

| 2002 Net Assessed Principal Taxpayers | Type of Business | Valuation (A) | Employees (B) |
|--|---|---------------|---------------|
| AIMCo | Real Estate - Apartment Complexes | \$338,008 | 364 |
| Allison Transmission Division of General Motors | Manufacturing - Automotive | 274,984 | 3,805 |
| American United Life Insurance Co. | Insurance | 132,637 | 788 |
| Anthem, Inc. | Insurance | 86,019 | 3,555 |
| Bank One Corporation | Banking | 83,891 | 2,917 |
| Citizens Gas & Coke Utility | Utility | 45,624 | 1,087 |
| Clarian Health Partners (C) | Hospitals | N/A | 8,640 (I) |
| Eli Lilly and Company | Manufacturing - Pharmaceuticals | 789,753 (J) | 14,659(I) |
| Emmis Communications | Radio Broadcasting | 29,812 | 89 |
| Federal Home Loan Bank | Banking | 149,945 | 131 |
| General Motors Corporation | Manufacturing - Automotive | 88,593 | 2,122 |
| H.H. Gregg | Retail - Appliances | 32,973 | 49 |
| Indianapolis Power and Light | Utility | 325,942 | 990 |
| Indianapolis Star | Newspaper | 206,904 | 1,237 |
| International Truck and Engine (formerly Navistar Int'l) | Manufacturing - Automotive | 211,647 | 1,775 |
| Kroger Co. | Retail - Grocery | 3,475 | 2,598 |
| Marsh Supermarkets, Inc. | Retail - Grocery | 117,659 | 3,620 |
| Meijer, Inc. | Retail - Grocery | 71,894 | 1,722 |
| National Starch and Chemical | Manufacturing - Chemical | 75,360 | 530 |
| National Wine & Spirits, Inc. | Retail - Grocery | 629 | 231 |
| Reilly Industries, Inc. | Manufacturing -Chemical | 57,192 | 315 |
| Rexnord Industries, Inc. | Manufacturing - Power transmissions and conveying components | 24,443 | 324 |
| Roche Diagnostics Corp | Manufacturing - Pharmaceuticals | 128,175 | 2,444 |
| Rolls-Royce | Manufacturing - Automotive | 153,362 | 4,096 |
| Simon Property Group, Inc. | Real Estate - Shopping Malls | 270,114 | 921 |
| Visteon Corporation (formerly Ford Motor Co.) | Manufacturing - Automotive | 220,457 | 2,490 |
| Wal-Mart | Retail - Grocery | N/A | 9,000(I) |

Other Principal Employers

| | | | |
|---|----------------------|---------|-----------|
| United States Government | | N/A (E) | 15,076(F) |
| Indiana State Government | | N/A (E) | 12,500(G) |
| Indianapolis-Marion County Government | | N/A (E) | 8,384(H) |
| IUPUI | University | N/A (E) | 9,769 |
| Community Hospitals of Indianapolis, Inc. | Hospital/Health Care | N/A (E) | 6,318 |

(A) Represents the March 1, 2002 valuations for taxes due and payable in 2003 as represented by the taxpayer. The principal taxpayers of total assessed valuation is not applicable. Amounts in thousands.

(B) As of December 31, 2003

(C) Includes Methodist, I.U., and Riley Hospitals

(D) Data not available

(E) Not-for-profit entity

(F) Data is from the Office of Workforce Information located in the U.S. Office of Personnel Management.

(G) Data is per State of Indiana Personnel Department

(H) Includes the following entities reporting to City-County Council: Airport Authority, Building Authority, Capital Improvement Board, City Library Board and Indianapolis Public Transportation Corporation.

(I) Employment numbers were obtained using public records from the Chamber of Commerce.

(J) Net Assessed Valuation was determined using public records from the Marion County Treasurer's Office.

ANNUAL 2003 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 REPORT
INDIANAPOLIS, INDIANA
FOR THE YEAR ENDING
DECEMBER 31, 2003

Prelude

2003: A Year of Transformation

After a period of nearly three decades of declining fortunes, public transportation is making a comeback in Greater Indianapolis. The staff and management of the Indianapolis Public Transportation successfully charted a course to restore vitality and viability to Indiana’s largest mass transit system in 2003. Many of those efforts served as highlights for the Indianapolis Public Transportation Corporation in this year.

This was a watershed year for IPTC, as the company began to shed its image as a transportation provider solely for transit dependent persons. Throughout the year, IPTC President Gilbert Holmes urged staff members to begin implementing measures that would transform IPTC into a competitive transportation provider by 2004. This report will summarize many of the pivotal achievements that characterized IPTC’s achievements this year.

The company’s most successful venture this year was its Park and Ride pilot project, which was launched in association with the Indiana Department of Transportation’s Hyperfix road construction program. The program was an immediate success, as commuters from Fishers and Lawrence and other Northeast corridor communities chose to take IPTC’s express shuttle service from three boarding locations.

Most observers predicted that the project would only generate modest ridership. However, the Park and Ride project far exceeded expectations with long lines of commuters confirming the company mantra: safe, convenient reliable service will attract discretionary riders. The project’s early success attracted a considerable amount of favorable news media coverage, and praise local, state and regional transportation experts. Strong ridership levels continued throughout the summer, and Park and Ride’s loyal patrons expressed interest in continuing service after the construction projected was completed. Thanks to the support of the company’s state and local transportation agency partners, the company was able to acquire funding to continue Park and Ride service. At the end of the year, consistent ridership levels encouraged IPTC officials to extend the Park and Ride experiment into 2004.

IPTC expanded its special event shuttle program in an attempt to attract first-time passengers to transit. As a result, special event service played a more significant role in IPTC operations in 2003. The company launched new express shuttle services to Indiana Black Expo and the Indiana State Fair, with both projects generating good ridership levels. In addition, IPTC established a new record for ridership and revenue for its shuttle service to the Indianapolis 500.

Table XV

Indianapolis Public Transportation Corporation
City of Indianapolis - Marion County
Demographic Statistics
December 31, 2003

Income Level of Marion County Households (3)

| Year | Under \$20,000 | \$20,000- \$34,999 | \$35,000- \$49,999 | Over \$50,000 | Total |
|------|-------------------|-----------------------|-----------------------|------------------|---------|
| 2003 | (1) | (1) | (1) | (1) | (1) |
| 2002 | 73,000 | 82,000 | 65,000 | 105,000 | 325,000 |
| 2001 | 70,000 | 84,000 | 70,000 | 131,000 | 355,000 |
| 2000 | 83,000 | 80,000 | 64,000 | 130,000 | 357,000 |
| 1999 | 79,969 | 75,954 | 62,570 | 116,106 | 334,599 |
| 1998 | 84,502 | 78,490 | 63,460 | 107,548 | 334,000 |
| 1997 | 86,019 | 79,658 | 63,593 | 105,430 | 334,700 |
| 1996 | 88,537 | 81,855 | 63,813 | 99,895 | 334,100 |
| 1995 | 93,380 | 83,709 | 64,699 | 91,712 | 333,500 |
| 1994 | 79,368 | 75,400 | 66,140 | 109,792 | 330,700 |

Population Trend (2)

| Year | Marion County | Consolidated City | MSA |
|------|------------------|----------------------|-----------|
| 2003 | 860,454 | 791,926 | 1,607,486 |
| 2002 | 860,454 | 791,926 | 1,607,486 |
| 2001 | 860,454 | 791,926 | 1,607,486 |
| 2000 | 860,454 | 791,926 | 1,607,486 |
| 1999 | 810,946 | 748,918 | 1,536,665 |
| 1998 | 812,662 | 750,814 | 1,519,194 |
| 1997 | 814,286 | 753,242 | 1,438,681 |
| 1996 | 814,854 | 746,737 | 1,504,900 |
| 1995 | 815,011 | 759,200 | 1,492,300 |
| 1994 | 815,293 | 755,700 | 1,473,300 |

Population by Age (3)

| Age | Percent of Total | | | 2000 | 1990 | 1980 |
|-------------|------------------|------|------|---------|---------|---------|
| | 2000 | 1990 | 1980 | | | |
| 0 to 19 | 28% | 28% | 32% | 241,000 | 225,016 | 244,042 |
| 20 to 44 | 41% | 42% | 38% | 352,000 | 338,728 | 290,450 |
| 45 to 64 | 20% | 18% | 20% | 172,000 | 140,594 | 151,443 |
| 65 and over | 11% | 12% | 10% | 95,000 | 92,821 | 79,298 |
| | 100% | 100% | 100% | 860,000 | 797,159 | 765,233 |

(1) Data not available.
(2) Data presented are per the U.S. Department of Commerce, Bureau of Census.
(3) Source: 1997 Survey of Buying Power, Sales and Marketing Magazine.

Table XIV

Indianapolis Public Transportation Corporation

Miscellaneous Statistical Data

December 31, 2002

| Year | Average Weekly Service Miles | Miles of Route (Round Trip) For Fixed Route Service | Per Capita Income (Marion Cty) Aavailable (1) |
|------|------------------------------|---|---|
| 2003 | 212,443 | 1087 | (2) |
| 2002 | 199,745 | 902 | 32,129 |
| 2001 | 201,408 | 910 | 31,292 |
| 2000 | 190,235 | 1,013 | 30,780 |
| 1999 | 176,069 | 929 | 30,685 |
| 1998 | 171,863 | 932 | 29,579 |
| 1997 | 168,359 | 885 | 26,577 |
| 1996 | 162,656 | 798 | 25,470 |
| 1995 | 149,828 | 797 | 24,774 |
| 1994 | 133,768 | 787 | 23,465 |

(1) Data presented are per the U.S. Department of Commerce, Bureau of Economic Analysis.

(2) Data not available.

Other

Date of Incorporation

August 7, 1973

Date of Transit Operations Takeover

January 7, 1975

Form of Management

Appointed Board of Directors

Fares (Single Ride)

\$1.00

Service Area - Square Miles (Marion County)

553

When the company added 24 new fixed route coaches, it resulted in IPTC’s entire fleet becoming accessible for persons with disabilities. This was an important accomplishment for the company, as its momentum helped IPTC launch a campaign that successfully generated an increase in boardings by former Open Door patrons. IPTC is hoping that a growing number of disabled commuters will opt for the convenience and efficiency of fixed route travel.

IPTC unveiled the Blue Line Electric Circulator, a new downtown service designed to transport tourists and convention attendees from to the Indiana Convention Center to dining, entertainment and cultural venues located at nine boarding locations along the Washington/Maryland Street corridor. The Blue Line was operated with new electric hybrid technology that provided the company with its first major project involving new emerging transit technologies.

IPTC continued its emphasis on responsible fiscal stewardship, helping the company to overcome the year’s greatest challenge. IPTC operated within its projected \$36 operating budget, despite significant increases in costs for fuel, maintenance, personnel and benefit cost. However, cost increases were offset by a variety of cost-cutting measures implemented by staff. Staff will need to be equally vigilant next year, as a deficit budget is projected if the company continues to operate under the existing service model.

IPTC management successfully stabilized company finances in 2003. The company is expected to build on this year’s foundation to establish ambitious operational and promotional programs that will strengthen the company positioning as a safe, reliable and service-oriented provider of commuter transportation in Greater Indianapolis.

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Table XIII
Sheet 4

| 1998 | 1997 | 1996 | 1995 | 1994 |
|------------|-----------|-----------|-----------|-----------|
| 253 | 248 | 193 | 216 | 227 |
| 0 | 0 | 0 | 19 | 19 |
| 66 | 63 | 59 | 84 | 89 |
| 61 | 51 | 55 | 46 | 56 |
| 380 | 362 | 307 | 365 | 391 |
| 9 | 26 | 22 | 28 | 34 |
| 2 | 4 | 4 | 2 | 8 |
| 11 | 30 | 26 | 30 | 42 |
| 391 | 392 | 333 | 395 | 433 |
| 10,367,253 | 9,707,866 | 9,944,223 | 9,589,594 | 9,151,456 |
| 659,387 | (236,357) | 354,629 | 438,138 | 230,508 |
| 6.8% | -2.4% | 3.0% | 4.8% | 2.6% |
| 8,936,877 | 8,754,674 | 8,458,140 | 7,791,051 | 6,955,927 |
| 182,203 | 296,534 | 667,089 | 835,124 | 814,748 |
| 2.1% | 3.5% | 8.6% | 12.0% | 13.3% |

Table XIII
Sheet 3

Indianapolis Public Transportation Corporation
Statistical Data
Ten Years ended December 31, 2003

| | 2003 | 2002 | 2001 | 2000 | 1999 |
|---------------------------|------|------|------|------|------|
| Number of Employees | | | | | |
| Full Time | | | | | |
| Operators | 288 | 280 | 238 | 246 | 286 |
| Transportation Other (3) | 53 | 46 | 66 | 74 | 0 |
| Maintenance | 72 | 73 | 73 | 64 | 66 |
| Administrative and Other | 38 | 55 | 58 | 68 | 60 |
| Total full-time employees | 451 | 454 | 435 | 452 | 412 |
| Part Time (1) | | | | | |
| Operators | 12 | 12 | 11 | 9 | 10 |
| Other | 0 | 0 | 1 | 2 | 2 |
| Total part-time employees | 12 | 12 | 12 | 11 | 12 |
| Grand Total | 463 | 466 | 447 | 463 | 424 |

Ridership and Mileage Trends

| | | | | | |
|---|------------|------------|------------|------------|------------|
| Ridership Total | 11,324,573 | 10,247,493 | 10,833,257 | 11,717,910 | 11,239,356 |
| Increase (Decrease) over Previous Year | 1,077,080 | (585,764) | (884,653) | 478,554 | 872,103 |
| % Increase (Decrease) | 10.5% | -5.4% | -7.6% | 4.3% | 8.4% |
| Mileage Total (2) | 11,047,044 | 10,386,718 | 10,473,232 | 9,892,232 | 9,155,597 |
| Increase (Decrease) over Previous Year | 660,326 | (86,514) | 581,000 | 736,635 | 218,720 |
| % Increase (Decrease) | 6.36% | -0.8% | 5.9% | 8.1% | 2.5% |

(1) Provision for part-time employees became effective on June 1, 1981, under agreement between IPTC and ATU Local 1070.
(2) Includes vehicle miles for both fixed route and paratransit services.
(3) Includes open door operators.

SECTION ONE – INTRODUCTORY

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July 21, 2004

The Board of Directors
Indianapolis Public Transportation Corporation
Indianapolis, Indiana

We submit to you the Comprehensive Annual Financial Report (CAFR) of the Indianapolis Public Transportation Corporation (IndyGo) for the year ended December 31, 2003. IndyGo is a component unit of the Consolidated City of Indianapolis – Marion County Reporting Entity. The IndyGo Controller, management team and staff prepared this report. Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the Controller and Management team of IndyGo. The data, as presented, is accurate in all material respects. It is presented in a manner designed to set forth the financial position and results of operations of IndyGo. Disclosures necessary to enable the reader to gain the maximum understanding of IndyGo’s financial affairs are included.

The CAFR conforms to the standards for financial reporting of the Government Accounting Standards Board (GASB) and the Government Finance Officers Association of the United States and Canada (GFOA). There are three main sections to this report, the introductory section, the financial section and the statistical section. The Introductory Section includes this letter, the Certificate of Achievement for Excellence in Financial Reporting, a description of the Municipal Corporation and related taxing districts, a list of appointed officials and the company’s organization chart. The Financial Section includes the independent auditors’ report, management’s discussion and analysis (MD&A), the audited financial statements of the related footnote disclosures. The Statistical Section includes selected financial and demographic information presented on a multi-year basis.

Organization

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.

A seven member Board of Directors establishes operating policy for IndyGo. The Mayor of the City of Indianapolis and the City-County Council of the City of Indianapolis and Marion County, Indiana appoint the Board, which is bipartisan. The Mayor appoints three members, with the Council appointing four.

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

Table XIII
Sheet 2

| 1999 | 1998 | 1997 | 1996 | 1995 | 1994 |
|-------------|-------------|-------------|-------------|-------------|-------------|
| 7,887,422 | 7,113,656 | 7,282,657 | 7,580,150 | 7,155,305 | 7,010,195 |
| 29,607,361 | 25,247,656 | 24,842,877 | 25,612,665 | 25,785,078 | 23,906,496 |
| 4,688,098 | 4,441,205 | 4,270,106 | 2,837,999 | 2,863,530 | 3,218,294 |
| 6,130,945 | 4,372,364 | 1,811,926 | 1,788,706 | 3,410,362 | 3,846,234 |
| 15,251,497 | 14,889,832 | 14,447,446 | 14,610,842 | 13,187,042 | 12,560,861 |
| (4,415,045) | (2,631,664) | (4,912,078) | (3,435,323) | (3,701,803) | (2,620,473) |
| 11,239,356 | 10,367,253 | 9,707,866 | 9,944,223 | 9,589,594 | 9,151,456 |
| 31 | 31 | 32 | 39 | 39 | 39 |
| 9,155,597 | 8,936,877 | 8,754,674 | 8,458,140 | 7,791,051 | 6,955,927 |
| 566,234 | 577,536 | 573,353 | 525,667 | 501,090 | 495,258 |
| 150 | 150 | 170 | 167 | 185 | 202 |
| 78 | 57 | 46 | 44 | 22 | 26 |
| \$0.0968 | \$0.0957 | \$0.0957 | \$0.0869 | \$0.0953 | \$0.0953 |
| \$0.0134 | \$0.0141 | \$0.0141 | \$0.0131 | \$0.0165 | \$0.0165 |

Table XIII
Sheet 1

| Indianapolis Public Transportation Corporation Statistical Data Ten Years ended December 31, 2003 | | | | |
|---|------------|-------------|-------------|-------------|
| | 2003 | 2002 | 2001 | 2000 |
| Selected Operating Data | | | | |
| Operating revenue | 6,957,280 | 6,542,711 | 7,327,267 | 7,395,045 |
| Operating expenses before depreciation | 38,941,659 | 35,072,759 | 37,430,997 | 36,166,710 |
| Depreciation | 5,421,162 | 5,346,537 | 5,543,301 | 4,938,296 |
| Federal assistance | 10,737,532 | 8,994,512 | 7,866,590 | 9,120,962 |
| Local operating assistance - unrestricted | 21,505,682 | 19,398,697 | 19,083,381 | 18,214,242 |
| Net income (loss) for the year | 2,883,211 | (4,052,581) | (3,479,279) | (5,261,867) |
| Statistical Data | | | | |
| Annual passengers | 11,324,573 | 10,247,493 | 10,833,257 | 11,717,910 |
| Number of routes | 37 | 37 | 37 | 36 |
| Annual vehicle miles | 11,047,044 | 10,386,718 | 10,473,232 | 9,892,232 |
| Annual vehicle hours | 712,180 | 659,007 | 661,272 | 639,366 |
| Number of coaches (1) | 303 | 262 | 212 | 162 |
| Number of ADA accessible vehicles | 277 | 236 | 134 | 90 |
| Tax rate per \$100 net assessed valuation | | | | |
| Operating | \$0.0266 | \$0.0328 | \$0.0983 | \$0.0968 |
| Bond service | \$0.0032 | \$0.0043 | \$0.0130 | \$0.0139 |

(1) Includes emergency reserve fleet and coaches held pending sale.

Significant Accomplishments for 2003:

- ➡ Established highly successful advocacy program that educated local elected officials and policymakers about IndyGo’s minimalist service, and why the Greater Indianapolis community needs expanded transit service.
- ➡ Received a favorable audit from federal regulators for its drug and alcohol screening program.
- ➡ Expanded special event services with establishment of express shuttle services to Indiana Black Expo and the Indiana State Fair.
- ➡ Created new Business Development Department, which will establish relationships with businesses and other institutions to promote transit and other shared ride options.
- ➡ Received favorable annual independent audit reports.
- ➡ IndyGo’s entire fleet of coaches is now accessible for persons with disabilities as a result of a procurement of 24 new fixed route buses.
- ➡ Implemented successful safety awareness program, which has resulted in a significant decrease in preventable accidents and fewer liability claims.
- ➡ Conducted programs to reduce emissions thorough the use of electric hybrid buses for the Blue Line Circulator service.

Goals for 2004 and Beyond

- ➡ Establish aggressive marketing program that promotes value of public transportation to commuters, employers and businesses.
- ➡ Continued advocacy campaign for an expanded public transportation system that will position IPTC to meet the needs of commuters throughout Greater Indianapolis and generate enhanced discretionary ridership.
- ➡ Increase operating efficiency by restructuring routes that are not productive.
- ➡ Implement plans to build a downtown transit center.
- ➡ Expanding service promotion opportunities through expansion of special event services.
- ➡ Expand IPTC services with a new commuter service programs that feature vanpool and ride share components.
- ➡ Conduct targeted marketing campaign to promote IndyGo services to Spanish-language audiences.
- ➡ Generate more awareness among local planners and infrastructure managers to include transit-oriented development in residential and commercial improvement plans.
- ➡ Expand program to reduce fleet emissions through the use of alternative fuels.
- ➡ Implement program to place 200 new bus shelters throughout IndyGo’s coverage area.

Internal Control Structure

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 accounting principles generally accepted 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.

Budgetary Control

The Board of Directors adopts a budget in August of each year for the next calendar year. Budgetary control is maintained for certain funds, at the object level of expenditures by the encumbrance of purchase orders against available appropriations. 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.

Cash Management

At all times minimum cash balances are maintained. Investments of temporary idle funds are in demand deposits, money market deposits, repurchase agreements, U.S. treasury bills or similar government issues until funds are needed for expenditures. All deposits are fully insured by the FDIC or the Indianapolis Public Deposits Insurance Fund, a multiple financial institution collateral pool. At December 31, 2003 excess funds were invested in a Fidelity Institutional Money Market Fund/ Government Portfolio (a permissible fund by Indiana State Statute for Public Funds Investment) and another short term federally backed government investment (FHLB discount note).

Risk Management

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

In December 1986, the IndyGo 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 conducted in April 1987, recommended funding levels of between \$590,000 and \$1,550,000, depending on the confidence level selected. As of December 31, 2003, the Excess Liability Reserve Fund was \$523,527. IndyGo management intends to restore this reserve account to an adequate level during the 2004/2005-budget process.

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.

Independent Audit

The Indiana Urban Mass Transportation Act of 1965 requires the Controller to annually submit the records for audit by Independent Certified Public Accountants designated by the Board of Directors. As a recipient of federal financial assistance, IndyGo is also 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-Profits Organizations*. 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 auditors’ report on the financial statements with accompanying notes is included in Section Two of this report. Information related to the single audit report, including a schedule of expenditures of federal awards, the independent auditors’ report 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.

OTHER INFORMATION

Audit Committee

Based on recommendations from the Federal Transit Administration, it was suggested that the IndyGo Board of Directors develop an Audit Committee. On December 12, 2003, Gary F. Hentschel was appointed to serve as Chairman of the IndyGo audit committee for a term of one year. Mr Hentschel appointed Curtis A Wiley, Board Treasurer and J.M. Rink, Vice Chair to serve on the audit committee.

**Taxable XII
Sheet 2**

| Limit Any One Occurrence | Deductible | Premium Payment |
|--------------------------------|------------------|--------------------|
| | | Annual |
| \$ 31,323,000 | \$ 50,000 | |
| \$ 1,000,000 | \$ 50,000 | |
| \$ 20,000,000 | \$ 50,000 | |
| \$ 4,619,000 | \$5,000, \$1,000 | |
| | | |
| \$ 1,000,000 | \$ 10,000 | Annual |
| | | |
| \$ 1,000,000 | \$ 10,000 | Annual |
| | | |
| \$ 500,000 | \$ 5,000 | Annual |
| | | |
| N/A | N/A | N/A |

Table XII

Indianapolis Public Transportation Corporation
Schedule of Property and Liability Insurance Coverage
December 31, 2003

| Type of Coverage | Insurance Co. | Policy# | Policy Term |
|---|------------------------|-----------|-----------------|
| Property Package Policy Blanket Building and Personal Property Business Income and Extra Expense Flood and Earthquake Inland Marine Coverage - Inventory, Fareboxes | Chubb | 35798504 | 1/1/03 - 1/1/04 |
| Public Official Liability | Americal International | 004587851 | 1/1/03 - 1/1/04 |
| Fiduciary Liability | National Union | 299-94-78 | 1/1/03 - 1/1/04 |
| Blanket Crime Policy | National Union | 299-88-58 | 1/1/03 - 1/1/04 |
| General Liability and Automobile Liability - Bodily Injury and Physical Damage | Self Insured | N/A | N/A |

Certificate of Achievement


The Government Finance Officer’s Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Indianapolis Public Transportation Corporation (IndyGo) for its Comprehensive Annual Financial Report for the year ended December 31, 2002. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both accounting principals generally accepted in the United States of America and applicable legal requirements.


A Certificate of Achievement is valid for a period of one year. We believe our current report continues to conform to the Certificate of Achievement for Excellence in Financial Reporting Program requirements, and we are submitting this report to the GFOA to determine its eligibility for another certificate.


Acknowledgment

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.

Respectfully submitted,


Fred L. Armstrong, PA
Controller


Gilbert L. Holmes
President and CEO


Wayne Oteham, CPA
Vice President and CFO

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Indianapolis Public Transportation Corporation,

Indiana

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Edward Haney

President

Jeffrey R. Enen

Executive Director

Table XI

Indianapolis Public Transportation Corporation Transit Vehicles December 31, 2003

| No. of Vehicles | Year (2) | Manufacturer | Engine Type | Seating Capacity | Standing Capacity | Lift/Kneeling Equipped |
|-------------------|----------|--------------|-------------|------------------|-------------------|------------------------|
| Large Bus: | | | | | | |
| 19 | 1986 | Orion | Diesel | 48 | 21 | 0 |
| 7 | 1987 | Orion | Diesel | 48 | 21 | 0 |
| 33 | 1996 | Metrotrans | Diesel | 43 | 21 | 33 |
| 30 | 1997 | Gilling | Diesel | 43 | 21 | 30 |
| 10 | 1998 | Gilling | Diesel | 43 | 21 | 10 |
| 25 | 2000 | Gilling | Diesel | 29 | 21 | 25 |
| 25 | 2000 | Gilling | Diesel | 23 | 21 | 25 |
| 25 | 2001 | Gilling | Diesel | 38 | 21 | 25 |
| 5 | 2002 | Ebus | Hybrid | 22 | 18 | 5 |
| 24 | 2002 | Gilling | Diesel | 38 | 8 | 24 |

203 Total Large Bus

Body on Chassis:

| | | | | | | |
|----|------|------|--------|----|-----|----|
| 8 | 1998 | Ford | Diesel | 14 | (1) | 8 |
| 2 | 1999 | Ford | Diesel | 14 | (1) | 2 |
| 36 | 2000 | Ford | Diesel | 14 | (1) | 36 |
| 35 | 2001 | Ford | Diesel | 14 | (1) | 35 |
| 7 | 2002 | Ford | Diesel | 14 | (1) | 7 |
| 12 | 2003 | Ford | Diesel | 14 | (1) | 12 |

100 Total Body on Chassis

303 Vehicles in Total Fleet

- (1) Use exclusively for demand response and flexible service. IPTC policy precludes standees on these vehicles.
- (2) Average age of equipment is 5 years.

Table X

| Indianapolis Public Transportation Corporation Ratio of Annual Debt Service (Accrual Basis) To Total Operating Expense Last Ten Years | | | | | |
|--|-----------|--------------|--------------------|------------------------------|--|
| Year | Principal | Interest (2) | Total Debt Service | Total Operating Expenses (1) | Ration of Debt Service To Operating Exp. |
| 2003 | \$750,000 | \$823,243 | \$1,573,243 | \$44,362,821 | 3.55% |
| 2002 | 710,000 | 634,129 | 1,344,129 | 40,419,296 | 3.33% |
| 2001 | 665,000 | 673,782 | 1,338,782 | 42,974,298 | 3.12% |
| 2000 | 1,670,000 | 673,533 | 2,343,533 | 41,105,006 | 5.70% |
| 1999 | 985,000 | 511,140 | 1,496,140 | 34,295,459 | 4.36% |
| 1998 | 920,000 | 115,481 | 1,035,481 | 29,688,861 | 3.49% |
| 1997 | 905,000 | 166,508 | 1,071,508 | 29,112,983 | 3.68% |
| 1996 | 940,000 | 214,473 | 1,154,473 | 28,450,664 | 4.06% |
| 1995 | 1,215,000 | 283,506 | 1,498,506 | 28,648,608 | 5.23% |
| 1994 | 995,000 | 344,957 | 1,339,957 | 27,124,790 | 4.94% |

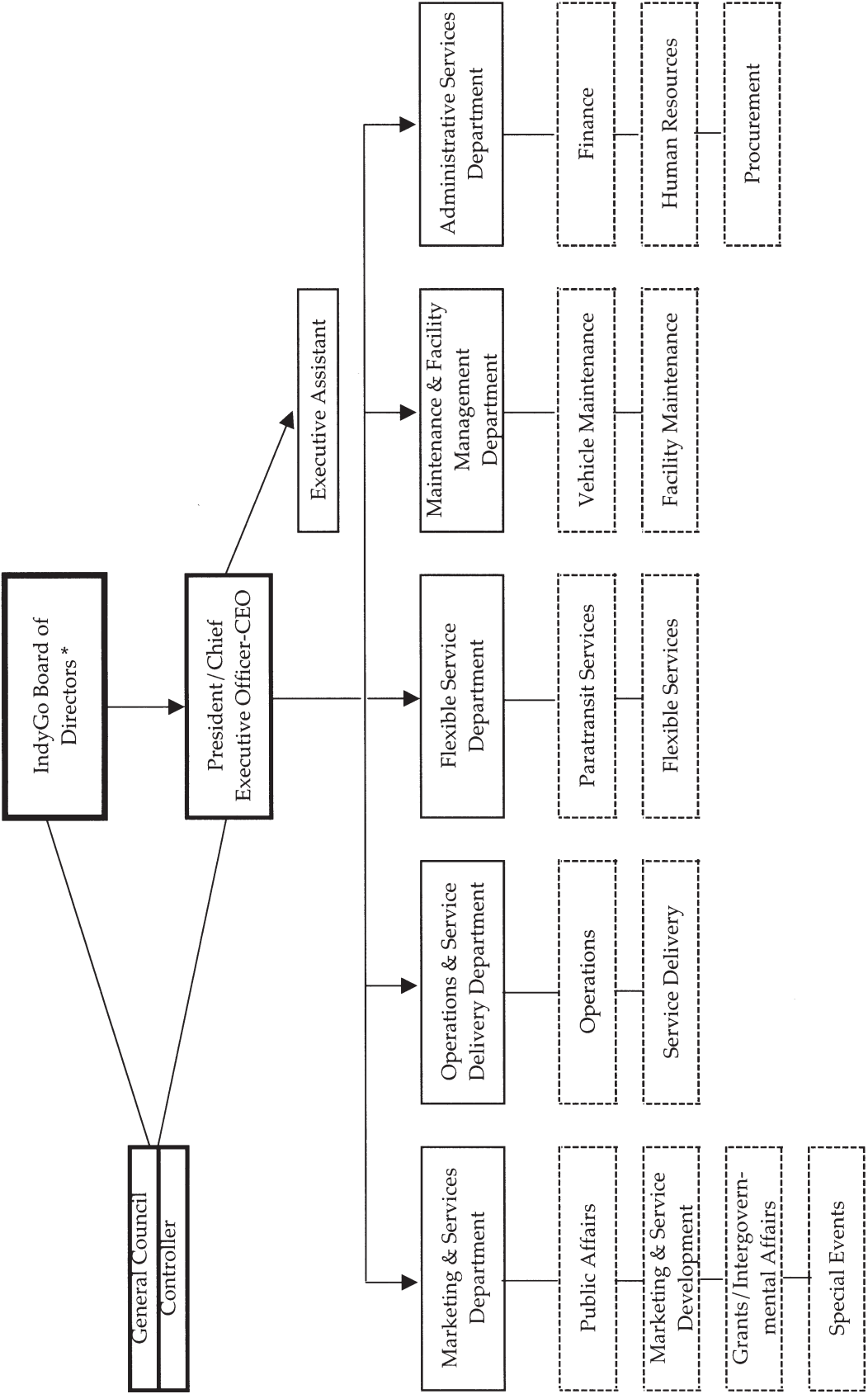
(1) Includes depreciation.

(2) Includes amortization of bond discount.

Indianapolis Public Transportation Corporation (IPTC)

aka

IndyGo



* Mayor of Indianapolis appoints three members to the board

* City County Council appoints four members to the board

INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION - IndyGo
Board of Directors, Principal Officials and Management

| <u>Name</u> | <u>Approximate Length of Service</u> | <u>Occupation</u> |
|--|--|--|
| <u>Appointed Board of Directors</u> | | |
| Danny M. Crenshaw | 6 mos. | Insurance Specialist Crenshaw Insurance Agency |
| Gregory Fehribach | 3 yrs | Attorney Stark Doninger & Smith |
| Gary Hentschel | 1 yrs | President & Chief Operating Officer Personnel Management, Inc |
| Tommie L. Jones | 3 1/2 yrs | Teacher Decatur Township School District |
| J. M. Rink | 3 1/2 yrs | Marketing Manager ICI Paints |
| David A. Scott | 4 1/2 yrs | I & R Specialist, Indiana Resource Center of Independent Living, Inc. |
| Curtis A. Wiley | 2 yrs | Director Fannie Mae Partnership Office |
| <u>Appointed Officials</u> | | |
| Fred L. Armstrong, Controller | 31 yrs | President Fred L. Armstrong, Inc. |
| David M. Brooks, Executive Secretary to the Board | 13 yrs | Attorney Brooks, Bruner, Koch, Sorg & Gerkin |
| <u>Principal Management Staff</u> | | |
| Gilbert L. Holmes, President/CEO | 1 1/2 yrs | |
| Wayne Oteham, Vice President/CFO | 2 yrs | |

Above information is as of 12-31-03

Table IX
Overlapping (continued)

| <u>DIRECT DEBT</u> | <u>VALUATION</u> | <u>%</u> | <u>AMOUNT</u> | <u>OUTSTANDING</u> |
|--------------------------------------|--------------------------|----------|-------------------------|-------------------------|
| Other Cities and Towns | | | | |
| Beech Grove | \$ 475,303,575 | 0.67% | \$ 3,168,691 | \$ 1,175,000 |
| Lawrence | 1,284,166,240 | 0.67% | 8,561,108 | 193,000 |
| Southport | 55,786,534 | 0.67% | 371,910 | 0 |
| Speedway | 758,300,971 | 0.67% | 5,055,340 | 2,019,721 |
| Included Towns - 12 | 0 | (3) | | 0 |
| Total Other C | <u>\$ 2,573,557,320</u> | | <u>\$ 17,157,049</u> | <u>\$ 3,387,721</u> |
| Townships | | | | |
| Center | \$ 5,529,236,668 | 0.67% | \$ 36,861,578 | \$ 0 |
| Decatur | 1,094,190,280 | 0.67% | 7,294,602 | 2,941,324 |
| Franklin | 1,739,971,920 | 0.67% | 3,348,137 | 3,348,138 |
| Lawrence | 5,213,905,415 | 0.67% | 1,009,359 | 1,009,359 |
| Perry | 3,604,930,816 | 0.67% | 24,032,872 | 1,900,000 |
| Pike | 5,098,664,460 | 0.67% | 0 | 0 |
| Warren | 4,194,034,320 | 0.67% | 27,960,229 | 3,483,910 |
| Washington | 7,119,787,030 | 0.67% | 47,465,247 | 489,906 |
| Wayne | <u>5,456,725,536</u> | 0.67% | <u>1,864,694</u> | <u>1,864,694</u> |
| Total Townships | <u>\$ 39,051,446,445</u> | | <u>\$ 149,836,717</u> | <u>\$ 15,037,331</u> |
| Excluded Cities | | | | |
| Library Districts | | | | |
| Beech Grove | \$ 441,544,770 | 0.67% | \$ 2,943,632 | \$ 3,440,000 |
| Speedway | <u>758,300,971</u> | 0.67% | <u>5,055,340</u> | <u>590,000</u> |
| Total Exclude | <u>\$ 1,199,845,741</u> | | <u>\$ 7,998,972</u> | <u>\$ 4,030,000</u> |
| Ben Davis Conservancy | <u>\$ 352,921,770</u> | (5) | <u>0</u> | <u>0</u> |
| Total Overlapping Debt | | | <u>\$ 7,017,151,410</u> | <u>\$ 1,602,072,578</u> |
| Total Direct and Overlapping Debt | | | <u>\$ 7,017,151,410</u> | <u>\$ 1,602,072,578</u> |

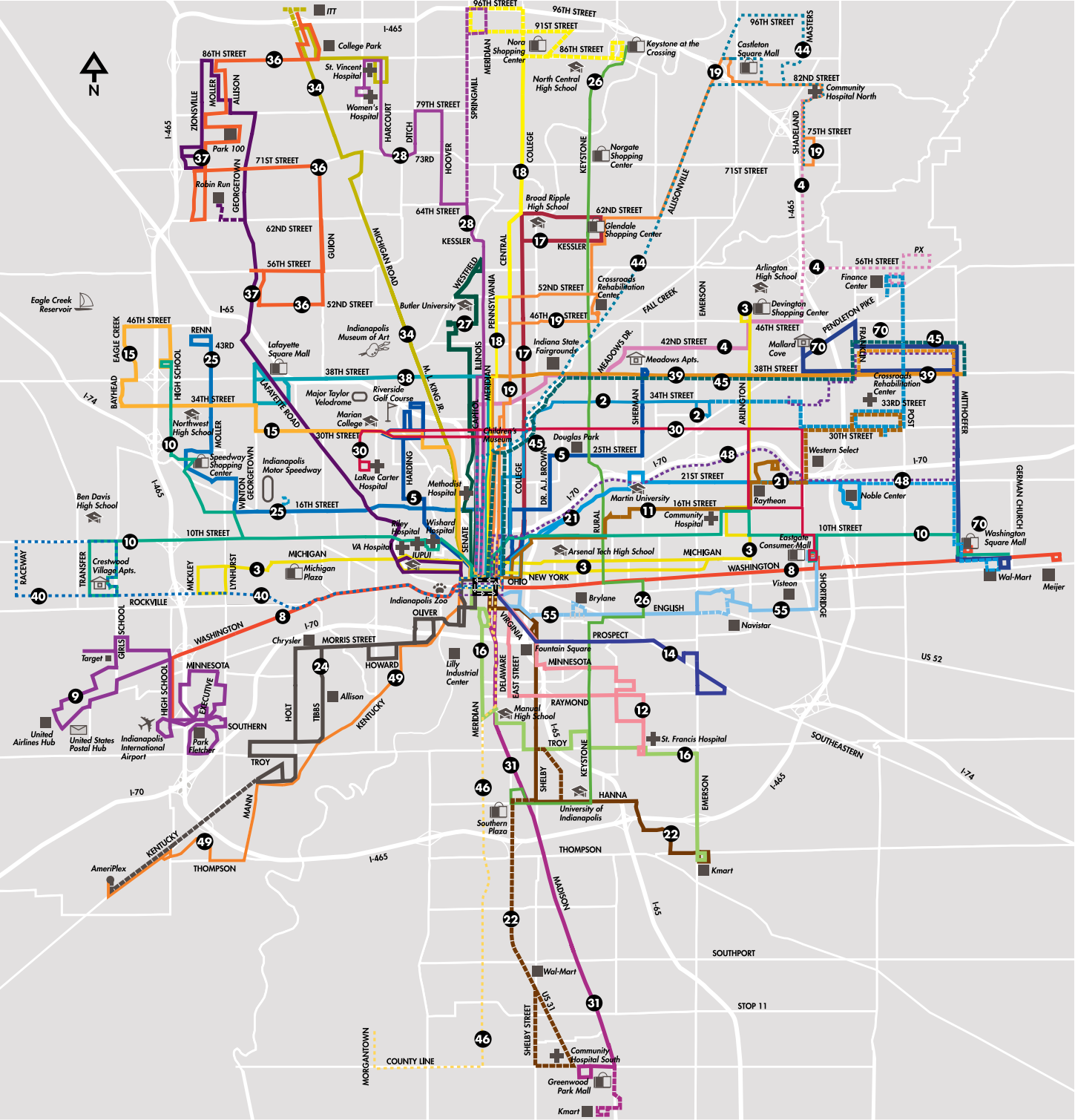
- (1) Excludes revenue bonds not payable from ad valorem taxes.
(2) No bonding authority.
(3) No bonding authority payable from ad valorem taxes
(4) There is no debt limit for the Building Authority. Its debt service requirements are funded by rentals paid by Marion County and the City of Indianapolis from ad valorem taxes mandated by the Authority's enabling legislation.
(5) Ben Davis Conservancy District has no bonding limit; bonds are payable from either collection of special benefit taxes or revenues produced from the project per Indiana Code 13-3-3-81.
(6) Represents the March 1, 2002, (Department of Local Government Finance Order) assessment for taxes due and payable in 2003.
(7) There is no statutory or constitutional debt limitation applicable to the Park and Redevelopment Districts.
(8) A statutory .67% limit on school district debt does not apply to any debt that is incurred by a school district building corporation for the purpose of constructing facilities to be leased to a school district at rentals sufficient to fund the corporation's annual debt service requirements. The bonding limit shown is the sum of the statutory limit plus the outstanding building corporation debt.

Table IX

Indianapolis Public Transportation Corporation
Schedule of Direct and Overlapping
Bonded Debt and Bonding Limit (1)
December 31, 2003

| DIRECT DEBT | VALUATION (6) | % | AMOUNT | OUTSTANDING |
|----------------------------------|-------------------|----------|------------------|------------------|
| Indpls Public Transporation | 36,953,192,700 | 0.67% | 246,354,618 | 16,780,000 |
| City of Indianapolis | | | | |
| Civil City | \$ 36,477,889,125 | 0.67% | \$ 243,185,928 | \$ 1,441,000 |
| Consolidated County | 39,051,446,445 | (3) | | 0 |
| Park District | 39,051,446,445 | (7) | | 28,602,000 |
| Redevelopment District | 36,477,889,125 | (7) | | 33,755,843 |
| Flood Control District | 39,051,446,445 | 0.67% | 260,342,976 | 26,472,000 |
| Metro Thoroughfare Dist. | 39,051,446,445 | 1.33% | 519,384,238 | 71,831,000 |
| Sanitary District | 35,833,177,604 | 4% | 1,433,327,104 | 0 |
| Police Special Service | 12,280,469,271 | (2) | | 0 |
| Police Pension | 12,280,469,271 | (2) | | 0 |
| Fire Special Service | 11,181,402,276 | (2) | | 0 |
| Fire Pension | 11,181,402,276 | (2) | | 0 |
| Solid Waste Collection | 36,533,675,659 | (2) | | 0 |
| Solid Waste Disposal | 36,533,675,659 | 2% | 730,673,513 | 0 |
| Public Safety Comm | 39,051,446,455 | 0.33% | 128,869,773 | 11,750,000 |
| Total City of Indianapolis | | | \$ 3,315,783,532 | \$ 173,851,843 |
| Marion County | \$ 39,051,446,445 | 0.67%(4) | \$ 260,342,976 | \$ 0 |
| Municipal Corporations: | | | | |
| Airport Authority | \$ 39,051,446,445 | 0.67% | \$ 260,342,976 | \$ 0 |
| Health and Hospital | 39,051,446,445 | 0.67% | 260,342,976 | 49,550,000 |
| Cap Improvement Bd | 39,051,446,445 | 0.67% | 260,342,976 | 0 |
| Indpls/Marion County Library | 37,851,600,704 | 0.67% | 252,344,005 | 87,030,000 |
| Indpls/Marion Co. Bldg.Authority | 39,051,446,445 | (4) | | 47,130,000 |
| Total Municipal Corporations | | | \$ 1,033,372,933 | \$ 183,710,000 |
| School Districts | | | | |
| Beech Grove | \$ 441,544,770 | (8) | \$ 44,372,965 | \$ 35,542,070 |
| Decatur | 1,092,422,360 | (8) | 104,920,141 | 83,071,694 |
| Franklin | 1,586,141,040 | (8) | 184,597,037 | 152,874,216 |
| Indpls. Public Schools | 10,696,974,324 | (8) | 442,440,593 | 228,501,107 |
| Lawrence | 4,753,984,315 | (8) | 212,069,843 | 116,990,157 |
| Perry | 3,262,495,450 | (8) | 231,316,635 | 166,066,726 |
| Pike | 5,001,700,290 | (8) | 193,519,006 | 93,485,000 |
| Speedway | 758,300,971 | (8) | 15,166,019 | 0 |
| Warren | 3,084,991,485 | (8) | 207,038,090 | 145,338,260 |
| Washington | 5,083,055,255 | (8) | 115,524,105 | 13,863,000 |
| Wayne | 3,289,836,185 | (8) | 235,340,177 | 169,543,453 |
| Total School Districts | \$ 39,051,446,445 | | \$ 1,986,304,612 | \$ 1,205,275,683 |

IndyGo Service Area 2003



- ROUTE 2 - EAST 34TH STREET

ROUTE 3 - MICHIGAN STREET

ROUTE 4 - FORT HARRISON

ROUTE 5 - E. 25TH/NORTH HARDING

ROUTE 8 - WASHINGTON STREET

ROUTE 9 - AIRPORT ZONE

ROUTE 10 - 10TH STREET

ROUTE 11 - EAST 16TH STREET (2)

ROUTE 12 - BEECHCREST

ROUTE 14 - PROSPECT

ROUTE 15 - RIVERSIDE

ROUTE 16 - BEECH GROVE (2)

ROUTE 17 - COLLEGE

ROUTE 18 - NORA

ROUTE 19 - CASTLETON

ROUTE 21 - 21ST STREET (2)

ROUTE 22 - SHELBY (1, 2)

ROUTE 24 - MARS HILL (2)

ROUTE 25 - WEST 16TH STREET (2)

ROUTE 26 - KEYSTONE CROSSTOWN

ROUTE 27 - BUTLER (2)

ROUTE 28 - ST. VINCENT

ROUTE 30 - 30TH STREET CROSSTOWN (2)

ROUTE 31 - GREENWOOD

ROUTE 34 - MICHIGAN ROAD (2)

ROUTE 36 - NORTHWEST CONNECTOR (1,2)

ROUTE 37 - PARK 100

ROUTE 38 - LAFAYETTE SQUARE

ROUTE 39 - EAST 38TH STREET

ROUTE 40 - CHAPEL HILL EXPRESS (1, 2)

ROUTE 44 - CASTLETON EXPRESS (1, 2)

ROUTE 45 - EAST 38TH STREET EXPRESS (1, 2)

ROUTE 46 - SOUTH MERIDIAN EXPRESS (1, 2)

ROUTE 48 - MITTHOEFER EXPRESS (1, 2)

ROUTE 49 - AMERIPLEX (1, 2)

ROUTE 55 - ENGLISH (2)

ROUTE 70 - EASTSIDE CIRCULATOR (2)

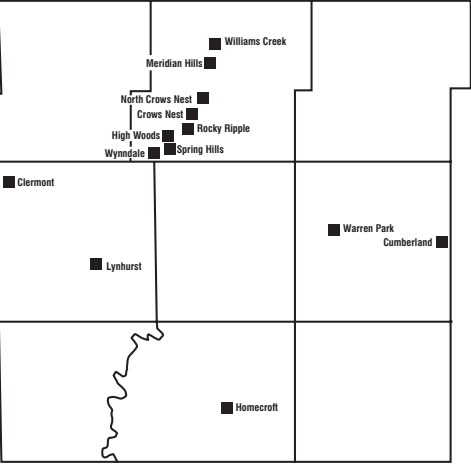
ROUTE 86 - 86TH STREET CROSSTOWN
- (1) Routes that do not run on Saturday

(2) Routes that do not run on Sunday

Lift Equipped routes

Indianapolis Public Transportation Corporation
Taxing Districts

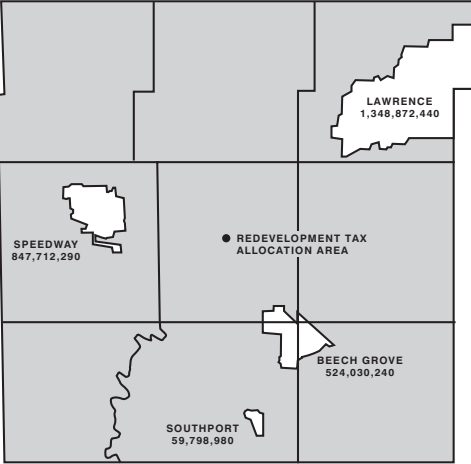
MAP 1



MARION COUNTY
AND INCLUDED TOWNS

| | True Value Assessed Valuation |
|----------------|----------------------------------|
| Marion County | \$41,827,846,800 |
| Included towns | \$665,392.620 |

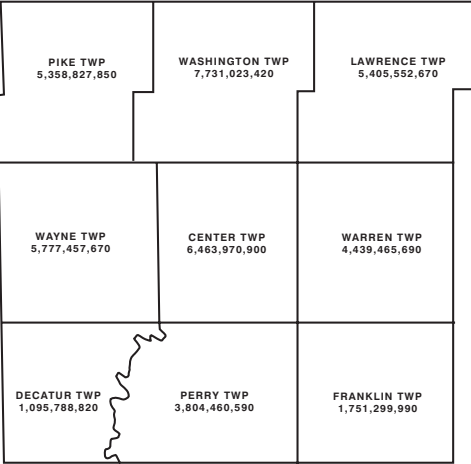
MAP 2



CONSOLIDATED
CITY OF INDIANAPOLIS

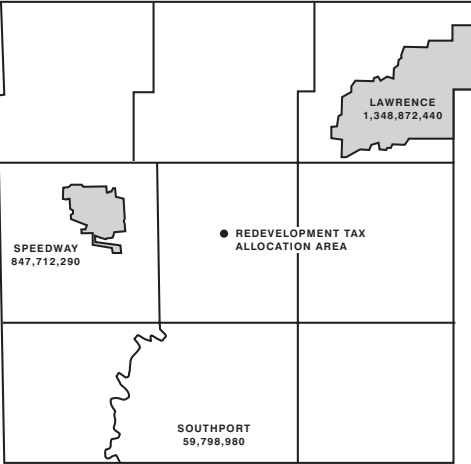
| | Assessed Valuation |
|--------------------------|--------------------|
| City of Indianapolis | \$39,047,432,750 |
| Exluded Cities and Towns | \$2,780,414,050 |

MAP 3



TOWNSHIP
(ASSESSED VALUATIONS)

MAP 4



IPTC TAXING DISTRICT

| | |
|--------------------------|------------------|
| IPTC | \$39,571,463,090 |
| Exluded Cities and Towns | \$2,256,383,710 |

Table VIII

Indianapolis Public Transportation Corporation
Taxable Valuation and Bonded Direct Debt History
As of December 31,
Last Ten Years

| Year Payable | Net Assessed Valuation (1) | Gross Bonded Debt | Less Bonded Debt Service Funds | Net Bonded Debt | | \$ PER Capital (4) |
|--------------|----------------------------|-------------------|--------------------------------|-----------------|-----------------|--------------------|
| | | | | Amount | Percent (2) (3) | |
| 2003 | 39,571,463,090 (5) | 16,780,000 | 5,084 | 16,774,916 | 0.044% | 6.33% |
| 2002 | 26,776,729,672 | 17,530,000 | 209,118 | 17,320,882 | 0.06% | 3.23% |
| 2001 | 8,951,884,590 | 13,240,000 | 37,892 | 13,202,108 | 0.15% | 7.37% |
| 2000 | 8,706,739,700 | 13,905,000 | 68,678 | 13,836,322 | 0.16% | 7.95% |
| 1999 | 8,544,278,782 | 15,575,000 | 728,822 | 14,846,178 | 0.17% | 8.69% |
| 1998 | 8,271,720,361 | 2,030,000 | 1,047,624 | 982 376 | 0.01% | 0.59% |
| 1997 | 8,261,294,410 | 2,950,000 | 774,645 | 2,175,355 | 0.03% | 1.32% |
| 1996 | 8,426,927,200 | 3,855,000 | 986,004 | 2,868,996 | 0.03% | 1.70% |
| 1995 | 6,988,035,730 | 4,795,000 | 47,697 | 4,747,303 | 0.07% | 3.40% |
| 1994 | 6,922,424,200 | 6,010,000 | 514,267 | 5,495,733 | 0.08% | 3.97% |
| 1993 | 6,810,222,280 | 7,005,000 | 520,740 | 6,484,260 | 0.10% | 4.76% |

- (1) Prior to 2002 the estimated actual value was three times the assessed value. For 2002 the assessed value approximates true value.
- (2) To Net Assessed Valuation
- (3) To Direct Debt Limitation (.67% net assessed valuation).
- (4) Based on 1990 population of Consolidated City (741,952) for 1990 through 1999 and 2000 population of Consolidated City (791,926) for 2000. Source: U.S. Department of Commerce, Bureau of Census.
- (5) Market Value Assessment began in 2003.

Tax Due Dates and Penalties

All taxable property located within the Indianapolis Public Transportation Corporation taxing district is assessed annually each March 1st. In mid-April of the year subsequent to the assessment, individual property tax statements are to be mailed by the Marion County Treasurer to the owners of record of the assessed.

Corporation and other governmental units within the county

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

[1] The assessed value figures are those certified by State Department of Local Government Finance as of January 1, 2003
[2] Map 4 represents the taxing district of IPTC, not including excluded cities and towns.

Table VII

Indianapolis Public Transportation Corporation
Bonded Debt
December 31, 2003

| | |
|---|------------------------------|
| 2003 Full Ad Valorem Tax Valuation (Market Value) | <div>\$ 39,571,463,090</div> |
| Indinanapolis Public Transportation Corporation Bonds Payable from Ad Valorem Taxes | <div>\$ 16,780,000</div> |
| Indianapolis Public Transportation Corporation Total Authorized Bonding Level | <div>\$ 265,128,802</div> |
| Ratio of Bonded Debt to Full Ad Valorem Tax Valuation | <div>\$ 0.044%</div> |

Direct Debt Limitation

The Constitution of the State of Indiana provides that total bonded debt caused to be issued by the Corporation payable by taxation from ad valorem taxes may not exceed 0.67 percent of the assessed valuation of the taxable property within the boundaries of the Corporation.

SECTION TWO – FINANCIAL

Report of Independent Auditors 1

Management’s Discussion and Analysis 3

Financial Statements

 Statements of Net Assets 7

 Statements of Revenue, Expense and Changes in Fund Equity 9

 Statements of Cash Flows 10

 Notes to Financial Statements 12



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

FINANCIAL STATEMENTS
December 31, 2003 and 2002

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| STATEMENTS OF CASH FLOWS..... | 10 |
| NOTES TO FINANCIAL STATEMENTS..... | 12 |

Table V
Sheet 2

| | Total | | Savings | |
|--|-----------------------|---------------------------|------------------|----------------------|
| | Assessed Value (3) | Estimated Actual Value | Bank Deposits | and Loan Deposits |
| | N/A | \$39,571,463,090 | \$13,962,000,000 | \$2,389,000,000 |
| | \$27,342,592,790 | 27,342,592,790 | 12,659,000,000 | 1,273,000,000 |
| | 8,951,571,770 | 26,854,715,310 | 11,520,000,000 | 2,392,000,000 |
| | 8,706,739,700 | 26,120,219,100 | 10,433,000,000 | 2,075,000,000 |
| | 8,544,278,782 | 25,632,836,346 | 1,301,000,000 | 1,903,000,000 |
| | 8,271,720,361 | 24,815,161,083 | 1,277,000,000 | 1,780,000,000 |
| | 8,261,294,410 | 24,783,883,230 | 9,771,643,000 | 1,469,224,000 |
| | 8,436,927,200 | 25,310,781,600 | 9,804,723,000 | 1,498,840,000 |
| | 6,988,035,730 | 20,964,107,190 | 10,042,791,000 | 1,469,224,000 |
| | 6,922,424,200 | 20,767,272,600 | 7,991,036,000 | 1,780,185,000 |

Table VI
Sheet 2

| School | State | Other | Grand Total (2) |
|----------|-----------|-----------|--------------------|
| \$1.5503 | \$ 0.0033 | \$ 0.1428 | \$ 3.4540 |
| 1.9594 | 0.0033 | 0.0799 | 4.2343 |
| 5.3913 | 0.0100 | 0.7469 | 12.6038 |
| 5.9552 | 0.0100 | 0.2756 | 12.6762 |
| 5.8477 | 0.0100 | 0.2932 | 12.6331 |
| 5.3888 | 0.0100 | 0.3606 | 12.1918 |
| 5.5778 | 0.0100 | 0.5409 | 12.5512 |
| 5.5294 | 0.0100 | 0.5391 | 12.6861 |
| 5.7743 | 0.0100 | 0.5274 | 13.1539 |
| 5.5658 | 0.0100 | 0.4151 | 12.8558 |
| 5.2244 | 0.0100 | 0.9547 | 12.9051 |

Table V

Indianapolis Public Transportation Corporation
Assessed and Estimated Actual Value of Taxable Property (1);
Deposits in Banks (2) and Savings and Loans
Last Ten Years

| Year | Real Property | | Personal Property | |
|------|-----------------------|-------------------------------|-----------------------|---------------------------|
| | Assessed Value (3) | Estimated Actual Value (4) | Assessed Value (3) | Estimated Actual Value |
| 2003 | N/A | \$30,927,280,890 | N/A | \$8,644,254,200 |
| 2002 | \$19,603,804,360 | 19,603,804,360 | \$7,738,788,430 | 7,738,788,430 |
| 2001 | 6,448,200,360 | 19,344,601,080 | 2,503,371,410 | 7,510,114,230 |
| 2000 | 6,263,603,330 | 18,790,809,990 | 2,443,136,370 | 7,329,409,110 |
| 1999 | 6,189,776,810 | 18,569,330,430 | 2,354,501,972 | 7,063,505,916 |
| 1998 | 6,025,393,718 | 18,076,181,154 | 2,246,326,643 | 6,738,979,929 |
| 1997 | 6,081,366,760 | 18,244,100,280 | 2,179,927,650 | 6,539,782,950 |
| 1996 | 6,081,370,090 | 18,244,110,270 | 2,355,557,110 | 7,066,671,330 |
| 1995 | 5,123,627,797 | 15,370,883,391 | 1,864,407,933 | 5,593,223,799 |
| 1994 | 5,069,993,640 | 15,209,980,920 | 1,852,430,560 | 5,557,291,680 |

- (1) Taxable property was assessed at 33 1/3% of the Estimated Actual Value as per County Auditor's Abstract. In 2002 estimated actual value was 100% of assessed value (true value).
(2) Source: Federal Deposit Insurance Corporation (FDIC).
(3) Per County Auditor's Abstract.
(4) Market Value Assessment began in 2003

Table VI

Indianapolis Public Transportation Corporation
Property Tax rates — All Overlapping Governments (1) (3)
Last Ten Years

| Year | IPTC | City | County | Other Municipal Corps. |
|------|----------|----------|----------|---------------------------|
| 2003 | \$0.0298 | \$0.9457 | \$0.4564 | \$0.3257 |
| 2002 | 0.0371 | 1.2254 | 0.5354 | 0.3938 |
| 2001 | 0.1113 | 3.7670 | 1.4043 | 1.1730 |
| 2000 | 0.1107 | 3.7825 | 1.4038 | 1.1384 |
| 1999 | 0.1102 | 3.8294 | 1.4042 | 1.1384 |
| 1998 | 0.1098 | 3.8314 | 1.4021 | 1.0891 |
| 1997 | 0.1098 | 3.8033 | 1.4179 | 1.0915 |
| 1996 | 0.1108 | 3.8054 | 1.5970 | 1.0944 |
| 1995 | 0.1118 | 3.9140 | 1.6855 | 1.1309 |
| 1994 | 0.1118 | 3.9140 | 1.7082 | 1.1309 |

- (1) Rate per \$100 of assessed valuation.
(2) Rate of District 101 (Indpls.-Center. Twnshp.) which rate includes all major service.
(3) Data presented are per the Marion County Auditor's Office.



Crowe Chizek and Company LLC
Member Horwath International

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Indianapolis Public Transportation Corporation
Indianapolis, Indiana

We have audited the accompanying statements of net assets of Indianapolis Public Transportation Corporation (IPTC) (a municipal corporation and a component unit of the consolidated City of Indianapolis-Marion County Government Reporting Entity) as of December 31, 2003 and 2002, and the related statements of revenue, expense and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the IPTC's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IPTC at December 31, 2003 and 2002, and the results of its operations, changes in net assets, and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 1 to the financial statements, IPTC adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments*, Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and Statement No. 38, *Certain Financial Statement Notes Disclosures* in 2003.

The Management’s Discussion and Analysis and the other required supplementary information on pages 3 through 6 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Crowe Chizek and Company LLC
Crowe Chizek and Company LLC

Indianapolis, Indiana
March 25, 2004

Table III
Sheet 2

| | | Municipalities | | | | |
|------------------|-----|------------------|-----|-------------|-----------|--------------|
| State Assistance | | Contract Service | | Advertising | Other (6) | Total |
| 0 | (4) | \$10,402,650 | (5) | \$281,858 | \$152,585 | \$40,686,181 |
| 0 | (4) | 9,863,270 | (5) | 224,062 | 319,694 | 36,699,683 |
| 0 | (4) | 9,715,245 | (5) | 205,484 | 242,395 | 35,835,353 |
| 0 | (4) | 9,492,246 | (5) | 210,556 | 374,137 | 33,764,965 |
| 44,420 | (4) | 6,377,892 | (5) | 218,891 | 407,473 | 30,988,784 |
| 0 | (4) | 6,224,591 | (5) | 145,197 | 299,749 | 27,994,470 |
| 0 | (4) | 6,221,828 | (5) | 166,242 | 400,566 | 25,196,428 |
| 0 | (4) | 6,398,557 | (5) | 171,667 | 262,579 | 25,516,455 |
| 5,605,736 | | 192,864 | | 132,539 | 258,371 | 25,331,193 |
| 5,146,775 | | 219,794 | | 178,541 | 118,329 | 24,908,700 |

- (4) State assistance diverted to the City of Indianapolis in 1996.
(5) 1996 and later years represent contract with the City of Indianapolis.
(6) Includes restricted and unrestricted interest.

Table III

| Indianapolis Public Transportation Corporation General Revenue by Source, Including Non-operating Revenue (1) Last Ten Years | | | | | |
|---|----------------------------|--|---|--|-------------------------------|
| Year | Passenger Fares | Charter & Special Service | General Property Taxes (2) | Excise, Bank, Building & Loan Tax (3) | Federal Assistance |
| 2003 | \$6,340,099 | \$335,323 | \$11,331,063 | \$1,105,071 | 10,737,532 |
| 2002 | 5,994,095 | 324,554 | 9,880,175 | 1,099,321 | 8,994,512 |
| 2001 | 6,740,900 | 380,883 | 9,582,593 | 1,101,263 | 7,866,590 |
| 2000 | 3,789,774 | 394,715 | 9,360,937 | 1,021,638 | 9,120,962 |
| 1999 | 7,332,113 | 336,418 | 9,122,752 | 1,017,880 | 6,130,945 |
| 1998 | 6,708,510 | 259,949 | 8,916,706 | 1,067,404 | 4,372,364 |
| 1997 | 6,760,008 | 356,407 | 8,483,930 | 995,521 | 1,811,926 |
| 1996 | 7,118,444 | 290,039 | 8,512,051 | 974,412 | 1,788,706 |
| 1995 | 6,708,806 | 313,960 | 7,760,338 | 948,217 | 3,410,362 |
| 1994 | 6,373,461 | 458,193 | 7,652,761 | 914,612 | 3,846,234 |

- (1) Data presented on the accrual basis of accounting.
(2) Includes Operating and Debt Service.
(3) Commencing in 2001 and forward this total includes Commercial Vehicle Excise Tax.

MANAGEMENT’S DISCUSSION AND ANALYSIS

Table IV

| Indianapolis Public Transportation Corporation General Property Tax Levies and Collections (1) (2) Last Ten Years | | | | | | |
|--|-----------------------------|--|--|---|-----------------------------|---|
| Year | Taxes Levied (3) | Current Taxes Collected | Percent Of Levy Collected | Delinquent Taxes Collected | Total Collection | Total Collections as Percent of Current Levy |
| 2003 | \$9,829,549 | \$9,893,131 | 100.7% | \$201,901 | \$10,095,032 | 102.7% |
| 2002 | 9,934,166 | 9,646,075 | 97.1% | 234,100 | 9,880,175 | 99.5% |
| 2001 | 9,632,636 | 9,266,596 | 96.2% | 315,997 | 9,582,593 | 99.5% |
| 2000 | 9,502,324 | 9,020,546 | 94.9% | 340,391 | 9,360,937 | 98.5% |
| 1999 | 9,258,420 | 8,778,927 | 94.8% | 343,825 | 9,122,752 | 98.5% |
| 1998 | 9,082,349 | 8,662,783 | 95.4% | 253,923 | 8,916,706 | 98.2% |
| 1997 (4) | 8,658,680 | 8,157,834 | 94.2% | 326,096 | 8,483,930 | 98.0% |
| 1996 | 8,425,492 | 8,238,192 | 97.8% | 273,859 | 8,512,051 | 101.0% |
| 1995 | 7,812,624 | 7,372,155 | 94.4% | 330,893 | 7,703,048 | 98.6% |
| 1994 | 7,681,332 | 7,384,242 | 96.1% | 268,519 | 7,652,761 | 99.6% |

- (1) Includes Operating and Debt Service.
(2) Data presented on the cash basis.
(3) Per Indiana Department of Local Government Finance Order.
(4) Collection lower due to refunds on appeals from shopping centers/1990 reassessment.

INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
INDIANAPOLIS, INDIANA

MANAGEMENT’S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2003

This section of the annual financial report presents a discussion and analysis of the Indianapolis Public Transportation Corporation’s financial performance for the year ended December 31, 2003. Please read it in conjunction with the Indianapolis Public Transportation Corporation’s (IPTC) financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The IPTC’s net assets increased by approximately \$2,883,000 resulting primarily from capital contributions and ordinary business activity. The IPTC received approximately \$7,455,000 of capital contributions from the Federal Transit Administration for use to purchase new buses and to fund other capital projects.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The IPTC’s 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 government units. 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 Revenues, Expenses, and Changes in Net Assets. All assets and liabilities associated with the operation of the IPTC are included in the Statement of Net Assets.

The financial statements provide both long and short-term information about the IPTC’s overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

FINANCIAL ANALYSIS

Net Assets

The IPTC’s total assets at December 31, 2003, reached \$50,664,000. This represents an increase of \$2,458,000 or approximately 5 percent from the prior year. Total liabilities amounted to \$28,110,000 for a decrease of \$426,000 or approximately 1 percent and total net assets reached \$22,553,000 for an increase of \$2,883,000 or approximately 15 percent (See Table 1).

Table I

| Indianapolis Public Transportation Corporation Operating Expense, Capital Acquisitions and Debt Service (1) Last Ten Years | | | | |
|--|--------------------------|-------------------------|-----------------|--------------|
| Year | Operating Expense (2) | Capital Acquisitions | Debt Service | Total |
| 2003 | \$44,362,821 | \$8,926,608 | \$1,573,243 | \$54,862,672 |
| 2002 | 40,419,296 | 76,695 | 5,944,067 (3) | 46,440,058 |
| 2001 | 42,974,298 | 9,032,598 | 1,315,720 | 53,322,616 |
| 2000 | 41,105,006 | 15,964,736 | 2,343,533 | 59,413,275 |
| 1999 | 34,295,459 | 1,548,744 | 1,496,140 | 37,340,343 |
| 1998 | 29,688,861 | 4,517,398 | 1,035,481 | 35,241,740 |
| 1997 | 29,112,983 | 8,514,428 | 1,071,508 | 38,698,919 |
| 1996 | 28,450,664 | 1,319,411 | 1,326,056 | 31,096,131 |
| 1995 | 28,648,608 | 1,296,718 | 1,498,506 | 31,443,832 |
| 1994 | 27,124,790 | 848,314 | 1,339,957 | 29,313,061 |

(1) Data presented on the accrual basis of accounting.

(2) Including depreciation expense.

(3) Includes repayment of bond anticipation note.

Source: Audited Financial Statements

Table II

| Indianapolis Public Transportation Corporation Tax Revenue by Source (1) Last Ten Years | | | | |
|---|----------------|----------------------------------|--------------------------------------|-----------------|
| Year | Total Taxes | General Property Taxes (2) | Bank Building and Loan Tax (3) | Excise Total |
| 2003 | \$ 12,436,134 | \$ 11,331,063 | \$116,152 | 988,919 |
| 2002 | 10,979,496 | 9,880,175 | 108,624 | 990,697 |
| 2001 | 10,683,856 | 9,582,593 | 105,755 | 995,508 |
| 2000 | 10,382,575 | 9,360,937 | 106,279 | 915,359 |
| 1999 | 10,140,632 | 9,122,752 | 18,081 | 899,799 |
| 1998 | 9,984,110 | 8,916,706 | 106,447 | 960,957 |
| 1997 | 9,479,451 | 8,483,930 | 114,065 | 881,456 |
| 1996 | 9,486,463 | 8,512,051 | 112,294 | 862,118 |
| 1995 | 8,708,555 | 7,760,338 | 113,856 | 834,361 |
| 1994 | 8,567,373 | 7,652,761 | 113,216 | 801,396 |

(1) Data presented on the accrual basis of accounting.

(2) Including Operating and Debt Service.

(3) Commencing in 2001 and forward this total includes Commercial Vehicle Excise Tax.

SECTION THREE – STATISTICAL (Unaudited)

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INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
INDIANAPOLIS, INDIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
YEAR ENDED DECEMBER 31, 2003

| | 2003 | 2002 | Percentage Change |
|----------------------------|-------------|-------------|----------------------|
| TABLE 1 NET ASSETS | | | |
| Assets: | | | |
| Current Assets | 5,208,136 | 4,523,484 | 15% |
| Property (net) | 39,272,741 | 35,767,301 | 10% |
| Other Assets | 6,183,074 | 7,915,561 | -22% |
| Total Assets | 50,663,951 | 48,206,346 | 5% |
| Liabilities: | | | |
| Current Liabilities | 12,099,389 | 11,706,449 | 3% |
| Non-current Liabilities | 16,011,093 | 16,829,639 | -5% |
| Total Liabilities | 28,110,482 | 28,536,088 | -1% |
| Net Assets: | | | |
| Invested in capital assets | 20,127,507 | 15,899,438 | 27% |
| Restricted | 5,385,503 | 6,808,589 | -21% |
| Unrestricted | (2,959,541) | (3,037,769) | -3% |
| | 22,553,469 | 19,670,258 | 15% |

Changes in Net Assets

The change in net assets at December 31, 2003, was an increase of \$2,883,000 or 15 percent. The IPTC's total operating revenues increased by \$415,000 or approximately 6 percent. Total operating expenses increased \$3,944,000 or approximately 10 percent. The changes in net assets are detailed in Table 2.

INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
INDIANAPOLIS, INDIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
YEAR ENDED DECEMBER 31, 2003

| | <u>2003</u> | <u>2002</u> | <u>Percentage Change</u> |
|-------------------------------------|--------------|--------------|------------------------------|
| TABLE 2 | | | |
| CHANGES IN NET ASSETS | | | |
| Operating Revenues: | | | |
| Fares | 6,340,099 | 5,994,095 | 6% |
| Special Services | 335,323 | 324,554 | 3% |
| Advertising | 281,858 | 224,062 | 26% |
| Total Operating Revenues | 6,957,280 | 6,542,711 | 6% |
| Operating Expenses: | | | |
| Transportation | 23,823,482 | 22,375,883 | 6% |
| Maintenance | 9,104,044 | 7,395,227 | 23% |
| Administrative & General | 5,016,828 | 4,222,143 | 19% |
| Claims and Insurance | 997,305 | 1,079,506 | -8% |
| Depreciation | 5,421,162 | 5,346,537 | 1% |
| Total Operating Expenses | 44,362,821 | 40,419,296 | 10% |
| Operating income gain (loss) | (37,405,541) | (33,876,585) | 10% |
| Non-operating revenues | | | |
| Property & excise tax | 12,436,134 | 10,979,494 | 13% |
| Municipalities | 10,402,650 | 9,863,270 | 5% |
| FTA assistance | 10,737,532 | 8,994,512 | 19% |
| Contributions - capital grants | 7,455,340 | 650,000 | 1047% |
| Other net revenues (expenses) | (742,904) | (663,272) | 12% |
| Total non-operating revenues | 40,288,752 | 29,824,004 | 35% |
| Change in net assets | 2,883,211 | (4,052,581) | -171% |
| Total net assets, beginning of year | 19,670,258 | 23,722,839 | |
| Total net assets, end of year | 22,553,469 | 19,670,258 | 15% |

SECTION THREE

STATISTICAL (Unaudited)

| | <u>Table</u> |
|--|--------------|
| Operating Expense, Capital Acquisitions and Debt Service | I |
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Revenues: Operating revenues, principally fare revenues increased by 6 percent from the prior period. This increase is attributed to a more robust economy and the elimination of transfer passes in August of 2003.

Non-operating revenues have increased \$10,465,000 or approximately 35 percent. Other income (expense) increased approximately \$80,000 or 12 percent from the prior year. This is attributed to increased interest expense resulting from new bond issued near the end of 2002.

Capital contributions increased by \$6,805,000 or 1047 percent. This is attributed capital acquisitions being frozen during 2002 and the replacement of 24 forty foot fixed route coaches and 12 paratransit vehicles during 2003. The FTA provided eighty percent of the funds for the acquisition of these vehicles.

Expenses: Total operating expenses increased \$3,944,000 or approximately 10 percent. Operating expenses not including depreciation rose 11 percent, which management attributes higher labor, benefit and fringe costs. In addition, maintenance materials (parts), fuel and utilities costs increased. The increase in depreciation expense corresponds with the amounts of projects completed and capitalized within the last few years.

In the face of poor economic conditions and declining revenues, management has streamlined expenses where possible. Non-essential costs were slashed, including travel, entertainment, and advertising. The non-bargaining unit workforce was reorganized and many positions were eliminated and or consolidated.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2003, the IPTC had invested \$39,273,000 in capital assets net of accumulated depreciation. As compared to the prior year, this amount represents an increase (including additions and disposals) of \$3,505,000. Such increase is primarily attributed to the acquisition of new buses.

Debt Disclosures

Bond payable with a face value of \$5,000,000 and dated December 18, 2002 were issued in the prior year. There were no additional borrowings during 2003. Bonds payable were repaid pursuant to the maturity schedule of each issue. As of December 31, 2003, the company was in compliance with all restrictive covenants of its borrowing agreements.

CURRENTLY KNOWN FACTS

Other than the uncertainty of general economic indicators on IPTC, its funders, 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.

INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
(A COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS
MARION COUNTY GOVERNMENT REPORTING ENTITY)
STATEMENTS OF NET ASSETS
December 31, 2003 and 2002

| | <u>2003</u> | <u>2002</u> |
|--|----------------------|----------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents designated for working capital (Note 2) | \$ 1,885,894 | \$ 2,689,559 |
| Receivables: (Note 3) | | |
| Federal grants | 1,126,548 | 482,576 |
| Other receivables, net | <u>786,537</u> | <u>253,259</u> |
| | 1,913,085 | 735,835 |
| Materials and supplies inventories | 1,183,314 | 1,048,904 |
| Deposits and prepaid expenses | <u>225,843</u> | <u>49,186</u> |
| Total current assets | <u>5,208,136</u> | <u>4,523,484</u> |
| Restricted Assets: | | |
| Fixed asset acquisition accounts | | |
| Cash and cash equivalents (Note 2) | 730,016 | 2,203,859 |
| Short term investments (Note 2) | 4,641,487 | 4,604,730 |
| Bond issue costs, unamortized | <u>282,960</u> | <u>305,365</u> |
| | 5,654,463 | 7,113,954 |
| Debt service accounts | | |
| Cash and cash equivalents (Note 2) | <u>5,084</u> | <u>209,118</u> |
| Liability reserve accounts | | |
| Cash and cash equivalents (Note 2) | <u>523,527</u> | <u>592,489</u> |
| Total restricted assets | <u>6,183,074</u> | <u>7,915,561</u> |
| Property, plant and equipment (Note 4) | | |
| Land and land improvements | 1,808,717 | 1,776,746 |
| Buildings and improvements | 28,782,476 | 28,772,475 |
| Revenue vehicles and equipment | 50,716,553 | 42,516,461 |
| Other equipment | <u>4,775,550</u> | <u>4,487,051</u> |
| | 86,083,296 | 77,552,733 |
| Accumulated depreciation | <u>(46,810,555)</u> | <u>(41,785,432)</u> |
| | <u>39,272,741</u> | <u>35,767,301</u> |
| | <u>\$ 50,663,951</u> | <u>\$ 48,206,346</u> |

(Continued)

INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
(A COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS
MARION COUNTY GOVERNMENT REPORTING ENTITY)
NOTES TO FINANCIAL STATEMENTS
December 31, 2003 and 2002

NOTE 11 - BENEFIT PLANS (Continued)

Annual Pension Cost and Net Pension Obligation: Because the Plan was frozen as of December 31, 1997, and because, before the freeze, the contribution requirements were not actuarially determined, many of the accounting and disclosure requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, are not applicable. There are no annual required contributions for 2003 and 2002 and no annual pension cost. IPTC has determined that it has no pension liability (asset) at transition as defined by GASB Statement No. 27.

The Plan's obligations exceeded the market value of its assets by approximately \$9,329,685 and \$11,504,000 at December 31, 2003 and 2002. This obligation remains that of the Plan rather than of IPTC. In the event that the Plan does not attain full funding, the net assets of the Plan will first be applied to repay individual employee contributions in excess of any employee contributions previously disbursed. The remainder of net assets will be distributed in the proportion that each employee's actuarially determined accrued benefit has to the accrued benefits of all covered employees.

The pension obligation was determined as part of the December 31, 2003 actuarial valuation using the aggregate actuarial cost method. The actuarial assumptions included (a) 7% investment rate of return (net of administrative expenses) and (b) projected salary increases of 0% due to the Plan's freeze as of December 31, 1997. No inflation component has been considered. The projected benefit equals the employee's actual benefit (based on total compensation through December 31, 1997) with no future benefit accruals.

Three-year trend information for the plan reflects that IPTC has no annual pension cost or net pension obligation.

NOTE 12 - SUBSEQUENT EVENTS

In March 2004, IPTC approved a resolution to issue notes payable designated as "Indianapolis Public Transportation Taxable Notes of 2004" in an aggregate amount of \$5,000,000. The notes are to be purchased by the Indianapolis Local Public Improvement Bond Bank (Bond Bank) from proceeds of Bond Bank Notes with Bank One, NA. The notes have a five-year term with the first two years at a fixed rate of 2.51% and the final three years at variable rate based on the LIBOR rate plus 40 basis points. The purpose of the transaction is to provide a revolving line of credit to be used for operating cash flow.

INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
(A COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS
MARION COUNTY GOVERNMENT REPORTING ENTITY)
NOTES TO FINANCIAL STATEMENTS
December 31, 2003 and 2002

NOTE 11 - BENEFIT PLANS (Continued)

Defined Benefit Pension Plan:

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

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

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

Normal retirement benefits are payable for employees who have attained age 65 and completed 15 years of service. Early retirement benefits are available for employees who have attained age 55 and completed 15 years of continuous service. Employees are considered 100% vested upon reaching early retirement eligibility. Prior to December 31, 1997, the normal retirement benefit was equal to 2 3/4% of total employee earnings since January 1, 1950, plus 3/4% of the average annual earnings of the occupation group to which the employee belonged for the five years preceding 1950, multiplied by the years of continuous service prior to 1950.

Early retirement benefits were available at reduced amounts. Participating employees contributed 3 1/2% of total compensation to the Plan, and the IPTC contributed 3 1/2% of the total compensation of the participating employees. Employees' contributions plus interest is to be refunded in the event of separation of service or death.

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

(Continued)

INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
(A COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS
MARION COUNTY GOVERNMENT REPORTING ENTITY)
STATEMENTS OF NET ASSETS
December 31, 2003 and 2002

| | 2003 | 2002 |
|---|----------------------|----------------------|
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities - payable from current assets | | |
| Accounts and contracts services payable | \$ 1,934,479 | \$ 1,045,019 |
| Accrued payroll and benefits | 2,541,821 | 2,449,201 |
| Unredeemed fares | 137,000 | 126,433 |
| Current maturities of capital lease obligation (Note 6) | 2,566,646 | 2,566,646 |
| Federal grantor reimbursement payable (Note 10) | 2,993,912 | 2,993,912 |
| Risk management - unpaid claims (Note 7) | <u>1,110,531</u> | <u>1,748,292</u> |
| Total current liabilities - payable from current assets | <u>11,284,389</u> | <u>10,929,503</u> |
| Current Liabilities - payable from restricted assets | | |
| Current maturities of bonds payable (Note 5) | 815,000 | 750,000 |
| Accrued interest payable on bonds | <u>-</u> | <u>26,946</u> |
| | 815,000 | 776,946 |
| Long-Term Liabilities - payable from restricted assets | | |
| Premium on bonds payable | 46,093 | 49,639 |
| Bonds payable, net of current maturities (Note 5) | <u>15,965,000</u> | <u>16,780,000</u> |
| | <u>16,011,093</u> | <u>16,829,639</u> |
| Total liabilities | <u>28,110,482</u> | <u>28,536,088</u> |
| Net Assets | | |
| Invested in capital assets, net of related debt | 20,127,507 | 15,899,438 |
| Restricted | 5,385,503 | 6,808,589 |
| Unrestricted | <u>(2,959,541)</u> | <u>(3,037,769)</u> |
| Total net assets | <u>22,553,469</u> | <u>19,670,258</u> |
| Total liabilities and net assets | <u>\$ 50,663,951</u> | <u>\$ 48,206,346</u> |

See accompanying notes to financial statements.

INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
(A COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS
MARION COUNTY GOVERNMENT REPORTING ENTITY)
STATEMENTS OF REVENUE, EXPENSE AND CHANGES IN NET ASSETS
Years ended December 31, 2003 and 2002

| | <u>2003</u> | <u>2002</u> |
|--|----------------------|----------------------|
| Operating revenue | | |
| Passenger fares | \$ 6,340,099 | \$ 5,994,095 |
| Special service | 335,323 | 324,554 |
| Advertising | <u>281,858</u> | <u>224,062</u> |
| | <u>6,957,280</u> | <u>6,542,711</u> |
| Operating expense | | |
| Transportation | 23,823,482 | 22,375,883 |
| Maintenance of equipment, including fuel | 9,104,044 | 7,395,227 |
| Administrative and general | 5,016,828 | 4,222,143 |
| Claims and insurance | 997,305 | 1,079,506 |
| Depreciation | <u>5,421,162</u> | <u>5,346,537</u> |
| | <u>44,362,821</u> | <u>40,419,296</u> |
| Operating loss | (37,405,541) | (33,876,585) |
| Nonoperating revenue (expense) | | |
| Operating assistance: | | |
| Property and excise tax (Note 8) | 12,436,134 | 10,979,494 |
| Municipalities | 10,402,650 | 9,863,270 |
| FTA and local operating and planning grants, and preventative maintenance funding | 10,737,532 | 8,994,512 |
| Other net revenues (expenses) (Note 9) | <u>(742,904)</u> | <u>(663,272)</u> |
| Total nonoperating revenue (expense) | <u>32,833,412</u> | <u>29,174,004</u> |
| Net income (loss) before capital contributions | (4,572,129) | (4,702,581) |
| Contributions - capital grants | <u>7,455,340</u> | <u>650,000</u> |
| Net income (loss) | 2,883,211 | (4,052,581) |
| Net assets, beginning of year | <u>19,670,258</u> | <u>23,722,839</u> |
| Net assets, end of year | <u>\$ 22,553,469</u> | <u>\$ 19,670,258</u> |

See accompanying notes to financial statements.

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NOTE 11 - BENEFIT PLANS

Defined Contribution Plan: IPTC maintains a defined-contribution plan, the Indianapolis Public Transportation Corporation Pension Plan, for the benefit of substantially all of its employees. All employees who are regularly scheduled to work at least 30 hours per week become eligible for the Plan on the first day of the month following commencement of employment or completion of any applicable probationary period. The Plan may be amended by action of IPTC's Board of Directors, subject to any applicable collective bargaining obligations. The Plan requires both employer and employee contributions at the rate of 3.5% of compensation. Plan participants and IPTC each contributed approximately \$608,559 and \$556,000 to the Plan for 2003 and 2002 (a total of \$1,217,118 and \$1,112,000).

Deferred Compensation Plan: IPTC maintains an IRS Code Section 457 plan, the Indianapolis Public Transportation Corporation Deferred Compensation Plan. All employees become eligible to participate in the Plan on the first day of the second month following commencement of employment or completion of any applicable probationary period. The Plan allows for employee contributions only. Plan assets are held in a trust separate from IPTC's assets. Contributions by employees to the Plan were approximately \$191,481 and \$184,000 for the years ended December 31, 2003 and 2002.

Other Postretirement Benefits: In addition to providing pension benefits, IPTC provides certain health care and life insurance benefits to retired employees for actual costs up to \$900 per year. These postretirement benefits are covered by a collective bargaining agreement between IPTC and Local 1070 of the Amalgamated Transit Union (ATU). Substantially all employees may become eligible for those benefits if they reach normal retirement age while working for IPTC. Approximately 109 and 119 employees met these eligibility requirements at December 31, 2003 and 2002. The cost of retiree health care and life insurance benefits is recognized as expense when paid. Those costs totaled approximately \$78,000 and \$76,000 for the years ended December 31, 2003 and 2002.

During 1996, IPTC offered certain employees fully paid medical benefits until retirement age as an incentive for early retirement. There are 32 retirees receiving these benefits, which IPTC has recorded expenses of approximately \$26,000 and \$24,000 for the years ended December 31, 2003 and 2002.

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NOTE 10 - COMMITMENTS AND CONTINGENCIES

Grant Agreements: Under the terms of its grants, IPTC is subject to review by grantors and certain costs may be challenged as to allowability resulting from noncompliance with federal and state statutes or failure to abide by any of the terms and conditions of the agreements. Such reviews could lead to reimbursement to the grantor agency.

The FTA conducted a special review of IPTC grant agreements and provided a final report dated January 23, 2003. The stated purpose of the review was to reconcile specific grant programs and summarize allowable, unallowable, and reclassified costs on grants with activities both during the current year and during prior years. The final report documented unallowable costs of \$2,993,912 and requests that IPTC propose a payment plan within a three-year timeframe at an interest rate of 2.00%. IPTC has recorded a current liability of \$2,993,912 at December 31, 2003 and 2002. Findings related to the following grants and years:

| | <u>2001</u> | Prior Grant <u>Periods</u> | <u>Total</u> |
|---------------|-------------------|-------------------------------|---------------------|
| IN 90-X278-01 | \$ 3,296 | \$ 547,679 | \$ 550,975 |
| IN 90-X293-01 | 521,609 | 1,641,118 | 2,162,727 |
| IN 90-X307-01 | <u>280,210</u> | <u>-</u> | <u>280,210</u> |
| | <u>\$ 805,115</u> | <u>\$ 2,188,797</u> | <u>\$ 2,993,912</u> |

IPTC has responded to the final report with an appeal letter to FTA dated February 27, 2003. The appeal requests substituting a progress in lieu of payment remedy whereby the amount demanded would be deemed satisfied and forgiven in increments during time periods when IPTC demonstrated substantial compliance, as defined and tested by FTA, with an agreed-upon remediation plan. FTA replied to the appeal letter on June 12, 2003 stating that FTA’s appeal process allows only for review of dispute of findings related to the allowable cost of the grants. FTA stated that unless IPTC can establish that the questioned expenditures were allowable, they constitute a debt of the United States and FTA does not have the legal authority to grant a request to forego collection of the debt.

Other Commitments and Contingencies: Various claims and lawsuits arising from the normal course of business are pending against IPTC. The nature of the IPTC’s operations sometimes subjects the IPTC to litigation resulting from workmen’s compensation claims, and property damages and personal injury. General Counsel for the IPTC is of the opinion that ultimate settlement of such claims in excess of insurance coverage will not result in a material adverse effect on IPTC’s financial statements as of December 31, 2003 and 2002. IPTC has recorded an estimated liability for risk management unpaid claims of \$1,110,531 and \$1,748,292 at December 31, 2003 and 2002.

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STATEMENTS OF CASH FLOWS
Years ended December 31, 2003 and 2002

| | <u>2003</u> | <u>2002</u> |
|--|--------------------|--------------------|
| Cash flows from operating activities | | |
| Receipts from customers | \$ 6,967,847 | \$ 6,571,203 |
| Payments for transportation | (23,730,862) | (21,652,749) |
| Payments for maintenance of equipment, including fuel | (8,350,342) | (8,288,734) |
| Payments for general and administrative | (5,016,828) | (4,052,143) |
| Claims paid by outsiders | <u>(1,810,375)</u> | <u>(1,918,720)</u> |
| Net cash used by operating activities | (31,940,560) | (29,331,143) |
| Cash flows from noncapital financing activities | | |
| Property and excise tax distributions | 12,436,134 | 10,979,494 |
| Assistance from municipalities | 9,869,372 | 9,863,270 |
| FTA operating assistance | <u>10,093,560</u> | <u>9,554,485</u> |
| Net cash provided by noncapital financing activities | 32,399,066 | 30,397,249 |
| Cash flows from capital and related financing activities | | |
| Capital grant receipts | 7,455,340 | 2,084,988 |
| Purchases of capital assets | (8,926,608) | (76,695) |
| Proceeds from bond payable | - | 5,000,000 |
| Cash from proceed of sale of capital assets | - | 130,961 |
| Net bond related costs | (8,087) | (138,880) |
| Principal paid in capital debt | (750,000) | (5,210,000) |
| Interest paid on capital debt | <u>(810,296)</u> | <u>(734,067)</u> |
| Net cash provided (used) by capital and related financing activities | (3,039,651) | 1,056,307 |
| Cash flows from investing activities | | |
| Purchase of investments | (36,757) | (275,127) |
| Interest received on cash and investments | <u>67,398</u> | <u>127,327</u> |
| Net cash provided (used) by investing activities | <u>30,641</u> | <u>(146,800)</u> |
| Net increase (decrease) in cash and cash equivalents | (2,550,504) | 1,975,613 |

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INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
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STATEMENTS OF CASH FLOWS
Years ended December 31, 2003 and 2002

| | <u>2003</u> | <u>2002</u> |
|--|-------------------------------|-------------------------------|
| Net increase (decrease) in cash and cash equivalents | \$ (2,550,504) | \$ 1,975,613 |
| Cash and cash equivalents, beginning of year | <u>5,695,025</u> | <u>3,719,412</u> |
| Cash and cash equivalents, end of year | <u><u>\$ 3,144,521</u></u> | <u><u>\$ 5,695,025</u></u> |
| Summary of unrestricted and restricted cash and cash equivalents: | | |
| Unrestricted cash | \$ 1,885,894 | \$ 2,689,559 |
| Restricted - Fixed asset acquisition accounts | 730,016 | 2,203,859 |
| Restricted - Debt service accounts | 5,084 | 209,118 |
| Restricted - Liability reserve accounts | <u>523,527</u> | <u>592,489</u> |
| Total cash and cash equivalents | <u><u>\$ 3,144,521</u></u> | <u><u>\$ 5,695,025</u></u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities | | |
| Operating income (loss) | \$ (37,405,541) | \$ (33,876,585) |
| Adjustments to reconcile income to net cash: | | |
| Depreciation expense | 5,421,162 | 5,346,537 |
| Change in assets and liabilities | | |
| Non-transportation receipts | - | 6,671 |
| Sale of capital assets | - | 72,749 |
| Accounts receivable | - | 110,278 |
| Inventory | (134,410) | (388,238) |
| Deposits and prepaids | (176,657) | 149,981 |
| Accounts payable | 889,460 | (485,250) |
| Accrued payroll and benefits | 92,620 | 723,134 |
| Unredeemed fares | 10,567 | (151,208) |
| Risk management | <u>(637,761)</u> | <u>(839,214)</u> |
| Net cash provided (used) by operating activities | <u><u>\$ (31,940,560)</u></u> | <u><u>\$ (29,331,143)</u></u> |

See accompanying notes to financial statements.

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NOTE 8 - PROPERTY TAXES

IPTC receives substantial funding through property taxes. Property tax revenues represent a portion of the local subsidy for operations, through a separate levy, that are used to pay the bond principal and interest when due.

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

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

NOTE 9 - OTHER NON-OPERATING REVENUE (EXPENSE)

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

| | <u>2003</u> | <u>2002</u> |
|--|----------------------------|----------------------------|
| Other revenues: | | |
| Interest income | \$ 74,508 | \$ 128,327 |
| Gain on sale of fixed assets | - | 130,961 |
| Discounts taken | 28,205 | 11,492 |
| Miscellaneous | <u>49,872</u> | <u>48,914</u> |
| | <u>152,585</u> | <u>319,694</u> |
| Other expenses: | | |
| Bad debt expense | (25,416) | (95) |
| Interest - payable from restricted debt service assets | (810,296) | (760,993) |
| Interest - payable from unrestricted assets | (37,369) | (168,220) |
| Amortization of bond issue costs | (22,408) | (8,346) |
| Miscellaneous | <u>-</u> | <u>(45,312)</u> |
| | <u>(895,489)</u> | <u>(982,966)</u> |
| | <u><u>\$ (742,904)</u></u> | <u><u>\$ (663,272)</u></u> |

(Continued)

NOTE 7 - 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. There were no significant reductions in insurance coverage during 2003 and 2002 and there were no settlements that exceeded insurance coverage during 2003 and 2002.

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

Estimates of expected losses to IPTC resulting from personal injuries for which claims have been filed or for which it is anticipated claims will be filed have been provided for in the financial statements. Litigation occasionally results from such claims. When, in the opinion of management, such litigation will result in a loss to IPTC, provision is made in the financial statements for loss expected upon resolution.

Detail of the claims liability, based upon the requirements of GASB Statement No. 10, is provided below. This Statement requires that a liability for claims be reported if information before the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the liability can be reasonably estimated. The liability is estimated based upon historical experience. There is no significant incremental claim adjustment expense, salvage, or subrogation attributable to this liability. Activity for the years ended December 31, 2003 and 2002 was as follows:

| | <u>2003</u> | <u>2002</u> |
|--|---------------------|---------------------|
| Unpaid claims, beginning of year | \$ 1,748,292 | \$ 2,587,506 |
| Incurred claims and changes in claim estimates | 753,021 | 1,016,403 |
| Claim payments | <u>(1,390,782)</u> | <u>(1,855,617)</u> |
| Unpaid claims, end of year | <u>\$ 1,110,531</u> | <u>\$ 1,748,292</u> |

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: 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. IPTC's purpose is to acquire, provide and maintain an urban mass transportation system for the metropolitan Indianapolis area.

IPTC operates in one business segment, public transportation, as an enterprise fund. Management of IPTC has determined that it is a component unit of the Consolidated City of Indianapolis-Marion County Government Reporting Entity in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 and is considered financially accountable to such reporting entity.

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

IPTC has a pension plan covering substantially all of its full-time employees. The plan assets are separately maintained with a bank as trustee. The plan is administered by a pension fund committee consisting of two members appointed by the IPTC and two members appointed by Local 1070 of the Amalgamated Transit Union. The accompanying financial statements do not include the accounts of the pension plan.

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

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change in Accounting: IPTC adopted the provisions of GASB Statement 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, (Statement 34) and GASB Statement 33, *Accounting and Financial Reporting from Nonexchange Transactions* (Statement 33) for the year ended December 31, 2003. The financial statements for the year ended December 31, 2002 have been restated. Statement 34 establishes financial reporting standards for all state and local governments and related entities. For IPTC, Statement 34 primarily relates to presentation and disclosure requirements and had no impact on net assets. The impact was on the presentation of net assets and cash flows and the inclusion of the managements discussion and analysis and other required supplemental information. Statement 33 requires proprietary funds to recognize capital contributions as revenues, not as direct additions to contributed capital.

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

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

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

Revenue Recognition: Passenger fares and charter revenues 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 and debt service.

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NOTE 6 - CAPITAL AND OPERATING LEASES

Capital Lease: During 1997, the IPTC entered into a service contract with ATE (now First Transit) that included the acquisition of 33 EuroTran buses and to provide services for certain bus routes. This acquisition was accounted for as a capital lease with minimum lease payments scheduled through January 2002. In December 1999, IPTC ceased payment on the bus acquisition element of the contract after asserting that ATE breached its contract. The contract matter is currently being litigated.

The capital lease is recorded as a current liability at December 31, 2003 and 2002 of \$2,566,646, which represents the remaining principal portion of minimum lease payments plus accrued interest under the original contract through December 31, 2001. However, the ultimate liability under this contract may change depending upon the outcome of the litigation.

At December 31, 2003 and 2002, the EuroTran buses are carried at management's estimate of net realizable value of \$49,500, which is the estimated amount at which an asset could be bought or sold in a current transaction between willing parties, or quoted market prices in an active market, less selling expenses. In 2001, IPTC recorded an impairment loss of \$1,221,322 related to the Euro Tran buses because management of IPTC assessed that the buses failed to perform as would be reasonably expected for buses of comparable age and service.

Operating Leases: IPTC is obligated under certain leases through March 2006 for the Transit Store and office equipment that are accounted for as operating leases. The following is a schedule of future minimum leases payments required under operating leases that have initial or remaining lease terms in excess of one year as of December 31, 2003:

Year Ending December 31:

| | |
|------|-------------------|
| 2004 | \$ 64,736 |
| 2005 | 74,736 |
| 2006 | 22,678 |
| 2007 | <u>2,340</u> |
| | <u>\$ 164,490</u> |

Lease rental expense for the years ended December 31, 2003 and 2002 was \$50,110 and \$53,105.

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NOTE 5 - LONG-TERM DEBT (Continued)

Interest expense on the Indianapolis Local Public Improvement Bond Bank Bonds, Series 1999C was \$598,448 and \$715,200 for the years ended December 31, 2003 and 2002.

Indianapolis Local Public Improvement Bond Bank Bonds, Series 2002 - The Indianapolis Local Public Improvement Bond Bank Bonds, Series 2002, dated December 18, 2002, were issued in the aggregate principal amount of \$5,000,000, at a premium of \$49,626. The Series 2002C Bonds were used to purchase 26 transit coaches and 62 paratransit coaches, in addition to funding preventative maintenance costs, the replacement and expansion of radio system and other facility rehabilitation. Bond proceeds were also used to redeem the 2001 Bond Anticipation Note. The Series 2002C Bonds bear interest rates varying from 2.25 to 5.125%, payable on January 10 and July 10 commencing July 10, 2003 and have serial maturities from 2005 through 2017. The Series 2002C Bonds maturing on or after January 10, 2013 may be redeemed on or after January 10, 2012, at the redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the date of redemption.

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

| <u>Years Ending December 31</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|---------------------|---------------------|---------------------|
| 2004 | \$ 230,000 | \$ 211,849 | \$ 441,849 |
| 2005 | 230,000 | 206,674 | 436,674 |
| 2006 | 225,000 | 200,694 | 425,694 |
| 2007 | 215,000 | 193,943 | 408,973 |
| 2008 | 225,000 | 186,956 | 411,956 |
| Thereafter | <u>3,875,000</u> | <u>1,111,955</u> | <u>4,986,955</u> |
| | <u>\$ 5,000,000</u> | <u>\$ 2,112,071</u> | <u>\$ 7,112,071</u> |

Interest expense on the Indianapolis Local Public Improvement Bond Bank Bonds, Series 2002C was \$224,795 and \$0 for the year ended December 31, 2003 and 2002.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The primary source of assistance from municipalities is revenue earned under a contract with the City of Indianapolis whereby IPTC provides certain fixed route services under a purchase-of-service agreement. Funds provided by governmental authorities for capital and operating assistance are recorded when earned.

Cash Equivalents: For purposes of the statement of cash flows, IPTC considers all liquid investments (including restricted assets) with maturity of three months or less when purchased to be cash equivalents. At December 31, 2003 and 2002, cash equivalents consisted of demand obligations.

Investments: In accordance with Indiana Code Section 5-12 et sequal, it is the policy of the IPTC to deposit public funds into the depositories approved by the Marion County Board of Finance. IPTC is further authorized by statute to invest in obligations of the U. S. Treasury and U. S. Agencies, certificates of deposit, repurchase agreements, passbook savings, money market deposit accounts, and negotiable order of withdrawal accounts. It is the 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.

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

Restricted Assets: Certain cash and investment balances are restricted as follows:

Fixed Asset Acquisition Accounts: Proceeds from the sale of the Indianapolis Local Public Improvement Bond Bank Bonds, Series 1999C and Series 2002C issued by the Indianapolis Local Public Improvement Bond Bank are restricted to expenditures for the acquisition of additional revenue vehicles and other capital equipment.

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

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

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Depreciation on the portion of the cost of assets attributable to federal, state and local capital grants is transferred to the respective capital grant net asset balance from unreserved retained earnings.

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

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NOTES TO FINANCIAL STATEMENTS
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NOTE 5 - LONG-TERM DEBT (Continued)

Changes in long-term debt were as follows:

| | Balance January 1, 2003 | <u>Changes During Year</u> | | Balance December 31, 2003 |
|----------------|-------------------------------|----------------------------|---------------------|---------------------------------|
| | | <u>Additions</u> | <u>Reductions</u> | |
| Long-term debt | \$ <u>17,530,000</u> | \$ <u>-</u> | \$ <u>(750,000)</u> | \$ <u>16,780,000</u> |

| | Balance January 1, 2002 | <u>Changes During Year</u> | | Balance December 31, 2002 |
|----------------|-------------------------------|----------------------------|-----------------------|---------------------------------|
| | | <u>Additions</u> | <u>Reductions</u> | |
| Long-term debt | \$ <u>17,740,000</u> | \$ <u>5,000,000</u> | \$ <u>(5,210,000)</u> | \$ <u>17,530,000</u> |

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

The remaining Series 1999C Bonds bear interest rates varying from 3.95 to 5.00%, payable on January 10 and July 10 of each of the years 2001 to 2016. The Series 1999C Bonds maturing on or after January 10, 2010 may be redeemed on or after January 10, 2009, at the redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the date of redemption. Debt service requirements to maturity for the outstanding bonds are as follows:

| <u>Years Ending December 31</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|----------------------|---------------------|----------------------|
| 2004 | \$ 585,000 | \$ 568,822 | \$ 1,153,822 |
| 2005 | 650,000 | 539,573 | 1,189,573 |
| 2006 | 720,000 | 507,072 | 1,227,072 |
| 2007 | 805,000 | 471,073 | 1,276,073 |
| 2008 | 870,000 | 430,823 | 1,300,823 |
| Thereafter | <u>8,150,000</u> | <u>1,706,750</u> | <u>9,856,750</u> |
| | <u>\$ 11,780,000</u> | <u>\$ 4,224,113</u> | <u>\$ 16,004,113</u> |

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INDIANAPOLIS PUBLIC TRANSPORTATION CORPORATION
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NOTE 4 - CHANGES IN PROPERTY, PLANT AND EQUIPMENT (Continued)

| | Balance January 1, <u>2002</u> | <u>Changes During Year</u> | | Balance December 31, <u>2002</u> |
|--------------------------------|--------------------------------------|----------------------------|----------------------|--|
| | | <u>Additions</u> | <u>Reductions</u> | |
| Land and improvements | \$ 1,776,746 | \$ - | \$ - | \$ 1,776,746 |
| Buildings and improvements | 28,772,475 | - | - | 28,772,475 |
| Revenue vehicles and equipment | 48,375,736 | 18,000 | (5,877,275) | 42,516,461 |
| Other equipment | <u>4,560,250</u> | <u>58,695</u> | <u>(131,894)</u> | <u>4,487,051</u> |
| | <u>\$ 83,485,207</u> | <u>\$ 76,695</u> | <u>\$(6,009,169)</u> | <u>\$ 77,552,733</u> |

Under the category of revenue vehicles and equipment, IPTC has removed from service twenty-six Orion 40ft buses purchased in 1986 and 1987 and are available for sale. These vehicles, with a historical cost of approximately \$4,154,000, are fully depreciated.

NOTE 5 - LONG-TERM DEBT

Long-term debt consists of the \$14,530,000 Indianapolis Local Public Improvement Bond Bank Bonds, Series 1999C and \$5,000,000 Indianapolis Local Public Improvement Bond Bank Bonds, Series 2002C. The amounts outstanding at December 31, 2003 and 2002 are as follows:

| | <u>2003</u> | <u>2002</u> |
|--|----------------------|----------------------|
| Indianapolis Local Public Improvement Bond Bank Bonds, Series 1999C | \$ 11,780,000 | \$ 12,530,000 |
| Indianapolis Local Public Improvement Bond Bank Bonds, Series 2002C | <u>5,000,000</u> | <u>5,000,000</u> |
| | 16,780,000 | 17,530,000 |
| Current portion | <u>815,000</u> | <u>750,000</u> |
| Long term portion | <u>\$ 15,965,000</u> | <u>\$ 16,780,000</u> |

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents, and investments included in the statement of net assets at December 31, 2003 and 2002 consist of the following:

| | <u>2003</u> | <u>2002</u> |
|---------------------------|---------------------|----------------------|
| Unrestricted | \$ 1,885,894 | \$ 2,689,559 |
| Restricted | | |
| Fixed asset acquisition: | | |
| Cash and cash equivalents | 730,016 | 2,203,859 |
| Short term investments | 4,641,487 | 4,604,730 |
| Debt service | 5,084 | 209,118 |
| Liability reserve | <u>523,527</u> | <u>592,489</u> |
| | <u>\$ 7,786,008</u> | <u>\$ 10,299,755</u> |

The carrying values of deposits and investment securities by type of investment are:

| | <u>2003</u> | <u>2002</u> |
|------------------------|---------------------|----------------------|
| Cash deposits | \$ 3,050,431 | \$ 5,601,935 |
| Demand obligations | 94,090 | 93,090 |
| Short term investments | <u>4,641,487</u> | <u>4,604,730</u> |
| | <u>\$ 7,786,008</u> | <u>\$ 10,299,755</u> |

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

Cash Deposits: IPTC maintains cash deposits with area financial institutions. A summary of these deposits at December 31, 2003 and 2002 is as follows:

| | <u>2003</u> | | <u>2002</u> | |
|---|-----------------------|---------------------|-----------------------|---------------------|
| | <u>Carrying Value</u> | <u>Bank Balance</u> | <u>Carrying Value</u> | <u>Bank Balance</u> |
| On hand | \$ 1,000 | \$ - | \$ 1,000 | \$ - |
| On deposit | | | | |
| Insured by FDIC | 100,000 | 100,000 | 100,000 | 100,000 |
| Insured by Indiana Public Deposits Insurance Fund | <u>2,949,431</u> | <u>4,172,776</u> | <u>5,500,935</u> | <u>5,768,176</u> |
| | <u>\$ 3,050,431</u> | <u>\$ 4,272,776</u> | <u>\$ 5,601,935</u> | <u>\$ 5,868,176</u> |

IPTC's deposits at year-end were entirely covered by federal depository insurance or Indiana public depository insurance. The Indiana Public Deposits Insurance Fund is a multiple financial institution collateral pool as provided under Indiana Code, Section 5-13-12 et. seq. This Fund conforms to the requirements of GASB Statement 3, paragraph 11, which describes criteria for determining whether deposits are fully insured.

Investments: IPTC's investments are categorized below to give an indication of the level of risk it has assumed at year-end. Category 1 includes investments that are insured or registered, or securities held by IPTC or its agent in IPTC's name. Category 2 includes uninsured and unregistered investments for which the underlying securities are held by the counterparty's agent in IPTC's name. Category 3 includes uninsured and unregistered investments for which the underlying securities are held by the counterparty but not in IPTC's name.

| | <u>Category</u> | | | <u>Carrying Value</u> |
|--------------------|---------------------|-------------|------------------|-----------------------|
| | <u>1</u> | <u>2</u> | <u>3</u> | |
| <u>2003</u> | | | | |
| Demand obligations | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 94,090</u> | <u>\$ 94,090</u> |
| Money market funds | <u>\$ 4,641,487</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,641,487</u> |
| <u>2002</u> | | | | |
| Demand obligations | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 93,090</u> | <u>\$ 93,090</u> |
| Money market funds | <u>\$ 4,604,730</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,604,730</u> |

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NOTE 3 - FEDERAL GRANTS RECEIVABLE AND OTHER RECEIVABLES

Federal grants receivable consisted of the following at December 31, 2003 and 2002. Management has not made a provision for an allowance for uncollectible accounts.

| | <u>2003</u> | <u>2002</u> |
|---|---------------------|-------------------|
| Operating assistance | <u>\$ 1,126,548</u> | <u>\$ 482,576</u> |
| Other receivables relate to transportation related services with the following gross and net amounts: | | |
| | <u>2003</u> | <u>2002</u> |
| Other receivables | \$ 836,537 | \$ 400,196 |
| Allowance for uncollectible accounts | <u>(50,000)</u> | <u>(146,938)</u> |
| | <u>\$ 786,537</u> | <u>\$ 253,259</u> |

NOTE 4 - CHANGES IN PROPERTY, PLANT AND EQUIPMENT

A summary of changes in the cost of property, plant and equipment is as follows:

| | <u>Balance January 1, 2003</u> | <u>Changes During Year</u> | | <u>Balance December 31, 2003</u> |
|--------------------------------|--------------------------------|----------------------------|---------------------|----------------------------------|
| | | <u>Additions</u> | <u>Reductions</u> | |
| Land and improvements | \$ 1,776,746 | \$ 31,971 | \$ - | \$ 1,808,717 |
| Buildings and improvements | 28,772,475 | 10,001 | - | 28,782,476 |
| Revenue vehicles and equipment | 42,516,461 | 8,596,137 | (396,045) | 50,716,553 |
| Other equipment | <u>4,487,051</u> | <u>288,499</u> | <u>-</u> | <u>4,775,550</u> |
| | <u>\$ 77,552,733</u> | <u>\$ 8,926,608</u> | <u>\$ (396,045)</u> | <u>\$ 86,083,296</u> |

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