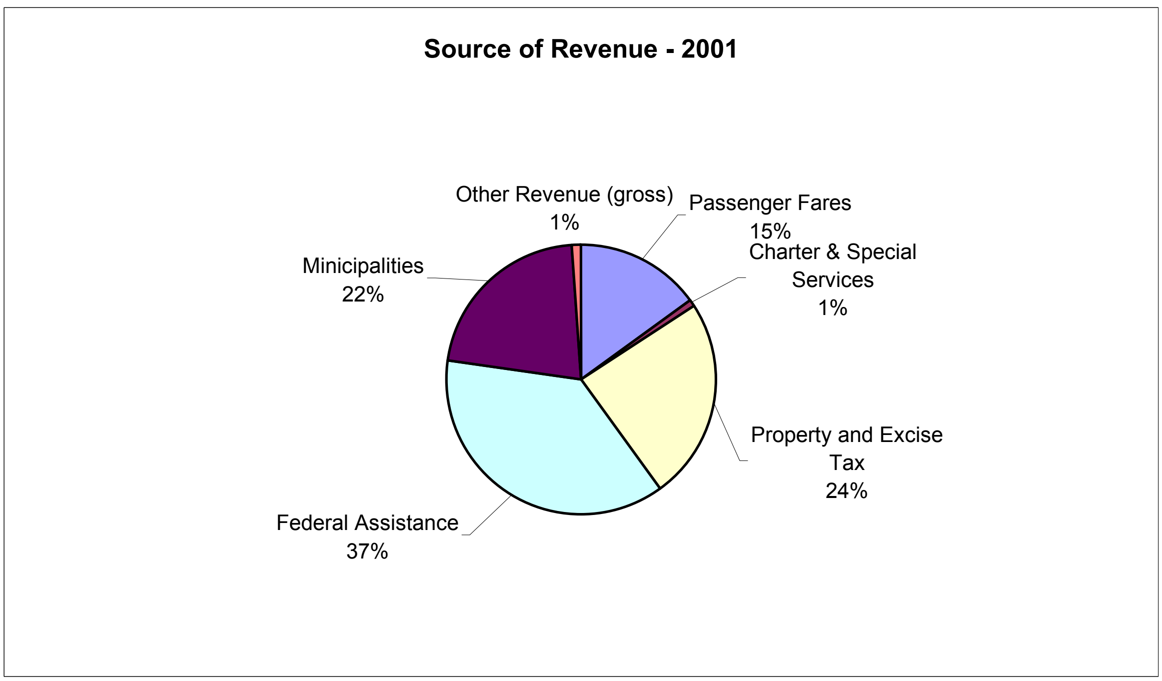
Single Audit. As a recipient of federal financial assistance, IPTC is also responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs.

IPTC is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments and Non-Profit Organizations*. Information related to this single audit, including a schedule of expenditures of federal awards, the independent auditor's reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs are included in a separately issued single audit report.

Budgetary Controls. The Board of Directors adopts a budget in August of each year for the next calendar year. That budget becomes the day-to-day control document of expenditures at the department level. Changes within major account classifications require Board approval, while departments are allowed authority to transfer between minor line items within the major accounts. An encumbrance against the appropriation is established with issuance of a purchase order. Capital projects reimbursable by grant revenues are encumbered fro the amount of the task cost as of the purchase order date.

General Operating Results. For 2002, the total revenue was $37,349,681, a decrease of $7,256,070 or 16.3% from 2001. The following chart and table present the sources of revenue, the percentage of total revenue, and the increase (decrease) of each compared to the prior year.





Revenue		2002 Amount of Revenue		2001 Amount of Revenue		Amount Increase (Decrease)	Percent Increase (Decrease)
Passenger Fares	$	5,994,095	$	6,740,900		(746,805)	-11.1%
Charter & Special Services		324,554		380,883		(56,329)	-14.8%
Property and Excise Tax		10,979,494		10,683,856		295,638	2.8%
Federal Assistance		9,644,512		16,636,988		(6,992,476)	-42.0%
Municipalities		9,863,270		9,715,245		148,025	1.5%
Other Revenue (gross)		543,756		447,879		95,877	21.4%
TOTAL	$	37,349,681	$	44,605,751	$	(7,256,070)	-16.3%

Overall, revenues decreased 7,256,070 or 16.3 percent compared to 2001. The largest reduction was in federal assistance (Contributions – capital grants). For 2002, revenues in this category were $650,000 compared to $8,770,398 for 2001. This represents cash reimbursements received from federal grants for expenditures that were capital in nature. Funding from passenger fares, municipal sources, and property and excise taxes contributed 72% of all revenues in 2002.

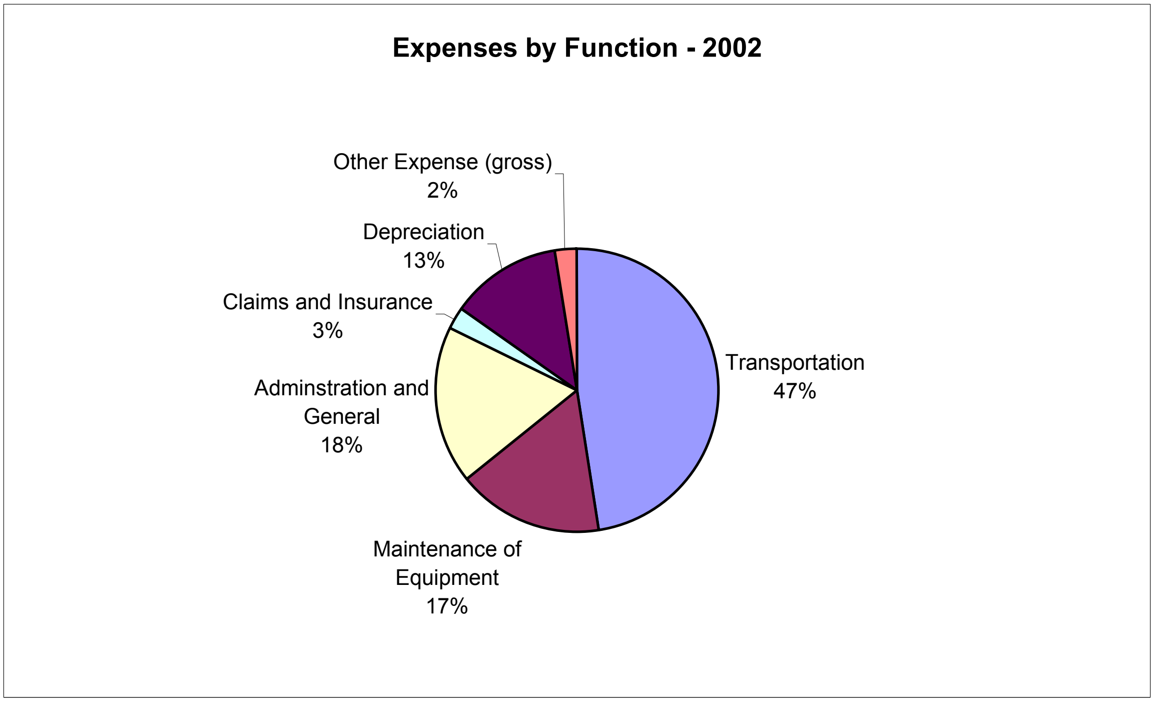
Passenger fare revenues decreased in 2002 by $745,805 or 11.1%.

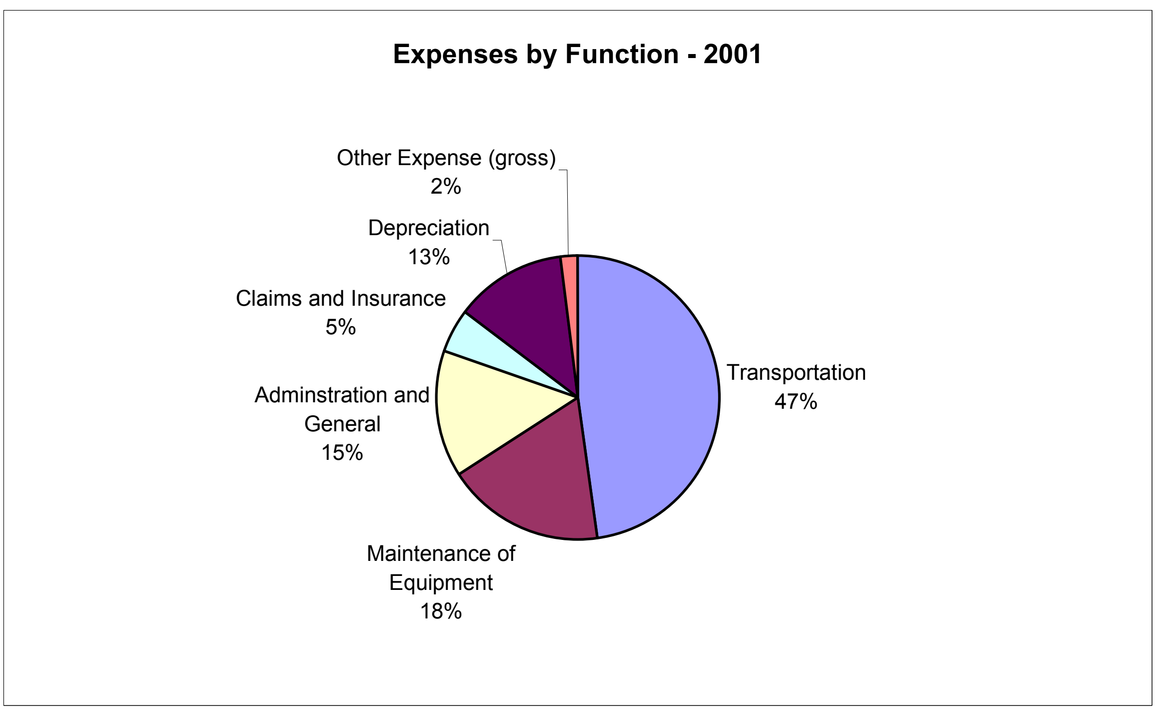
Charter and special services represents revenue earned from providing shuttle service for the Indianapolis 500, the Brickyard 400 and the US Grand Prix. Revenue from this category fell $56,329 or 14.8%.

Property and Excise tax revenue grew by $295,638 or 2.8 % from the prior year. This is attributed to the 3% allowed growth in the assessed valuation of property values.

Municipalities' revenue grew by $148,025 or 1.5% from the prior year. Revenue from this category is received from sales tax proceeds distributed by a formula that considers ridership, service miles, locally derived income and operating expenses.

For 2002, total expense was $41,402,262, a decrease of $2,467,534 or 5.6 below 2001. The individual components of expense as a proportion of IPTC's total expense for the year 2002 and 2001 are shown below. Expense for each component for 2002 and 2001, and the amount and percent of change is shown in the table that follows:





Function	2002 Expenses	2001 Expenses	Amount Increase (Decrease)	Percent Increase (Decrease)
Transportation	$ 19,717,500	$ 20,902,511	(1,185,011)	-5.7%
Maintenance of Equipment	6,880,351	7,967,405	(1,087,054)	-13.6%
Administration and General	7,395,402	6,402,140	993,262	15.5%
Claims and Insurance	1,079,506	2,158,941	(1,079,435)	-50.0%
Depreciation	5,346,537	5,543,301	(196,764)	-3.5%
Other Expense (gross)	982,966	895,498	87,468	9.8%
	$ 41,402,262	$ 43,869,796	$ (2,467,534)	-5.6%

Transportation expense decreased by $1,185,011 or 5.7% during 2002. This is the result of a reclassification of insurance benefit expenses from the transportation function to the administrative and general function of approximately $1.7 million and an increase in operator labor costs of approximately $500,000.

Maintenance of Equipment decreased by $1,087,054 or 13.6% during 20002. . This is the result of a reclassification of insurance benefit expenses from the maintenance of equipment function to the administrative and general function of approximately $350,000 and a reduction in fuel, parts, utilities and contract service expenses.

Administrative and general increased as a result of expense reclassifications.

Claims and Insurance decreased $1,079,435 or 50% from the prior year. During 2001, a large number of bodily injury claims were reported.

Ridership Trends. In 2002, annual passenger trips were 10,247,493 compared to 10,833,257 trips during 2001. This is a decrease of 585,764 trips or 5%.

Mileage Trends. Operating miles for 2002 were 10,386,718 compared to 10,473,232 miles for 2001. This is a decrease of 86,514 or less than 1%.

Capital Projects. The recording of capital projects is at cost. The majority of capital improvements and additions are funded through federal capital grants, with proceeds from general obligation bond issues, an in some cases, state and local funds supplying the local share. At December 31, 2002, the total investment in Plant and Equipment was $75,775,987.

Debt Administration. IPTC’s outstanding bonded debt at December 31, 2002 consisted of $17,530,000 in bonds dated April 1, 1999 and December 18, 2002, maturing from 2003 through 2017, at varying interest rates from 2.25 to 5.125%.

IPTC is limited on the total bonded debt issued by the Constitution of the State of Indiana to .67% of assessed valuation, or $178,511,531, based on the 2002 valuation.

Cash Management. At all times minimum cash balances are maintained. Investments of temporarily idle funds are in demand deposits, certificates of deposit, repurchase agreements, or U.S. Treasury bills until the funds are needed for expenditures.

All deposits are fully insured by FDIC or the Indianapolis Public Deposits Insurance Fund, a multiple financial institution collateral pool.

During 2002, the interest rates, depending on the amount and length of time for investment, ranged from 1.55% to 3.15%. The amount of interest earned for 2002 compared to 2001 is shown in the notes to the financial statements in Section Two of this report.

Risk Management. Risk management activities at IPTC are an ongoing program of loss prevention, safety inspections, claims processing and payment, and placement of risk insurance coverages combined with self-insured retention, all designed to maximize the protection of assets of the Corporation. A schedule of risk coverages is included in the Section Three, Table XII of this report, and additional information is contained in the notes to the financial statements in Section Two of this report.

In December, 1986, the IPTC Board of Directors approved the establishment of an Excess Liability Reserve, for the purpose of paying personal injury and property damage claims in excess of $100,000. An actuarial study completed in April, 1987, recommended funding levels of between $590,000 and $1,550,000, depending on the confidence level selected.

Significant additional self-insured retentions in effect are as follows: Workers Compensation $300,000 per occurrence; Property Damage to autos and buses – entirely self-insured.

OTHER INFORMATION

Independent Audit. The Indiana Urban Mass Transportation Act of 1965 requires the Controller to annually submit the records for audit by Certified Public Accountants designed by the Board of Directors. The public accounting firm of Crowe Chizek and Company LLC performed the annual audit, and in addition performed the audit required by the federal Single Audit Act of 1996 and related OMB Circular A-133. Generally accepted auditing standards set forth in the General Accounting Office's *Government Auditing Standards* were used by the auditors in conducting their engagement. The auditor's report on the financial statements with accompanying notes, is included in Section Two of this report. A separate report is published by IPTC, which contains the auditor's reports relating to the single audit.

Acknowledgments. The report presented herein could not have been prepared without the assistance of many persons. We appreciate the assistance received from our independent auditors, Crowe Chizek and Company LLC, in the preparation of this report. Appreciation is also expressed to the City of Indianapolis Controllers Office, the Marion County Auditor's Office and the Indianapolis Economic Development Corporation for their assistance in the Annual Report graphics and demographics.

Gilbert L. Holmes	Fred L. Armstrong, PA	Wayne Oteham, CPA
President and CEO	Controller	Chief Financial Officer

INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION – IndyGo

Board of Directors, Principal Officials and Management

Name	Approximate Length of Service	Occupation
Appointed Board of Directors		
Skip Rink, Chair	2-1/2 yrs	Marketing Manager O'leary Paint Company
Gregory Fehribach	2 yrs	Attorney Stark Doninger & Smith
Greg Henneke	5 yrs	Vice President American Consulting Engineering
Tommie L. Jones	2-1/2 yrs	Teacher Decatur Township School District
David A. Scott	3-1/2 yrs	I & R Specialist, Indiana Resource Center of Independent Living, Inc.
Cynthia L. Urban	2-1/2 yrs	Auto Research Center
Curtis A. Wiley	1 yr	Director Fannie Mae Partnership Office
Appointed Officials		
Fred L. Armstrong	30 Years	President Fred L. Armstrong, Inc.
David M. Brooks	12 Years	Attorney Brooks, Bruner, Koch, Sorg & Gerkin
Principal Management Staff		
Gilbert L. Holmes	4 Months	President/CEO Indianapolis Public Transportation Corp.

Above information is as of 12-31-02

INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
BRIEF HISTORY

INTRODUCTION

Indianapolis Public Transportation Corporation was created by an ordinance of the City-County Council of the City of Indianapolis and Marion County, Indiana, in August 1973, under authority granted to the Council, in compliance with the Federal Urban Mass Transportation Act of 1964 and the Indiana Mass Transportation Act of 1965. Indianapolis Public Transportation Corporation provides service within Marion County, Indiana. The municipalities of Speedway and Greenwood, Indiana contract with the Corporation for mass transportation service. The Corporation commenced service on January 7, 1975, following the acquisition of assets of Indianapolis Transit System, Inc., a privately held company. Since that time, the Corporation has purchased new buses, expanded and initiated new bus routes, implemented a park and ride express bus service and moved to a new operating maintenance facility.

FORM OF OPERATION

Operating policy for Indianapolis Public Transportation Corporation is established by a seven member Board of Directors. The Board, which is bipartisan, is appointed by the Mayor of the City of Indianapolis and the City-County Council of the City of Indianapolis and Marion County, Indiana. The Mayor appoints three members, with the Council appointing four.

The Board of Directors develops policies regarding the operation, contracts, safety, financing, organization, and structure of the Corporation. To effect these policies members of the Corporation Board meet regularly in public session. These meetings include presentations by the management staff and the Office of Mobility Management regarding the operational and financial status of the Corporation.

IndyGo has 470 employees. Approximately 420 of these employees, including bus drivers, maintenance and janitorial personnel, and a portion of the clerical staff, are represented by Local 1070 of the Amalgamated Transit Union for collective bargaining purposes.

REGULATIONS AND SUPERVISION

The Corporation is responsible for providing public transportation service within Marion County, Indiana. The Corporation has the ability to determine its routes, equipment, facilities and the scope and standards of service to be provided. The Corporation has taxing power, may issue bonds, and holds condemnation powers. In addition, Metro is subject to the regulation of the Utility Regulatory Commission of Indiana.

SECTION TWO – FINANCIAL

SECTION THREE – STATISTICAL (Unaudited)